Station Support Department

10CFR 50.71

PECO ENERGY

PECO Energy Company
Nuclear Group Headquarters
965 Chesterbrook Boulevard
Wayne, PA 19087-5691

May 12, 1995

Docket Nos. 50-277
50-278
50-352
50-353

License Nos. DPR-44
DPR-56
NPF-39
NPF-85

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

SUBJECT: Peach Bottom Atomic Power Station, Units 2 & 3
Limerick Generating Station, Units 1 & 2
PECO Energy Company Annual Financial Statements

Dear Sirs:

Attached is the 1994 Annual Report of PECO Energy Company, operator of Peach Bottom Atomic Power Station and Limerick Generating Station.

This Annual Report contains the annual financial statements for 1994.

Very truly yours,

G. A. Hunger, Jr.

G. A. Hunger, Jr.,
Director-Licensing

Attachment

cc: T. T. Martin, Administration, Region 1, USNRC
N. S. Perry, USNRC Senior Resident Inspector, LGS
W. L. Schmidt, USNRC Senior Resident Inspector, PBAPS

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Harnessing

The

Winds

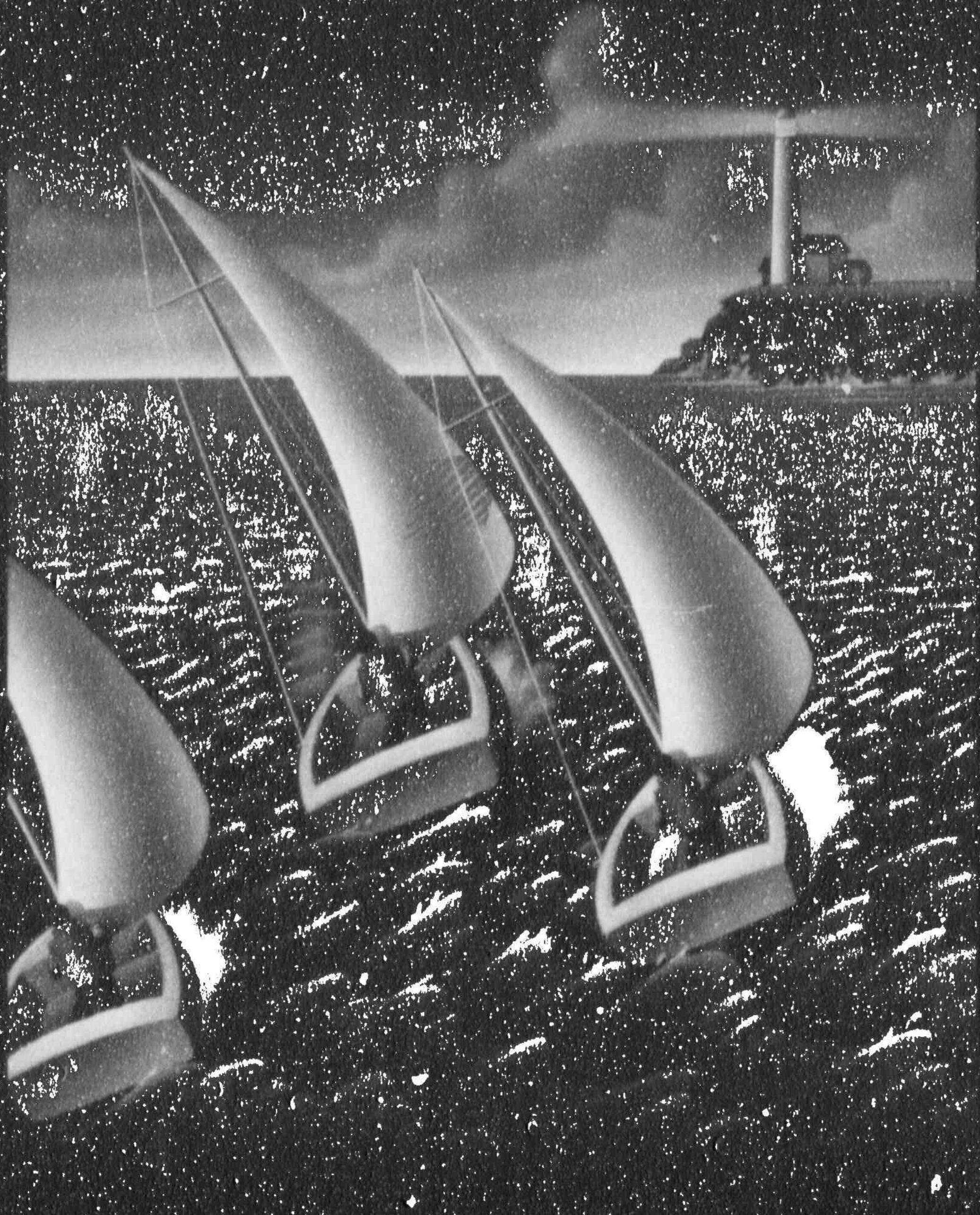
Of

Change

PECO Energy Company

1994

Annual Report



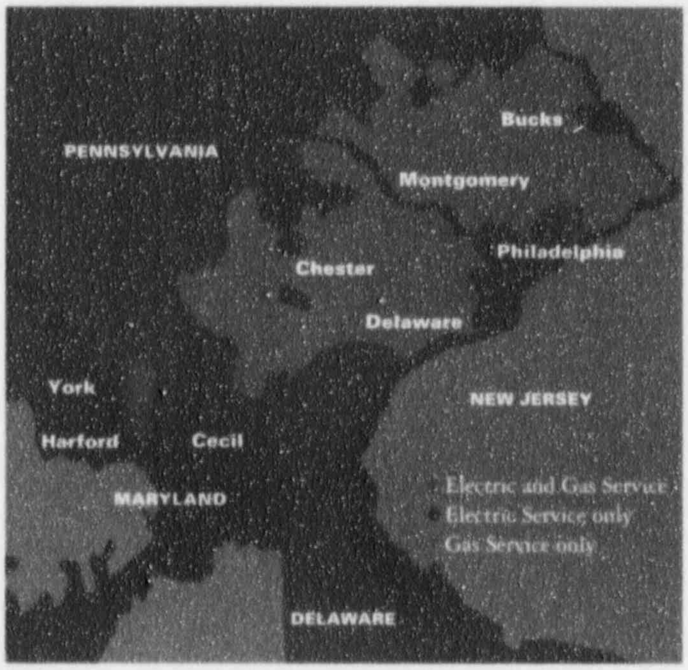
PECO ENERGY

Company Profile

PECO Energy Company is an operating utility which provides electric and gas service in southeastern Pennsylvania. Two subsidiaries own, and a third subsidiary operates, the Conowingo Hydroelectric Project, and one distribution subsidiary provides electric service in two counties in northeastern Maryland.

The total area served by the Company and subsidiaries covers 2,475 square miles. Electric service is supplied in an area of 2,340 square miles with a population of about 3,700,000, including 1,600,000 in the City of Philadelphia. Approximately 95 percent of the electric service area and 63 percent of kilowatthour sales are in the Philadelphia suburbs and in northeastern Maryland, and 5 percent of the service area and 37 percent of such sales are in the City of Philadelphia. Natural gas service is supplied to a population of about 1,900,000 in a 1,475-square-mile area of southeastern Pennsylvania adjacent to Philadelphia.

COMPANY SERVICE TERRITORY
COUNTIES SERVED



The year 1994, our first under the name of PECO Energy, will be remembered as one of mixed results for our Company.

Operationally, it was a very positive year as new records were set for both electric and gas sales, as our nuclear operations achieved milestones in safety and performance and as our energy supply organization responded to the worst ice storm to ever hit our service territory in a manner that achieved wide-spread customer compliments.

Financially, the Company continued to recover from the adverse 1990 Pennsylvania Public Utility Commission (PUC) rate order, allowing the dividend to be increased for the fourth consecutive year. However, earnings per share of $2.42, excluding a one-time charge, were 1% below the prior year. In addition, the market price of the Company's stock, as well as other utilities, decreased significantly as a result of higher interest rates and concerns about the potential for increased competition in the utility industry.

Including the effect of the one-time charge, 1994 earnings were $1.76 per share. On the positive side, sales to other utilities and in the residential and small commercial market increased over 1993. These gains were offset by reduced sales and lower prices in the large commercial and industrial market.

Strategically, the Company accelerated its plans and activities to prepare for a more competitive future. Major events included a voluntary retirement and separation program which was accepted by 27% of the employees, an industry-first decision to outsource a major part of our Information Systems activities, and a concentrated focus on developing new sales and marketing tools and techniques.

Watershed Year

On the national scene, this was a watershed year for the electric utility industry. The possibility of open competition in our industry took a significant step forward as a result of a proposal by the California Public Utilities Commission to permit utility customers in that state to have access to alternative electricity suppliers by the year 2002. This proposal, although still under study, has set off a series of reactions throughout the country. Utility companies have begun many initiatives to prepare for competition, state regulators are focusing on the issue and the stock market reacted negatively to the prospects of higher risks for the industry.

In April, the Pennsylvania PUC opened its own investigation to review the potential advantages and disadvantages of competition in the retail electricity market. The Company has taken the position that retail competition should not be enacted because it clearly would not produce net benefits for the overall public and could, in fact, reduce the reliability of electric supply and cause the market value of utility investments to erode. Most of the other parties to the PUC investigation support the position taken by the Company.

For PECO Energy, these regulatory events validate the numerous actions we have taken in recent years to build a stronger Company to meet the challenges of a competitive market which were discussed in last year's Annual Report. To reinforce our commitments, we adopted a new vision for the Company which has the goal of transforming PECO Energy into a competitive energy supplier with high customer loyalty by the year 2000 and to seek out emerging opportunities for growth which capitalize on our skills and assets.

Corbin A. McNeill, Jr.
President and
Chief Operating Officer

Joseph F. Paquette, Jr.
Chairman of the Board and
Chief Executive Officer

Becoming A Competitive Supplier With High Customer Loyalty

During 1994, a number of new steps were taken to improve the Company's cost effectiveness.

- The voluntary retirement and separation program will produce estimated savings in wages and benefits of approximately $66 million in 1995 and $100 million per year thereafter, but it required a one-time charge of $254 million ($145 million after taxes or about $0.66 per share) in 1994.
- The decision to outsource a significant part of our Information Systems Department, the first such major arrangement in our industry, will enable the Company to improve the level of IS technology throughout the Company while saving approximately $150 million over the life of the 10-year contract.
- Both the Limerick and Peach Bottom nuclear power plants achieved industry-best refueling outages of less than 36 days in 1994, a reduction of about 65% in just 2 years. Because of these and other improvements, the Company produced a record amount of nuclear energy, saving our customers over $500 million in fuel costs and resulting in a bonus of $14 million for our shareholders.
- A comprehensive review of administrative and general overhead costs identified over $50 million of potential savings which are expected to be realized by 1996.
- In order to build the high-performance work culture required to succeed in the competitive marketplace, standards are being raised for hiring and promotion and performance is becoming the driver for merit increases and incentive pay in more jobs.
- The Company has agreed not to request a base electric rate increase before April 1999 except for unusual circumstances.

The transition to a competitive environment will require new skills and techniques for satisfying customers' needs and increasing customer loyalty. During 1994 major progress was achieved on the reengineering of customer-related activities, and we began a complete reorganization of the way we service our major industrial and commercial customer accounts. Through the cooperation of the Pennsylvania PUC, the Company now has the flexibility to offer pricing alternatives for the large customer accounts which have competitive alternatives. We also initiated a study to reengineer the delivery of energy to our customers. This effort is expected to improve the efficiency of a major component of our cost structure.

We were fortunate to have been able to elect Robert Subin to the Board of Directors. Bob is Senior Vice President, Campbell Soup Company and President, Campbell Soup Company—Bakery and Confectionery Division. His extensive experience in consumer sales and marketing will provide valuable insights as we expand our marketing activities.

Emerging Opportunities

During the year we were also successful in exploring and implementing various emerging opportunities for growth by capitalizing on our existing strengths and assets. For example, we successfully completed, safely and ahead of schedule, the transfer of slightly irradiated nuclear fuel from the Shoreham, New York, nuclear power plant

to Limerick. This "win-win" transaction benefitted our shareholders to the extent of over $50 million (half in 1994) and will save $70 million in fuel costs for our customers over the next 15 years.

Our new strategic business units are building capabilities to profit from a variety of new activities such as becoming a major participant in the expanding national wholesale power business, developing customized energy solutions for larger retail customers, becoming a participant in the natural gas brokering business and contracting out our technical expertise.

Another area which contains interesting possibilities is in the telecommunications field. We are studying various alternatives for profitably utilizing the Company's infrastructure and customer base in this evolving and changing industry.

Top Management Succession

As a significant step in assuring an orderly management succession, the Board of Directors has announced its intention to elect Corbin McNeill to the additional position of Chief Executive Officer at the Company's Organization Meeting on April 12. I will continue as Chairman of the Board and Chairman of the Executive Committee and will focus on strategic issues as well as regulatory, legislative and financial activities until my retirement in 1997.

PECO Energy is extremely fortunate t Corbin McNeill, an executive with unique leadership skills and high person ards, available to lead the Company during the challenging years ahead. He has played an instrumental role in raising the level of performance of PECO Energy operations, especially its nuclear department, and has exhibited a focus on quality, an ability to manage change and a bias for customer satisfaction, all of which are essential for successful leadership in today's business environment.

Future Prospects

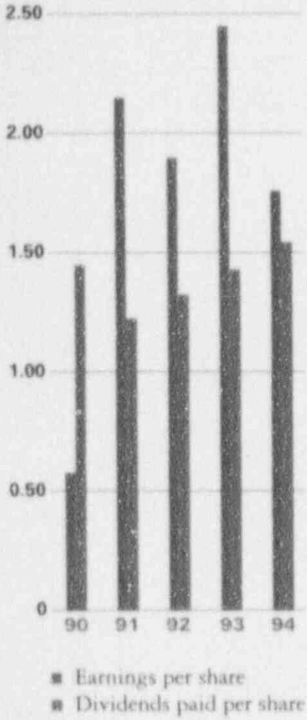
As I predicted in last year's report, the future is certainly turning out to be interesting and somewhat chaotic. Based on 1994 events, more of the same is in store. The cover on this year's Annual Report is intended to depict the challenging environment that exists today in the utility industry. Despite the obstacles and challenges that lie before us, I am convinced that PECO Energy has the resources and the determination to "harness the winds of change" as we move from today's choppy waters to a more stable future. Our employees are committed to the Company's success; our facilities are ample and efficient; and our strategic plan is credible and achievable. These strengths give us confidence that the years ahead will be successful.

We appreciate the support of our investors and are dedicated to enhancing the value of your investment in PECO Energy.

JF Paquette Jr

J. F. Paquette, Jr.
Chairman of the Board
and Chief Executive Officer
January 30, 1995

EARNINGS AND DIVIDENDS
(DOLLARS PER SHARE)



Financial and Operating Review

Earnings for the twelve months ended December 31, 1994 were $1.76 per share, which is $0.69 per share below last year. This decrease was primarily due to the one-time charge of $0.66 per share for the Company's special retirement and separation programs. Also contributing to the decrease in earnings were strategic and non-recurring operating and maintenance expenses. The decrease in earnings was partially offset by the benefits of the Company's ongoing debt and preferred stock refinancing and redemption program.

In October, the Board of Directors increased the annual common stock dividend by 7% from $1.52 to $1.62 per share, beginning with the December 1994 payment. This is the fourth increase since the 1990 dividend reduction and reflects the Company's continuing financial improvement.

Total electric sales increased 5% in 1994, setting a new record. This sales increase was primarily due to increased sales to other utilities and over 9,400 new customers. Natural gas sold and transported also set a record, increasing 7% primarily due to an increase in gas transported for others which was partially offset by lower interruptible sales.

PECO Energy to Sell Conowingo Power Company

In May, the Company announced that it had agreed to sell its Maryland retail electric subsidiary, Conowingo Power Company (COPCO), to Delmarva Power & Light Company (Delmarva) for $150 million. The sale of COPCO, which is subject to state and federal regulatory approvals, will bring value to Company shareholders while providing lower rates to COPCO customers. COPCO, with 1994 revenue of $78 million, supplies electric service to about 35,000 customers in portions of Cecil and Harford counties. Customer service functions now provided by COPCO to York County, PA customers will be provided by PECO Energy. The transaction includes a ten-year contract for PECO Energy to sell wholesale power to Delmarva. The COPCO sale does not involve the Conowingo Hydroelectric Station which is owned by Susquehanna Power Company, another PECO Energy subsidiary.

Rate Matters

In December, the Pennsylvania Public Utility Commission (PUC) approved a settlement which resolved the litigation concerning the Company's September 1992 request for a 1.5%, $50 million electric rate increase which the PUC had denied and the Company had appealed to the Commonwealth Court of Pennsylvania. Under the settlement, the Company was allowed to increase rates by $25 million (less than one percent) effective January 1, 1995 to cover postretirement benefits. As part of the

settlement, the Company agreed not to file for an electric base rate increase before April 1, 1999. This will extend to almost ten years the period from PECO Energy's last electric base rate filing to its next possible filing. During this period, the Company is permitted to file for recovery of certain cost increases beyond its control, such as fuel and taxes.

Also, in another December action, the PUC approved a petition concerning gas operations which recognizes the environmental costs for former manufactured gas plant sites ($1.5 million) and postretirement benefits ($2.8 million). These increased costs are being offset by a reduction in annual gas plant depreciation so that the net result is no increase in rates to gas customers.

Retirement and Separation Programs

The Company's commitment to cost reduction and continued cost control was evident again in 1994. In April, the Board of Directors approved a package of financial incentives that permitted eligible employees to participate in either a Voluntary Retirement Incentive Program (VRIP) or a Voluntary Separation Incentive Program (VSIP). In September, 2,482 employees, or 27% of the work force, accepted either VRIP or VSIP. To ensure an orderly transition, the retirements and separations are taking place in stages through December 31, 1995. The Company recorded a one-time, after-tax charge against earnings of approximately $145 million, or $0.66 per share, in the third quarter of 1994 to reflect the costs of these programs. The Company estimates that the savings of salaries and benefits will amount to approximately $100 million per year by 1996.

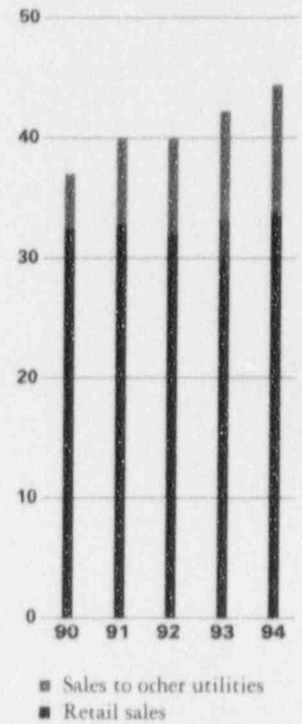
Power Sales Agreement Signed

During the second quarter, the Company finalized an agreement, subject to regulatory approval, to sell 140 megawatts of capacity and energy to Baltimore Gas and Electric Company for 25 years beginning in 1997. PECO Energy's successful bid was one of 28 bids submitted. The Company expects sales under this agreement to generate annual revenues of approximately $45 million, or at least $1.2 billion over the life of the contract.

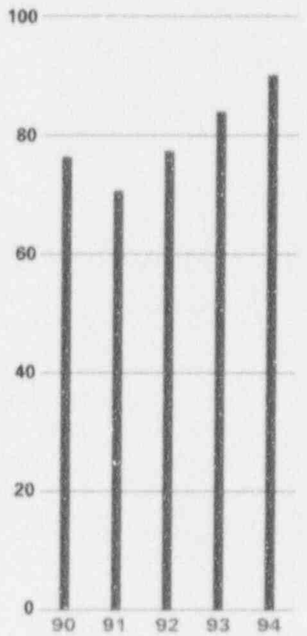
Extreme Weather Conditions Affect Customers

PECO Energy customers set records on January 18, 1994 for winter electric peak demand of 5,957 megawatts, up 7%, and on January 19, 1994 for daily gas sendout of 618 billion cubic feet, up 10%. In addition to meeting record demand, the Company successfully responded to a number of operating challenges caused by the extreme cold and ice. During the four-day period beginning January 7, 1994, a severe ice storm caused service interruptions to nearly 600,000 customers, the most in the Company's history. Most service was restored within two days. This storm was followed on January 17 by another ice storm that caused service interruptions to 120,000 customers.

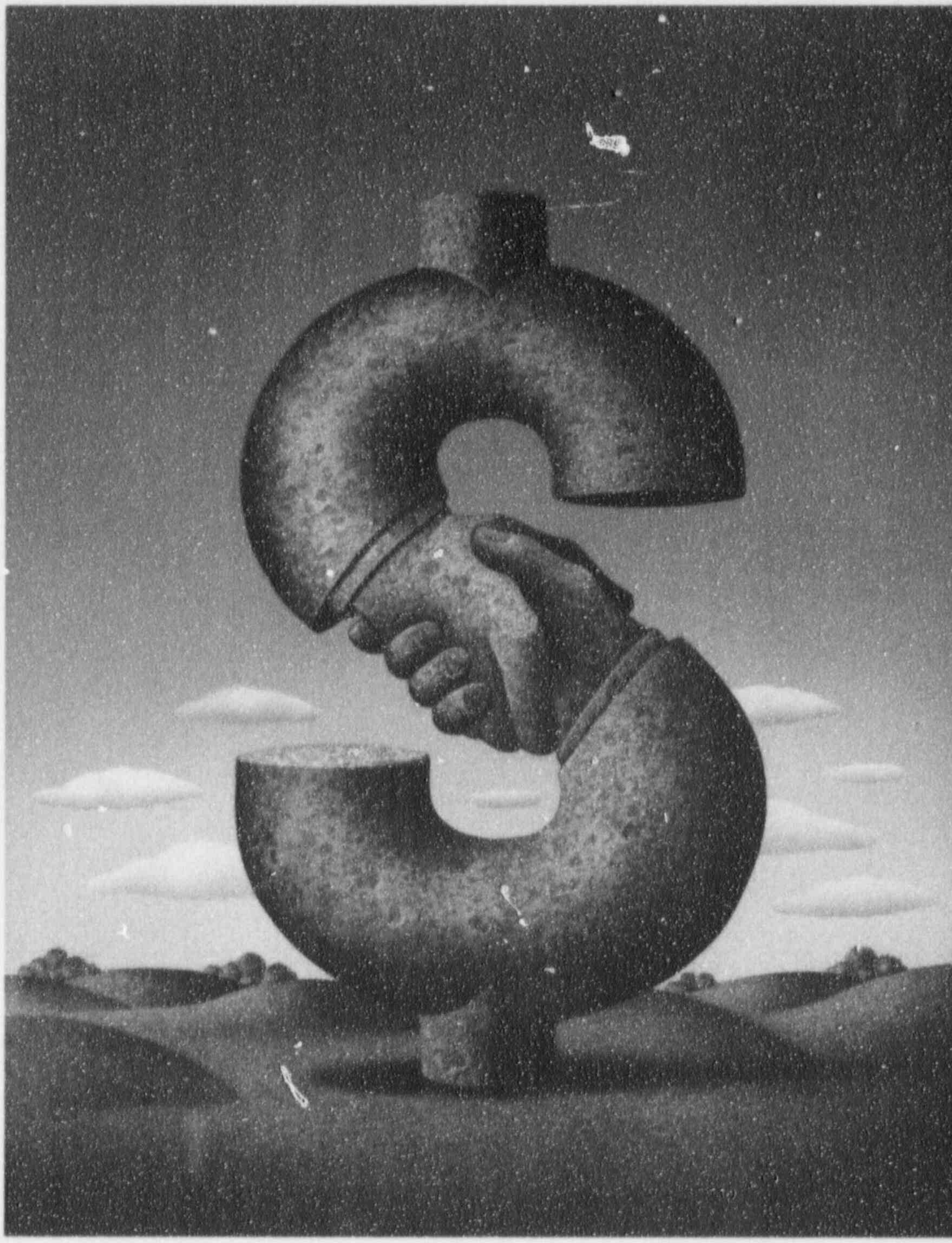
ELECTRIC SALES
(BILLION KILOWATTHOURS)



GAS SALES AND TRANSPORTED GAS
(BILLION CUBIC FEET)



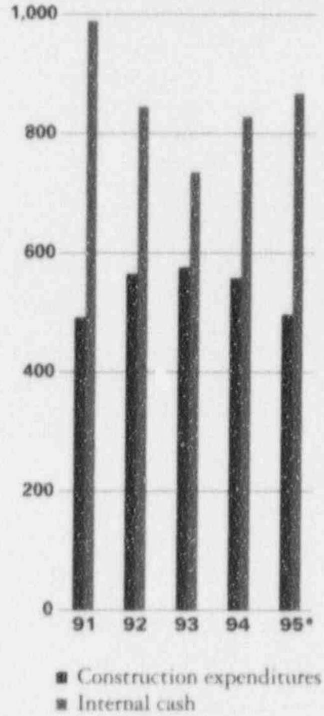
The Company has a dual approach to increasing shareholder value through improved financial performance. On the one hand, the Company continues to focus on the cost-cutting required to be competitive in the utility marketplace of the future. On the other hand, the Company is seeking innovative ways to increase revenue, such as entering into long-term contracts with key customers and increasing off-system sales.



Unprecedented winter electric demand throughout the service territories of the member companies of the Pennsylvania-New Jersey-Maryland Interconnection (PJM), the regional power pool, created severe demands on the companies' power systems. This demand, compounded by the unavailability of some of the companies' generating plants due to scheduled maintenance and difficulty in supplying fuel to fossil-fuel stations due to impassable rivers and roads, caused the PJM companies, including PECO Energy, to initiate 45-minute rolling blackouts on January 19. Nevertheless, throughout the cold spell, the Company's nuclear, hydroelectric and fossil-fuel plants performed in an outstanding manner and supported the energy requirements of the other utilities in the power pool.

On July 8, a new hourly record for electric energy use of 7,227 megawatts was established by the Company's customers, surpassing the record of 7,100 megawatts established on the same day in 1993.

CONSTRUCTION EXPENDITURES & INTERNAL CASH FLOW
(MILLION DOLLARS)



* Budget for 1995

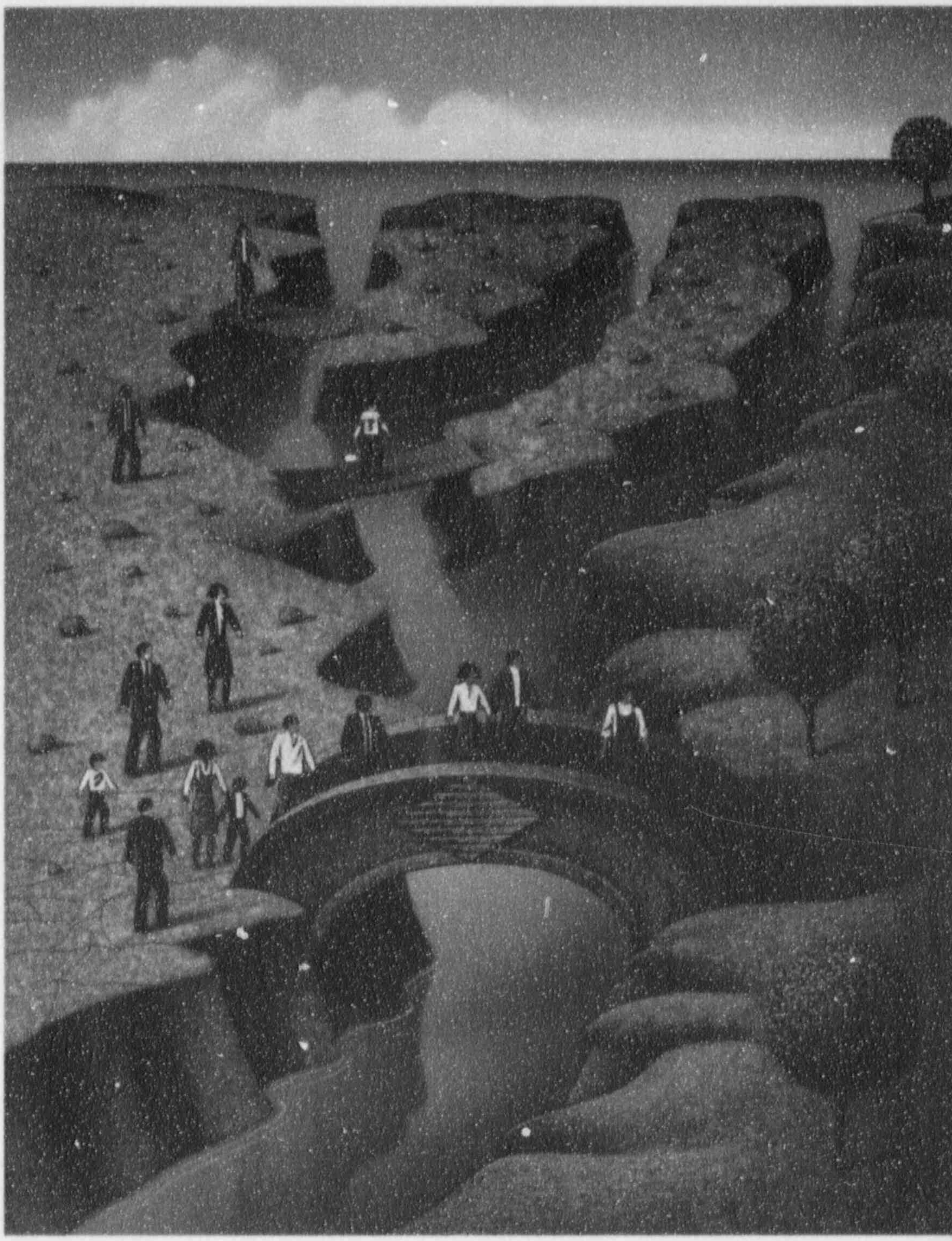
Nuclear Operations

The 1994 combined capacity factor for the Company-operated Limerick and Peach Bottom nuclear units was 89%. This capacity factor is not only well above the nuclear industry average but also exceeds the nuclear performance standard established by the PUC, enabling the Company to earn a performance bonus of $14 million, which is reflected in 1994 income.

Since it began operation, Limerick has been one of the top-rated U.S. plants, and Peach Bottom's performance continues to improve. Peach Bottom attained a Systematic Assessment of Licensee Performance (SALP) rating of "1" for Operations from the Nuclear Regulatory Commission for the first time in its 20 years of operation. This is a significant achievement, reflecting improved training, procedures and teamwork at the station.

In the first quarter of 1994, Limerick Unit No. 1 completed a refueling outage in slightly less than 36 days, the shortest ever for a U.S. boiling water reactor (BWR). In the fourth quarter, Peach Bottom Unit No. 2 completed a refueling outage in 35 1/2 days, surpassing the Limerick record and giving PECO Energy the two shortest refueling outages for comparable BWRs in the U.S. Only one similar European BWR has had a shorter refueling outage. The Company's shorter outages are a result of improved planning and coordination, innovative equipment and work practices, and streamlined management processes. A one-day reduction in nuclear outage time saves approximately $500,000 in fuel costs for Company customers.

The Company is committed to improving customer satisfaction and creating high customer loyalty. As our industry becomes more competitive, we will guide our customers to innovative solutions for all their energy needs. Excellence will be the hallmark of all our operations.



In June, the last of 33 shipments of slightly irradiated nuclear fuel from Shoreham Nuclear Power Station on Long Island, New York to Limerick was completed. The fuel transport was completed several months ahead of schedule and without incident. The Company's customers will realize an estimated $70 million in fuel savings over the next 15 years as the Shoreham fuel replaces, at no cost, fuel that otherwise would have been purchased. In addition to these savings, the Company was paid $50 million to accept the fuel.

Customer Satisfaction and Cost Control

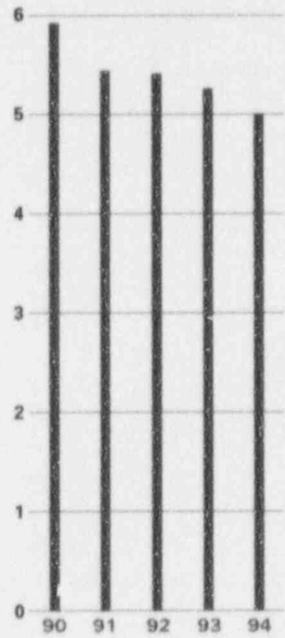
As the Company moves toward achieving its vision of becoming a competitive energy supplier with high customer loyalty, it continues to focus on improving customer satisfaction by launching a comprehensive reengineering effort of routine services. In one program, teams of employees designed an entirely new business system that resulted in the planned consolidation of seven customer call-taking locations into two, the reorganization of all customer service work into a single department with fewer and broader job classifications, and significant information system improvements to increase the speed and precision of the new process. Many of the process changes were implemented through a pilot program involving 50,000 customers. Although some organizational changes were implemented in 1994, most of the new business system will be implemented in 1995.

PECO Energy has also begun a major initiative to improve the cost competitiveness of its support functions. Teams of employees have been examining support-function activities and work processes to reduce costs and improve operating efficiencies. The goal of this effort is to achieve annual savings of $75 million. To date, these efforts have identified over $50 million of annual savings, the bulk of which will be realized in 1995.

During 1994, the Information Systems group underwent a major reorganization. The Company contracted with an outside vendor to provide selected Information Systems functions formerly performed by Company employees. The outsourcing of these functions will save the Company approximately $150 million over the next ten years.

To compete effectively in the future wholesale power marketplace, the Company has determined that it must reduce the cost of its fossil-fuel and hydroelectric generation. To accomplish this goal, the Company developed and implemented a program called Vision Quest which redesigned all work processes at its fossil-fuel and hydroelectric stations to achieve annual cost savings of approximately $100 million by 1997.

TOTAL DEBT OUTSTANDING
(BILLION DOLLARS)



PECO Energy is seeking new opportunities for growth which capitalize on our skills and assets. We will replace the ordinary with a variety of innovative products and services. We are ready to take the prudent risks necessary to reach our higher goals.

During 1994, capital expenditures for expansion of the electric transmission and distribution system were reduced by implementing new substation planning criteria. Use of two newly acquired mobile transformers for emergency purposes has reduced capital investment requirements in new and existing substations, while providing optimal reliability of the electric distribution delivery system. During the next ten years, the Company will avoid approximately $60 million in expansion costs, as well as associated operating and maintenance costs, at 15 substations. Future electric load growth will be serviced by existing facilities, while using the mobile transformers to meet emergency needs.

The Company is moving to a more aggressive, growth-oriented strategy in the natural gas business, particularly in the industrial markets and the non-traditional areas such as natural gas vehicles and cooling. PECO Energy will increase promotional activities and strengthen relationships with builders, architects, dealers and contractors in order to expand the use of gas appliances and equipment. The Company is also exploring opportunities in non-regulated gas businesses which would complement existing activities.

1994 REVENUE DOLLAR RECEIVED

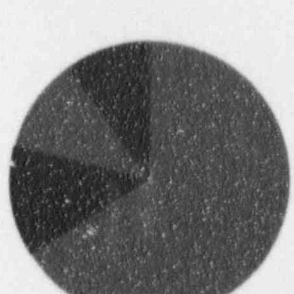
- Electrical sales–service territory (83¢)
- Electrical sales–wholesale (7¢)
- Gas sales (10¢)

Financing Activities

The Company is continuing its program to reduce long-term debt and refinance high-cost debt and preferred stock. The total annualized savings from 1994 reductions in debt and preferred stock and refinancings amount to approximately $34 million or $0.11 per share.

In June, two series of floating-rate debt totaling $96 million were issued through the Montgomery County (Pennsylvania) Industrial Development Authority to replace a similar amount of bonds carrying an interest rate of $10^1/_2$%. Floating rates for these new issues averaged 5% in 1994. In July, the Company issued $49 million of Medium-Term Notes with maturities ranging from one to four years and interest rates ranging from 6.05% to 7.41% to refund 10.05% debentures. On July 27, the Company, through its wholly owned subsidiary PECO Energy Capital, L.P., issued $221 million of 9% Cumulative Monthly Income Preferred Securities. The proceeds of this issuance were used to redeem six series of the Company's preferred stock.

1994 REVENUE DOLLAR SPENT



- Operating expenses, excluding taxes (66¢)
- Taxes charged to operations (13¢)
- Interest charges (10¢)
- Preferred stock dividends (1¢)
- Earnings per common share (10¢)

Odd-Lot Shares Buy-Back Program

In September, the Company initiated a voluntary buy-back program that entitled shareholders of odd lots — that is, holdings of fewer than 100 shares — to sell their holdings of PECO Energy common stock without paying brokers' commissions or fees. Through the program, which expired in October, more than 380,000 shares were tendered, resulting in annual savings of approximately $120,000.

EARNINGS AND DIVIDENDS

1994 Compared to 1993

Earnings per common share in 1994 were $1.76 compared to $2.45 in 1993. The decrease in earnings was primarily due to the one-time charge of $0.66 per share associated with the Company's Voluntary Retirement Incentive Program (VRIP) and Voluntary Separation Incentive Program (VSIP). Of the estimated 2,135 employees eligible for VRIP, 1,474 employees elected to accept early retirement. An additional 1,008 employees elected to separate under VSIP. These programs were accepted by 27% of the Company's work force. Also contributing to the decrease in earnings were other strategic and non-recurring operating and maintenance charges which decreased 1994 earnings by $0.13 per share. These decreases were partially offset by savings from the Company's ongoing debt and preferred stock refinancing and redemption program, which increased earnings by $0.14 per share.

The Company increased its annual common stock dividend by 7% to $1.62 per share, effective with the dividend paid in December 1994.

Operating Revenues

Increases/(decreases) in electric sales and operating revenues for 1994 vs 1993 by classes of customers are set forth below:

	Electric Sales (millions of kWh)	Electric Revenues (millions of $)
Residential	160	$ 15
Small Commercial and Industrial	335	28
Large Commercial and Industrial	(88)	(21)
Other	20	(25)
Service Territory	427	(3)
Interchange Sales	311	9
Sales to Other Utilities	1,369	13
Total	2,107	$ 19

Electric revenues increased $19 million in 1994 compared to 1993 primarily due to increased sales to other utilities and increased interchange sales. These increases were partially offset by lower revenue margins obtained on these sales.

Effective April 7, 1994, the Energy Cost Adjustment (ECA) was changed from a credit value of 7.600 mills per kilowatt-hour (kWh) to a credit value of 5.627 mills per kWh, which resulted in an increase in annual revenue of $63 million.

Gas revenues increased $33 million in 1994 compared to 1993 primarily due to higher fuel-clause revenues.

Fuel and Energy Interchange Expense

Fuel and energy interchange expenses increased $44 million in 1994 compared to 1993 primarily due to increased electric output associated with interchange sales and increased sales to other utilities. A portion of this increase is being deferred pending regulatory action. The increase was also attributable to an increase in gas fuel costs.

Other Operating and Maintenance Expenses

Other operating and maintenance expenses increased $304 million in 1994 compared to 1993 primarily due to a one-time, pre-tax charge of $254 million in the third quarter of 1994 for VRIP and VSIP. In addition, other operating and maintenance expenses increased due to higher environmental, customer and employee-related charges, and other strategic and non-recurring operating and maintenance charges. These increases were partially offset by lower generating station charges resulting from fewer and shorter refueling and maintenance outages.

Depreciation Expense

Depreciation expense increased in 1994 compared to 1993 due to additions to plant in service.

Allowance for Funds Used During Construction

Allowance for Funds Used During Construction (AFUDC) decreased in 1994 compared to 1993 primarily due to a decrease in the 1994 AFUDC rate, partially offset by an increase in Construction Work in Progress.

Income Taxes

Income taxes charged to operations decreased in 1994 compared to 1993 primarily due to the charge for VRIP and VSIP and lower operating income. These decreases were partially offset by lower interest expense allocated to operations.

Other Taxes

Other taxes increased in 1994 compared to 1993 primarily due to an increase in the real estate tax base and increased Pennsylvania gross receipts tax resulting from higher operating revenues.

Total Interest Charges

Total interest charges decreased in 1994 compared to 1993 primarily due to the Company's ongoing program to refinance and redeem higher-cost, long-term debt.

Preferred Stock Dividends

Preferred stock dividends decreased in 1994 compared to 1993 primarily due to the reduced number of preferred shares outstanding and the refinancing of higher-cost preferred stock.

1993 Compared to 1992

Earnings per common share in 1993 were $2.45 compared to $1.90 in 1992. The increase in earnings was primarily due to the settlement of the litigation in connection with the 1987 shutdown of the Peach Bottom Atomic Power Station (Peach Bottom), which reduced 1992 earnings by $0.27 per share; more favorable weather in 1993, which increased earnings by $0.26 per share; and the Company's ongoing debt and preferred stock refinancing and redemption program, which increased earnings by $0.18 per share. These

improvements were partially offset by non-recurring federal income tax settlements, which increased 1992 earnings by $0.10 per share, and the higher 1993 federal income tax rate, which decreased earnings by $0.04 per share.

Operating Revenues

Increases/(decreases) in electric sales and operating revenues for 1993 vs 1992 by classes of customers are set forth below:

	Electric Sales (millions of kWh)	Electric Revenues (millions of $)
Residential	763	$ 50
Small Commercial and Industrial	406	9
Large Commercial and Industrial	165	(59)
Other	(191)	(7)
Service Territory	1,143	(7)
Interchange Sales	(774)	(18)
Sales to Other Utilities	1,971	33
Total	2,340	$ 8

Electric revenues increased $8 million in 1993 compared to 1992 primarily as a result of higher residential sales due to favorable weather conditions and higher sales to other utilities, partially offset by the pass-through of lower fuel costs to customers and lower revenues from large commercial and industrial customers.

Gas revenues increased $17 million in 1993 compared to 1992 primarily as a result of higher interruptible sales resulting from favorable market conditions and an increase in the use of gas at the Company's electric generating stations.

Fuel and Energy Interchange Expense

Fuel and energy interchange costs decreased $50 million in 1993 compared to 1992 primarily due to reduced higher-cost interchange purchases resulting from increased nuclear generation and lower fuel costs. Nuclear generation utilizes the Company's lowest-cost fuel. These decreases were partially offset by increased output.

Other Operating and Maintenance Expenses

Other operating and maintenance expenses decreased $44 million in 1993 compared to 1992 primarily due to lower charges for uncollectible accounts, lower administrative and general expenses primarily as a result of a reduction in the number of employees and the 1992 charge for the Nuclear Group Voluntary Early Retirement Program and Voluntary Separation Package. These decreases were partially offset by increases in other operating and maintenance charges related to the Company's generating units.

Depreciation Expense

Depreciation expense increased in 1993 compared to 1992 due to additions to plant in service.

Allowance for Funds Used During Construction

AFUDC increased in 1993 compared to 1992 primarily due to an increase in Construction Work in Progress, partially offset by a decrease in the 1993 AFUDC rate.

Income Taxes

Income taxes charged to operations and to other income increased in 1993 compared to 1992 due to the cost associated with the 1992 settlement of the Peach Bottom co-owners' litigation, higher pre-tax income, lower interest expense, the reduction in 1992 income taxes as a result of the settlement of the Company's 1984-1986 federal income tax returns and the change in the federal income tax rate from 34% to 35% in 1993. These increases were partially offset by the first quarter 1993 change in estimate to ratably decrease deferred federal income taxes in accordance with the tax-rate decrease mandated by the Tax Reform Act of 1986.

Other Taxes

Other taxes increased in 1993 compared to 1992 primarily due to a settlement of the 1990 Pennsylvania Capital Stock Tax, an adjustment of the 1991 Pennsylvania Capital Stock Tax in 1992, and an increase in the real estate tax base.

Total Interest Charges

Total interest charges decreased in 1993 compared to 1992 primarily due to the Company's ongoing program to refinance and redeem higher-cost, long-term debt.

Preferred Stock Dividends

Preferred stock dividends decreased in 1993 compared to 1992 primarily due to the reduced number of preferred shares outstanding and the refinancing of higher-cost preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements are primarily for capital expenditures for its construction program and for debt service. Capital resources available to meet these requirements and dividend payments are funded from cash provided by utility operations and, to the extent necessary, external financing.

The Company meets its short-term liquidity requirements primarily through a $150 million commercial paper program and bank lines of credit which were $351.2 million at December 31, 1994. The Company did not have any commercial paper outstanding at December 31, 1994, and had $11.5 million outstanding under existing bank lines of credit. The Company believes these sources of short-term liquidity are adequate.

Construction program expenditures for 1994 were $557 million and are estimated to be $495 million in 1995 and $1.4 billion for 1996 to 1998. Certain facilities under construction and to be constructed may require permits and licenses which the Company has no assurance will be granted.

The Company expects its level of capital investment in utility plant to remain relatively stable since it has sufficient electric generating capacity to meet the anticipated needs of its service territory well into the next decade.

Since 1990, the Company's internal sources of cash have exceeded its capital requirements, which has improved the Company's financial condition. Contributing to this improvement in internal sources of cash were revenues from sales of capacity and energy to other utilities and the Company's ongoing program to refinance and redeem higher-cost, long-term debt and preferred stock. Net cash provided by operating activities for 1994 was $1.3 billion. For 1995 through 1998, the Company expects that internally generated cash will exceed its capital requirements, allowing further reductions in the Company's debt.

During 1994, $366 million of long-term debt and monthly income preferred securities were sold to replace debt and preferred stock carrying higher rates of interest and dividends. Also during 1994, the Company utilized internally generated cash to repay $253 million of debt and to redeem $18 million of preferred stock. These transactions resulted in a reduction of approximately $26 million in annualized interest and $8 million in annualized preferred stock dividends. At December 31, 1994, the Company's embedded cost of debt was 7.2% and 16.7% of the Company's long-term debt had a floating rate. The ratios under the Company's mortgage indenture and Articles of Incorporation at December 31, 1994 were 3.48 and 2.05 times, respectively, compared with minimum issuance requirements of 2.00 and 1.50 times. The ratios, although significantly above minimum requirements, are adversely affected through the third quarter of 1995 by the one-time charge incurred in the third quarter of 1994 for VRIP and VSIP.

During 1994, the Company purchased more than 380,000 shares of the Company's common stock through a voluntary odd-lot buy-back program which entitled shareholders with fewer than 100 shares, or odd lots, to sell their entire holdings of PECO Energy common stock without paying any brokerage commission or fees. Dividend Reinvestment and Stock Purchase Plan requirements were satisfied by the reissuance of the odd-lot shares and purchase of shares of common stock on the open market. Depending on the Company's specific requirements, the Company will decide whether to issue shares or purchase shares on the open market in the future.

The Company's capital structure as of December 31, 1994 was common equity, 43.5%; preferred stock and monthly income preferred securities of a subsidiary (which comprises 2.2% of the Company's total capitalization structure), 6.0%; and long-term debt, 50.5%; compared to its capital structure as of December 31, 1993 of common equity, 42.6%; preferred stock, 6.1%; and long-term debt, 51.3%. The Company anticipates that it will further reduce its debt.

OUTLOOK

The Company's financial condition and its future operating results are dependent on a number of factors affecting the Company and the utility industry in general. These factors include increased competition, the regulation and operation of nuclear generating facilities, off-system sales, compliance with environmental regulations, and regulatory and accounting changes.

Competition

The National Energy Policy Act of 1992 (Energy Act) encourages competition among utilities and nonutility generators for sales of energy and capacity to wholesale customers by allowing access to utility transmission facilities. The Energy Act directs the Federal Energy Regulatory Commission (FERC) to set prices for wheeling to allow utilities to recover all legitimate, verifiable and economic costs of providing wheeling services, including the cost of expanding their transmission facilities to accommodate required transmission access. The Energy Act prohibits FERC from ordering wheeling for sales to retail customers. This does not, however, prohibit state regulatory commissions from ordering wheeling to retail customers within their jurisdiction. Currently a number of states, including Pennsylvania, are assessing the issue of retail competition.

In May 1994, the Pennsylvania Public Utility Commission (PUC) instituted an investigation into electric power competition issues. The PUC invited utilities, independent power producers and other interested parties to respond to a number of issues related to competition, including the impact of retail wheeling. In November 1994, the Company filed its comments with the PUC. The Company responded that access by retail customers to alternate electricity suppliers (retail access) is not in the public interest and should not be implemented unless there is a reasonable expectation that the total benefits created will exceed the total cost of the changes.

The Company believes that retail access should not be adopted if it represents a mere shifting of costs from one class of customers to another. The Company believes that retail access does not currently provide a net benefit. Regulatory changes permitting retail access may also create "stranded investment," investment by a regulated utility in assets currently included in rates that are not recoverable if its customers are served by another energy supplier. Investments by the Company in assets which are not recoverable from customers may have to be written off, which write-off could have a material adverse effect on the Company's financial condition and results of operations. The Company believes other alternatives are available for enhancing the current regulatory system. The Company expressed its willingness to work with others to explore potential enhancements, such as performance-based

ratemaking, flexible pricing and the continued development of efficient bulk-power markets. The PUC is currently expected to release the findings from its investigation in the spring of 1995. The Company is not able to predict whether retail access will be implemented and, if implemented, what impact it would have on the Company's financial condition or results of operations.

The Company believes that through interruptible rates and long-term contracts with cost-based rates that are available to most of its larger-volume industrial customers, retail access would not adversely affect that portion of its retail business. Because the Company is a high-cost producer due to its capital investment in nuclear facilities, retail access could adversely affect other segments of its retail business, particularly other large commercial and industrial customers.

The wholesale electric utility industry, in particular power generation to serve the needs of large users such as municipal customers and to provide for off-system sales, has become increasingly competitive. Such competition has permitted the Company to increase off-system sales but has reduced the Company's margin for off-system sales. Companies that are able to provide energy at a lower cost are likely to benefit from this competition. These factors will continue to challenge the Company to maintain current revenue levels.

As part of the Company's commitment to cost reduction and stringent cost control, in April 1994, the Company's Board of Directors approved a package of financial incentives permitting eligible employees to participate in either VRIP or VSIP. Of the estimated 2,135 employees eligible for VRIP, 1,474 employees elected to accept early retirement. An additional 1,008 employees elected to separate under VSIP. The retirements and separations of the 2,482 employees accepting VRIP or VSIP are taking place in stages through December 31, 1995. The Company expects VRIP and VSIP to provide savings in wages and benefits to the Company of approximately $100 million annually.

In May 1994, the Company entered into an agreement to sell Conowingo Power Company (COPCO), its wholly owned Maryland retail electric subsidiary, to Delmarva Power and Light Company (Delmarva) for approximately $150 million. The transaction also includes a ten-year contract for the Company to sell capacity and energy to Delmarva. The sale is subject to state and federal regulatory approvals. Recognition of the gain on the sale, which the Company expects to be approximately $40 million after taxes, is contingent upon the completion of the sale.

The Company has implemented its plan to reorganize the Company's operations into five strategic business units to better enable it to meet the challenges of a competitive environment. The Consumer Energy Services Group distributes energy products and services to the Company's retail customers and consists primarily of the operating divisions, marketing, sales, engineering and support services. Bulk Power Enterprises is responsible for marketing and selling energy products to wholesale customers inside and outside the Company's service territory. The Power Generation Group is responsible for operating the Company's fossil-fuel and hydroelectric generating units. The Nuclear Generation Group is responsible for operating the Company's nuclear generating stations. The Gas Services Group is responsible for managing the Company's gas operations. The Company is currently planning to have each business unit eventually operate as an individual profit center, separate from the other business units.

Regulation and Operation of Nuclear Generating Facilities

The Company's financial condition and future operating results are in part dependent on the continued successful operation of its nuclear generating facilities. The Company's nuclear generating facilities represent approximately 44% of its installed generating capacity. Because of the Company's substantial investment in and reliance on its nuclear generating units, any changes in regulations by the Nuclear Regulatory Commission (NRC) requiring additional investments or resulting in increased operating costs of nuclear generating units could adversely affect the Company.

During 1994, the Company-operated nuclear plants operated at an 89% weighted average capacity factor and the Company-owned nuclear plants operated at an 82% weighted average capacity factor and produced 60% of the Company's output. Nuclear generation is the most cost-effective way for the Company to meet customer needs and commitments for off-system sales. Continued operation of the nuclear plants above 60% of capacity is necessary to avoid penalties under the ECA. In addition, the terms of the 1991 settlement of the Limerick Generating Station (Limerick) Unit No. 2 rate case afford the Company the opportunity, through sales to other utilities and the efficient operation of Limerick, to increase future earnings. See note 2 of Notes to Consolidated Financial Statements for a description of the ECA and the terms of the Limerick Unit No. 2 rate case settlement.

The Company would ultimately seek to recover through the ratemaking process all capital costs and any increased operating costs, including those associated with NRC regulation of the Company's nuclear generating stations and environmental compliance and remediation, although such recovery is not assured.

The staff of the Securities and Exchange Commission has questioned the electric utility industry accounting practices regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations in financial statements. The Financial Accounting Standards Board (FASB) has agreed to review the accounting for removal costs, including decommissioning (see note 3 of Notes to Consolidated Financial Statements). The Company does not expect this review to have a material effect on the Company's financial condition or results of operations.

Off-System Sales

The Company has agreements with other utilities to sell its excess installed generating capacity and/or associated energy. These agreements are primarily for weekly purchases of energy. The Company expects to sell over $100 million of capacity and/or energy through such agreements in 1995. Due to rerates, the Company currently has 989 megawatts (MW) of excess installed generating capacity and expects to have 1,201 MW of excess installed generating capacity by 1997. The Company's future results of operations are dependent in part on its ability to successfully market its excess generating capacity and/or associated energy.

In May 1994, the Company entered into a ten-year contract to sell capacity and energy to Delmarva as part of the Company's agreement to sell COPCO to Delmarva. Revenue received under this contract is expected to offset the revenue lost as a result of the sale of COPCO. This contract is subject to state and federal regulatory approvals and the sale of COPCO to Delmarva. The Company also finalized an agreement to sell 140 MW of capacity and energy to Baltimore Gas and Electric Company for a 25-year term beginning in 1997, subject to state and federal regulatory approval. The Company's bid was one of 28 bids submitted, and the sale is expected to generate approximately $45 million in revenue annually.

Compliance With Environmental Regulations

Under federal and state environmental laws, the Company is generally liable for the costs of remediating environmental contamination of property now or formerly owned by the Company or of property contaminated by hazardous substances generated by the Company. The Company owns or leases a substantial number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances which are considered hazardous under environmental laws. The Company is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

An evaluation of Company sites for potential environmental clean-up liability is ongoing, including approximately 20 sites where manufactured gas plant activities may have resulted in site contamination. Past activities at several sites have resulted in actual site contamination. The Company is presently engaged in performing detailed evaluations at certain of these sites to define the nature and extent of the contamination, to determine the necessity of remediation and to identify possible remediation alternatives.

As of December 31, 1994 and 1993, the Company had accrued $24 and $17 million, respectively, for environmental investigation and remediation costs that currently can be reasonably estimated. The Company cannot currently predict whether it will incur other significant liabilities for any additional remediation costs at these or additional sites identified by the Company, environmental agencies or others.

Regulatory Assets

At December 31, 1994, the Company had deferred on its balance sheet certain regulatory assets for which current recovery has not yet been approved by the PUC. These regulatory assets include $91 million of operating and maintenance expenses, depreciation and accrued carrying charges on its investment in Limerick Unit No. 2 and 50% of Limerick common facilities, deferred pursuant to a Declaratory Order of the PUC, and $107 million for the effect on deferred taxes of the change in the statutory federal income tax rate from 34% to 35% in 1993. See notes 2 and 13, respectively, of Notes to Consolidated Financial Statements.

These and other regulatory assets are deferred pursuant to PUC action. Any deferred costs that are not recovered through base rates would be charged against income immediately. The Company has agreed not to seek a retail electric base rate increase before April 1, 1999, except under specified circumstances (see note 2 of Notes to Consolidated Financial Statements).

Other Factors Affecting the Company's Outlook

Although 1994 was essentially a weather-neutral year, annual and quarterly operating results can be significantly affected by weather. An extremely hot or cool summer can increase or decrease earnings for a year by as much as $0.20 per share compared to a year which has normal weather.

Inflation affects the Company through increased operating costs and increased capital costs for utility plant. During periods of high inflation, the Company could be adversely affected if it is unable to offset increasing costs with improved productivity. In addition, the replacement costs of the Company's utility plant are significantly higher than the historical costs reflected in the financial statements.

The Company's budgeted capital expenditures through 1997 include all costs of compliance with Phase I of the Clean Air Act of 1990 (Clean Air Act), including its share of the costs of scrubbers being installed at Conemaugh Generating Station. As a result of its prior investments in scrubbers for Eddystone and Cromby Generating Stations and its investment in nuclear generating capacity, the Company believes that compliance with the Clean Air Act will have significantly less impact on the Company than on other Pennsylvania utilities which are more dependent on coal-fired generation.

In 1994, Standard & Poor's (S&P) rating agency revised its rating outlook on the Company from "negative" to "stable." S&P revised the rating as a result of the Company's material cost-cutting initiatives, plans for a more rapid debt reduction, well-controlled construction spending, and prospects for additional sales to other utilities.

For a discussion of other contingencies, see notes 2 and 3 of Notes to Consolidated Financial Statements.

To the Shareholders and Board of Directors
PECO Energy Company:

We have audited the accompanying consolidated balance sheets of PECO Energy Company and Subsidiary Companies as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows, and changes in common shareholders' equity and preferred stock for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PECO Energy Company and Subsidiary Companies as of December 31, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 4 of the consolidated financial statements, the Company changed its methods of accounting for non-pension postretirement employee benefits and income taxes in 1993.

Coopers & Lybrand L.L.P.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
January 30, 1995

(THOUSANDS OF DOLLARS) FOR THE YEARS ENDED DECEMBER 31,	1994	1993	1992
OPERATING REVENUES			
Electric	**$ 3,624,797**	$ 3,605,425	$ 3,597,141
Gas	**415,835**	382,704	365,328
TOTAL OPERATING REVENUES	**4,040,632**	3,988,129	3,962,469
OPERATING EXPENSES			
Fuel and Energy Interchange	**703,590**	659,580	709,115
Other Operating	**937,849**	851,254	906,346
Early Retirement and Separation Programs	**254,106**	—	—
Maintenance	**327,714**	364,409	353,502
Depreciation	**442,101**	424,952	413,779
Income Taxes	**234,033**	354,391	264,483
Other Taxes	**311,689**	298,132	281,868
TOTAL OPERATING EXPENSES	**3,211,082**	2,952,718	2,929,093
OPERATING INCOME	**829,550**	1,035,411	1,033,376
OTHER INCOME AND DEDUCTIONS			
Allowance for Other Funds Used During Construction	**10,180**	11,885	10,461
Settlement of Peach Bottom Litigation	**—**	—	(103,078)
Income Taxes	**(15,291)**	(11,808)	40,160
Other, Net	**23,121**	11,980	3,392
TOTAL OTHER INCOME AND DEDUCTIONS	**18,010**	12,057	(49,065)
INCOME BEFORE INTEREST CHARGES	**847,560**	1,047,468	984,311
INTEREST CHARGES			
Long-Term Debt	**387,279**	432,707	484,153
Dividends on Preferred Securities of Subsidiary	**8,570**	—	—
Short-Term Debt	**36,987**	36,002	31,419
TOTAL INTEREST CHARGES	**432,836**	468,709	515,572
Allowance for Borrowed Funds Used During Construction	**(11,989)**	(11,889)	(10,202)
NET INTEREST CHARGES	**420,847**	456,820	505,370
Net Income	**426,713**	590,648	478,941
Preferred Stock Dividends	**37,298**	49,058	60,731
EARNINGS APPLICABLE TO COMMON STOCK	**$ 389,415**	$ 541,590	$ 418,210
Average Shares of Common Stock Outstanding (THOUSANDS)	**221,554**	221,072	220,245
EARNINGS PER AVERAGE COMMON SHARE (DOLLARS)	**$ 1.76**	$ 2.45	$ 1.90
DIVIDENDS PER COMMON SHARE (DOLLARS)	**$ 1.545**	$ 1.43	$ 1.325

See Notes to Consolidated Financial Statements.

(THOUSANDS OF DOLLARS) DECEMBER 31,	1994	1993
Assets		
UTILITY PLANT, AT ORIGINAL COST		
Electric	**$13,283,888**	$ 13,102,088
Gas	**895,946**	843,205
Common	**234,769**	203,747
	14,414,603	14,149,040
Less Accumulated Provision for Depreciation	**4,242,576**	3,946,805
	10,172,027	10,202,235
Nuclear Fuel, Net	**184,161**	179,529
Construction Work in Progress	**472,512**	381,247
Leased Property, Net	**174,565**	194,702
NET UTILITY PLANT	**11,003,265**	10,957,713
CURRENT ASSETS		
Cash and Temporary Cash Investments	**46,970**	46,923
Accounts Receivable, Net		
Customers	**96,987**	122,581
Other	**49,854**	47,768
Inventories, at Average Cost		
Fossil Fuel	**72,732**	67,040
Materials and Supplies	**118,230**	142,132
Deferred Income Taxes	**12,002**	30,185
Other	**58,069**	58,205
TOTAL CURRENT ASSETS	**454,844**	514,834
DEFERRED DEBITS AND OTHER ASSETS		
Recoverable Deferred Income Taxes	**2,138,079**	2,297,368
Deferred Limerick Costs	**413,885**	433,605
Deferred Non-Pension Postretirement Benefit Costs	**261,912**	44,691
Investments	**236,587**	218,636
Loss on Reacquired Debt	**320,879**	343,004
Other	**263,308**	222,476
TOTAL DEFERRED DEBITS AND OTHER ASSETS	**3,634,650**	3,559,780
TOTAL	**$15,092,759**	$ 15,032,327

See Notes to Consolidated Financial Statements.

(THOUSANDS OF DOLLARS) DECEMBER 31,	1994	1993
Capitalization and Liabilities		
CAPITALIZATION		
Common Shareholders' Equity		
Common Stock	$ 3,490,728	$ 3,488,477
Other Paid-In Capital	1,271	1,214
Retained Earnings	810,507	773,727
	4,302,506	4,263,418
Preferred and Preference Stock		
Without Mandatory Redemption	277,472	422,472
With Mandatory Redemption	92,700	186,500
Minority Interest in Preferred Securities of Subsidiary	221,250	—
Long-Term Debt	4,785,631	4,884,343
TOTAL CAPITALIZATION	9,679,559	9,756,733
CURRENT LIABILITIES		
Notes Payable, Bank	11,499	119,350
Long-Term Debt Due Within One Year	201,213	252,263
Capital Lease Obligations Due Within One Year	60,476	60,500
Accounts Payable	308,832	242,239
Taxes Accrued	87,185	24,939
Deferred Energy Costs	15,486	48,691
Interest Accrued	93,159	97,540
Dividends Payable	15,096	18,345
Other	85,649	90,710
TOTAL CURRENT LIABILITIES	878,595	954,577
DEFERRED CREDITS AND OTHER LIABILITIES		
Capital Lease Obligations	114,039	134,202
Deferred Income Taxes	3,225,915	3,386,136
Unamortized Investment Tax Credits	374,100	386,162
Pension Obligation for Early Retirement Plans	238,250	135,286
Non-Pension Postretirement Benefits Obligation	354,458	51,781
Other	227,793	227,450
TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	4,534,605	4,321,017
COMMITMENTS AND CONTINGENCIES (NOTES 2 AND 3)		
TOTAL	$ 15,092,759	$ 15,032,327

See Notes to Consolidated Financial Statements.

(THOUSANDS OF DOLLARS) FOR THE YEARS ENDED DECEMBER 31,	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 426,713	$ 590,648	$ 478,941
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	517,681	507,069	491,186
Deferred Income Taxes	(23,306)	139,846	81,943
Early Retirement and Separation Programs	254,106	—	—
Unrecovered Phase-In Plan Revenue	–	—	142,267
Deferred Energy Costs	(33,205)	(24,308)	52,959
Amortization of Leased Property	61,900	58,400	54,600
Changes in Working Capital:			
Accounts Receivable	23,508	31,102	82,151
Inventories	18,210	11,222	1,395
Accounts Payable	5,342	777	(47,403)
Other Current Assets and Liabilities	52,940	(34,694)	(136,627)
Other Items Affecting Operations	(9,175)	(18,287)	(28,569)
Net Cash Flows Provided by Operating Activities	1,294,714	1,261,775	1,172,843
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Plant	(570,903)	(568,076)	(571,829)
Increase in Other Investments	(17,951)	(16,214)	(32,769)
Net Cash Flows Used by Investing Activities	(588,854)	(584,290)	(604,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in Short-Term Debt	(107,851)	8,850	110,500
Issuance of Common Stock	2,308	29,346	12,465
Issuance of Preferred Stock	–	142,700	140,000
Retirement of Preferred Stock	(238,800)	(187,330)	(224,462)
Minority Interest in Preferred Securities of Subsidiary	221,250	—	—
Issuance of Long-Term Debt	245,100	1,994,765	1,369,540
Retirement of Long-Term Debt	(397,763)	(2,148,963)	(1,504,877)
Loss on Reacquired Debt	22,125	(69,884)	(85,380)
Dividends on Preferred and Common Stock	(377,883)	(366,081)	(349,856)
Change in Dividends Payable	(3,249)	(1,114)	(16,607)
Expenses of Issuing Long-Term Debt and Preferred Stock	(9,150)	(24,820)	(11,660)
Capital Lease Payments	(61,900)	(58,400)	(54,600)
Net Cash Flows from Financing Activities	(705,813)	(680,931)	(614,937)
Increase/(Decrease) in Cash and Cash Equivalents	47	(3,446)	(46,692)
Cash and Cash Equivalents at beginning of period	46,923	50,369	97,061
Cash and Cash Equivalents at end of period	$ 46,970	$ 46,923	$ 50,369

See Notes to Consolidated Financial Statements.

(ALL AMOUNTS IN THOUSANDS)	Common Stock Shares	Common Stock Amount	Other Paid-In Capital	Retained Earnings	Preferred Stock Shares	Preferred Stock Amount
Balance, January 1, 1992	220,030	$ 3,446,666	$ 1,214	$ 444,399	7,381	$ 738,064
Net Income				478,941		
Cash Dividends Declared						
Preferred Stock						
(at specified annual rates)				(58,021)		
Common Stock ($1.325 per share)				(291,835)		
Expenses of Capital Stock Activity				(11,660)		
Issuance of Stock						
Long-Term Incentive Plan	504	12,465				
Issuances					1,400	140,000
Redemptions					(2,245)	(224,462)
Balance, December 31, 1992	220,534	3,459,131	1,214	561,824	6,536	653,602
Net Income				590,648		
Cash Dividends Declared						
Preferred Stock						
(at specified annual rates)				(49,919)		
Common Stock ($1.43 per share)				(316,162)		
Expenses of Capital Stock Activity				(5,625)		
Issuance of Stock						
Long-Term Incentive Plan	983	29,346		(7,039)		
Issuances					1,427	142,700
Redemptions					(1,873)	(187,330)
Balance, December 31, 1993	221,517	3,488,477	1,214	773,727	6,090	608,972
Net Income				**426,713**		
Cash Dividends Declared						
Preferred Stock						
(at specified annual rates)				**(35,706)**		
Common Stock ($1.545 per share)				**(342,177)**		
Expenses of Capital Stock Activity				**(11,662)**		
Issuance of Stock						
Long-Term Incentive Plan	**92**	**2,251**		**(388)**		
Issuances			**57**			
Redemptions					**(2,388)**	**(238,800)**
Balance, December 31, 1994	**221,609**	**$ 3,490,728**	**$ 1,271**	**$ 810,507**	**3,702**	**$ 370,172**

See Notes to Consolidated Financial Statements.

1. Significant Accounting Policies

General
The consolidated financial statements of PECO Energy Company (Company) include the accounts of its utility subsidiary companies, all of which are wholly owned. Non-utility subsidiaries are not material and are accounted for on the equity method. Accounting policies are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the Pennsylvania Public Utility Commission (PUC) and the Federal Energy Regulatory Commission (FERC).

Revenues
Customers' meters are read and bills are prepared on a cycle basis. At the end of each month, the Company accrues an estimate for the unbilled amount of energy delivered to customers.

Pursuant to a phase-in plan approved by the PUC in its electric base rate order dated April 19, 1990, the Company recorded revenue equal to the full amount of the rate increase approved, based on kilowatthours rendered to customers. On April 5, 1991, that plan was amended by the PUC as part of the settlement of all appeals arising from the Limerick Generating Station (Limerick) Unit No. 2 rate proceeding to permit recovery of the remaining unrecovered revenue by December 31, 1992 (see note 2). As of December 31, 1994, 1993 and 1992, the Company had no unrecovered phase-in plan revenue.

Fuel and Energy Cost Adjustment Clauses
The Company's classes of service are subject to fuel adjustment clauses designed to recover or refund the differences between actual costs of fuel, energy interchange, and purchased power and gas, and the amounts of such costs included in base rates. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective adjustments to rates. Generally, such rates are adjusted every twelve months. In addition to reconciling fuel costs and revenues, the Company's Energy Cost Adjustment (ECA), established by the PUC, incorporates a nuclear performance standard which allows for financial bonuses or penalties depending upon whether the Company's system nuclear capacity factor exceeds or falls below a specified range (see note 2).

Nuclear Fuel
Nuclear fuel is capitalized and charged to fuel expense on the unit of production method. Estimated costs of nuclear fuel disposal are charged to fuel expense as the related fuel is consumed. The Company's share of nuclear fuel at Peach Bottom Atomic Power Station (Peach Bottom) and Salem Generating Station (Salem) is accounted for as a capital lease. Nuclear fuel at Limerick is owned.

Depreciation and Decommissioning
The annual provision for depreciation is provided over the estimated service lives of plant on the straight-line method. Annual depreciation provisions for financial reporting purposes, expressed as a percent of average depreciable utility plant in service, were approximately 2.77% in 1994 and 2.75% in 1993 and 1992.

The Company's share of the 1990 estimated costs for decommissioning nuclear generating stations currently included in electric base rates is being charged to operations over the expected service life of the related plant. The amounts recovered from customers are deposited in trust accounts and invested for funding of future costs and credited to accumulated depreciation (see note 3).

Income Taxes
In 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting of income taxes. The effects of the Alternative Minimum Tax (AMT) are normalized. Investment Tax Credit (ITC) is deferred and amortized to income over the estimated useful lives of the related utility plant. ITC related to plant in service, not included in rate base, is accounted for on the flow-through method (see note 13).

Allowance for Funds Used During Construction [AFUDC]
AFUDC is the cost, during the period of construction, of debt and equity funds used to finance construction projects. AFUDC is recorded as a charge to Construction Work in Progress, and the credits are to Interest Charges for the cost of borrowed funds and to Other Income and Deductions for the remainder as the allowance for other funds. The rates used for capitalizing AFUDC, which averaged 7.74% in 1994, 9.39% in 1993 and 10.61% in 1992, are computed under a method prescribed by the regulatory authorities. AFUDC is not included in regular taxable income and the depreciation of capitalized AFUDC is not tax deductible.

Nuclear Outage Costs
Incremental nuclear maintenance and refueling outage costs are accrued over the unit operating cycle. For each unit, an accrual for incremental nuclear maintenance and refueling outage expense is estimated based upon the latest planned outage schedule and estimated costs for the outage. Differences between the accrued and actual expense for the outage are recorded when such differences are known.

Capitalized Software Costs
Software projects which exceed $5 million are capitalized. At December 31, 1994 and 1993, capitalized software costs totaled $51 million and $56 million (net of $10 million and $3 million accumulated amortization), respectively. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, not to exceed ten years.

1. Significant Accounting Policies (CONTINUED)

Gains and Losses on Reacquired Debt
Gains and losses on reacquired debt are deferred and amortized to interest expense over the stated life of the reacquired debt.

Reclassifications
Certain prior-year amounts have been reclassified for comparative purposes.

2. Rate Matters

Limerick Unit No. 2 Electric Rate Order
As part of the April 19, 1990 PUC order, the PUC approved recovery of $285 million of deferred Limerick costs representing carrying charges and depreciation associated with 50% of Limerick common facilities. These costs are included in base rates and are being recovered over the life of Limerick. The PUC also approved recovery of $137 million of Limerick Unit No. 1 costs which had previously been deferred pursuant to a Declaratory Order dated September 28, 1984. These costs are being recovered over a ten-year period without a return on investment.

On April 5, 1991, the PUC approved the settlement of all appeals arising from the Limerick Unit No. 2 rate order. Under the terms of the settlement, the Company is allowed to retain for shareholders any proceeds above the average energy cost for sales of up to 399 megawatts (MW) of capacity and/or associated energy, since the PUC had ruled that the Company had 399 MW of near-term excess capacity in the Limerick Unit No. 2 rate order. Under the settlement, the Company began on April 1, 1994 to share in the benefits which result from the operation of both Limerick Unit No. 1 and Unit No. 2 through the retention of 16.5% of the energy savings. Through 1994, the Company's potential benefit from the sale of up to 399 MW of capacity and/or associated energy and the retained Limerick energy savings was limited to $106 million per year, with any excess accruing to customers. Beginning in 1995, in addition to retaining the first $106 million, the Company will share in any excess above $106 million with the Company's share of the excess being 10% in 1995, 20% in 1996 and 30% in 1997 and thereafter. During 1994, 1993 and 1992, the Company recorded as revenue net of fuel costs $68, $38 and $34 million, respectively, as a result of the sale of the 399 MW of capacity and/or associated energy and the Company's share of Limerick Unit No. 1 and Unit No. 2 energy savings.

Single-Issue Electric Base Rate Increase
Under a Joint Petition dated October 3, 1994, the Company has been permitted to increase electric base rates by $25 million per year, effective January 1, 1995, to recover the increased costs associated with the implementation of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." See notes 4 and 6. The Joint Petition also provides that the Company will not file for an increase in retail electric service rates before April 1, 1999, except under specified circumstances for items such as energy cost adjustments, changes in state taxes, changes in federal taxes, demand side management surcharges, and increases in nuclear plant decommissioning expense or funding requirements and spent nuclear fuel disposal expenses. The retail electric SFAS No. 106 operating expense, including the annual amortization of the transition obligation (over 18 years) deferred in 1993 and 1994, will be included in the new rates. Subsequent to January 1, 1995, and prior to the Company's next base rate case, no portion of retail electric SFAS No. 106 operating expense in excess of the amount allowed to be recovered under the Joint Petition will be deferred for future rate recovery. Also, beginning January 1, 1995, the Company will be required to deposit in trust accounts funds equivalent to all of its retail electric SFAS No. 106 costs. These costs include amounts charged to operating expense and capitalized on and after January 1, 1995.

In accordance with the Joint Petition, any of the parties to the Joint Petition may elect to void the settlement in the event current rate recovery of SFAS No. 106 expense is ultimately disallowed through the Office of Consumer Advocate's appeal to the Supreme Court of Pennsylvania of cases involving other Pennsylvania utilities. In such event, the Company would refund to customers, with interest, any increased base rate amounts collected.

Gas Accounting Settlement
On December 15, 1994, the PUC approved the Company's petition for an accounting order associated with gas utility operations permitting recognition of $2.8 million of SFAS No. 106 costs annually and recognition of $1.5 million of environmental costs annually for the remediation of sites of former manufactured gas plant facilities using a cost of removal methodology, in exchange for a reduction in depreciation rates to reflect the results of a current life study. The Company will deposit in trust accounts funds equivalent to s retail gas SFAS No. 106 costs beginning January 1, 1995. This settlement will not result in any increase in rates to customers. See notes 3 and 6.

Limerick Unit No. 2 Declaratory Order
Pursuant to a Declaratory Order of the PUC, the Company deferred the operating and maintenance expenses, depreciation and accrued carrying charges on its capital investment in Limerick Unit No. 2 and 50% of Limerick common facilities during the period from January 8, 1990, the commercial operation date of Limerick Unit No. 2, until April 20, 1990, the effective date of the Limerick Unit No. 2 rate order. At December 31, 1994 and 1993, such costs included in Deferred Limerick Costs totaled $91 million. Recovery of such costs deferred pursuant to the Declaratory Order will be addressed by the PUC in a subsequent electric base rate case, although such recovery is not assured. Any amounts not recovered would be charged against income.

2. Rate Matters (CONTINUED)

Energy Cost Adjustment

The Company is subject to a PUC-established electric ECA which, in addition to reconciling fuel costs and revenues, incorporates a nuclear performance standard which allows for financial bonuses or penalties depending on whether the Company's system nuclear capacity factor exceeds or falls below a specified range. The bonuses or penalties are based upon average system replacement energy costs. If the capacity factor is within the range of 60-70%, there is no bonus or penalty. If the capacity factor exceeds the specified range, progressive incremental bonuses are earned and, if the capacity factor falls below the specified range, progressive incremental penalties are incurred.

For the years ended December 31, 1994, 1993 and 1992, the Company's system nuclear capacity factors were 82%, 78% and 71%, respectively. This entitled the Company to bonuses reflected in 1994, 1993 and 1992 income of $14, $10 and $1 million, respectively.

3. Commitments and Contingencies

Construction Expenditures

Construction expenditures are estimated to be $495 million for 1995 and $1.4 billion for 1996-1998. For 1995-1998, the Company expects that all of its capital needs will be provided through internally generated funds. Construction expenditure estimates are reviewed and revised periodically to reflect changes in economic conditions, revised load forecasts and other appropriate factors. Certain facilities under construction and to be constructed may require permits and licenses which the Company has no assurance will be granted.

The Company's operations have in the past and may in the future require substantial capital expenditures in order to comply with environmental laws.

Nuclear Insurance

The Price-Anderson Act, as amended (Price-Anderson Act), sets the limit of liability of approximately $8.9 billion for claims that could arise from an incident involving any licensed nuclear facility in the nation. The limit is subject to increase to reflect the effects of inflation and changes in the number of licensed reactors. All utilities with nuclear generating units, including the Company, have obtained coverage for these potential claims through a combination of private insurances of $200 million and mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed up to $76 million per reactor per incident, payable at $10 million per reactor per incident per year. This assessment is subject to inflation, state premium taxes and an additional surcharge of 5% if the total amount of claims and legal costs exceeds the basic assessment.

If the damages from an incident at a licensed nuclear facility exceed $8.9 billion, the President of the United States is to submit to Congress a plan for providing additional compensation to the injured parties. Congress could impose further revenue-raising measures on the nuclear industry to pay claims. The Price-Anderson Act and the extensive regulation of nuclear safety by the Nuclear Regulatory Commission (NRC) do not preempt claims under state law for personal, property or punitive damages related to radiation hazards.

Although the NRC requires the maintenance of property insurance on nuclear power plants in the amount of $1.06 billion or the amount available from private sources, whichever is less, the Company maintains coverage in the amount of its $2.75 billion proportionate share for each station. The Company's insurance policies provide coverage for decontamination liability expense, premature decommissioning and loss or damage to its nuclear facilities. These policies require that, following an accident, insurance proceeds first be applied to assure that the facility is in a safe and stable condition and can be maintained in such condition. Within 30 days of stabilizing the reactor, the licensee must submit a report to the NRC which provides a clean-up plan, including the identification of all clean-up operations necessary to decontaminate the reactor to either permit the resumption of operations or decommissioning of the facility. Under the Company's insurance policies, insurance proceeds not already expended to place the reactor in a stable condition must be used to decontaminate the facility. If the decision is made to decommission the facility, a portion of the insurance proceeds will be allocated to a fund which the Company is required by the NRC to maintain to provide for decommissioning the facility. These proceeds would be paid to the fund to make up any difference between the amount of money in the fund at the time of the early decommissioning and the amount that would be in the fund if contributions had been made over the normal life of the facility. The Company is unable to predict what effect these requirements may have on the amount and the availability of insurance proceeds for the benefit of the Company's bondholders under the Company's mortgage. Under the terms of the various property insurance agreements, the Company could be assessed up to $44 million for losses incurred at any plant insured by the insurance companies. The Company is self-insured to the extent that any losses may exceed the amount of insurance maintained. Any such losses, if not recovered through the ratemaking process, could have a material adverse effect on the Company's financial condition or results of operations.

The Company is a member of an industry mutual insurance company which provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. The Company's maximum share of any assessment is $14 million per year.

3. Commitments and Contingencies (CONTINUED)

Nuclear Decommissioning and Spent Fuel Storage

In conjunction with the PUC's April 19, 1990 electric base rate order, the PUC recognized a revised decommissioning cost estimate based upon total cost. The Company's share of this revised cost is $643 million expressed in 1990 dollars. Under current rates, the Company collects approximately $20 million annually from customers for decommissioning the Company's nuclear units. The Company had recovered $174 million as of December 31, 1994, from customers which has been deposited in trust accounts for funding future decommissioning costs. The most recent estimate of the Company's share of the cost to decommission its nuclear units is approximately $900 million in 1994 dollars. Any increase in the 1990 decommissioning cost estimate being recovered in base rates is to be recoverable in the Company's next base rate case. As a result, the Company expects to receive recovery of a higher level of decommissioning expense in its next base rate proceeding.

The staff of the Securities and Exchange Commission has questioned the electric utility industry accounting practices regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations in financial statements. The Financial Accounting Standards Board has agreed to review the accounting for removal costs including decommissioning. If current electric utility industry accounting practices for decommissioning are changed, annual provisions for decommissioning could increase, the estimated cost for decommissioning could be recorded as a liability rather than as accumulated depreciation, and trust fund income from external decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense. The Company does not expect this review to have a material effect on the Company's financial condition or results of operations.

Effective January 1, 1994, the Company began recognizing in the financial statements unrealized gains using the average cost method as part of the value of the decommissioning trust accounts and as a deferred liability (see note 4).

Under the Nuclear Waste Policy Act of 1982 (NWPA), the U.S. Department of Energy (DOE) is required to take possession of all spent nuclear fuel generated by the Company's nuclear units for long-term storage by no later than 1998. Under the NWPA, the DOE is authorized to assess utilities for the cost of nuclear fuel disposal. The current cost of such disposal is one mill ($.001) per kilowatthour of net nuclear generation. The fee may be adjusted prospectively in order to ensure full cost recovery.

The DOE has stated that it is under no legal obligation to begin accepting spent fuel absent an operational repository or other facility constructed under the NWPA. The DOE acknowledges, however, that it may have created the expectation of such a commitment on the part of utilities by issuing certain regulations and projected waste acceptance schedules. The DOE has stated that it will not be able to open a permanent, high-level nuclear waste storage facility until 2010, at the earliest. The DOE stated that the delay was a result of its seeking new data about the suitability of the proposed repository site at Yucca Mountain, Nevada, opposition to this location for the repository and the DOE's revision of its civilian nuclear waste program. The DOE stated that it would seek legislation from Congress for the construction of a temporary storage facility which would accept spent nuclear fuel from utilities in 1998 or soon thereafter. Although progress is being made at Yucca Mountain and several communities have expressed interest in providing a temporary storage site, the Company cannot predict when the temporary storage facilities or permanent repository will become available. The DOE is exploring options to address delays in the currently projected waste acceptance schedules. The options under consideration by the DOE include offsetting a portion of the financial burden associated with the costs of continued on-site storage of spent fuel after 1998 and the issuance by the DOE to utilities of multi-purpose canisters for on-site storage.

Peach Bottom and Limerick have on-site storage facilities with the capacity to store spent fuel discharged from the units through the late 1990's and, by further modifying spent fuel storage facilities, capacity could be provided until approximately 2010. Salem has spent fuel storage capacity through 1998 for Unit No. 1 and 2002 for Unit No. 2. Public Service Electric and Gas (PSE&G) is implementing a plan to extend the fuel storage capacity of Salem Unit No. 1 to 2008 and Unit No. 2 to 2012.

The National Energy Policy Act of 1992 (Energy Act) provides, among other things, that utilities with nuclear reactors must pay for the decommissioning and decontamination of the DOE nuclear fuel enrichment facilities. The total costs are estimated to be $150 million per year for 15 years, of which the Company's share is estimated at $5 million per year. The Energy Act provides that these costs are to be recoverable in the same manner as other fuel costs. The Company has recorded the liability and a related regulatory asset, which at December 31, 1994 and 1993 was $59 and $69 million, respectively.

The Company is currently recovering in rates costs for nuclear decommissioning and decontamination and spent fuel storage. The Company believes that the ultimate costs of decommissioning and decontamination, spent fuel disposal and any assessment under the Energy Act will continue to be recoverable through rates, although such recovery is not assured.

Environmental Issues

Under federal and state environmental laws, the Company is generally liable for the costs of remediating environmental contamination of property now or formerly owned by the Company or of property contaminated by hazardous substances generated by the Company. The Company owns or

3. Commitments and Contingencies (CONTINUED)

leases a substantial number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances which are considered hazardous under environmental laws. The Company is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future. An evaluation of Company sites for potential environmental clean-up liability is in progress, including approximately 20 sites where manufactured gas plant activities may have resulted in site contamination. Past activities at several sites have resulted in actual site contamination. The Company is presently engaged in performing detailed evaluations of these sites to define the nature and extent of the contamination, to determine the necessity of remediation and to identify possible remediation alternatives. As of December 31, 1994 and 1993, the Company had accrued $24 and $17 million, respectively, for environmental investigation and remediation costs that currently can be reasonably estimated. On December 15, 1994, the PUC approved the recognition of $1.5 million of environmental costs annually for the remediation of sites of former manufactured gas plant facilities (see note 2). The Company cannot currently predict whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by the Company, environmental agencies or others, or whether all such costs will be recoverable through rates or from third parties.

Other Litigation

On April 11, 1991, 33 former employees of the Company filed an amended class action suit against the Company in the United States District Court for the Eastern District of Pennsylvania (Eastern District Court) on behalf of approximately 141 persons who retired from the Company between January and April 1990. The lawsuit, filed under the Employee Retirement Income Security Act (ERISA), alleges that the Company fraudulently and/or negligently misrepresented or concealed facts concerning the Company's 1990 Early Retirement Plan and thus induced the plaintiffs to retire or not to defer retirement immediately before the initiation of the 1990 Early Retirement Plan, thereby depriving the plaintiffs of substantial pension and salary benefits. In June 1991, the plaintiffs filed amended complaints adding additional plaintiffs. The lawsuit names the Company, the Company's Service Annuity Plan (SAP) and two Company officers as defendants. The plaintiffs seek approximately $20 million in damages representing, among other things, increased pension benefits and nine months salary pursuant to the terms of the 1990 Early Retirement Plan, as well as punitive damages. On March 24 and 25, 1994, the case was tried in Eastern District Court on the issue of liability. On May 13, 1994, the Eastern District Court issued a decision, finding the Company liable to all plaintiffs who made inquiries about any early retirement plan after March 12, 1990 and retired prior to April 1990. The Eastern District Court will try the case on the issue of damages. The ultimate outcome of this matter is not expected to have a material adverse effect on the Company's financial condition.

On May 2, 1991, 37 former employees of the Company filed an amended class action suit against the Company, the SAP and three former Company officers in the Eastern District Court, on behalf of 147 former employees who retired from the Company between January and June 1987. The lawsuit was filed under ERISA and concerns the August 1, 1987 amendment to the SAP. The plaintiffs claim that the Company concealed or misrepresented the fact that the amendment to the SAP was planned to increase retirement benefits and, as a consequence, they retired prior to the amendment to the SAP and were deprived of significant retirement benefits. The complaint does not specify any dollar amount of damages. On March 24 and 25, 1994, the case was tried in Eastern District Court on the issue of liability. On May 13, 1994, the Eastern District Court issued a decision, finding the Company liable to all plaintiffs who made inquiries about any pension improvement after March 1, 1987 and retired prior to June 1987. The Eastern District Court will try the case on the issue of damages. The ultimate outcome of this matter is not expected to have a material adverse effect on the Company's financial condition.

On May 25, 1993, the Company received a letter from attorneys on behalf of a shareholder demanding that the Company's Board of Directors commence legal action against certain Company officers and directors with respect to the Company's credit and collections practices. The basis of the demand is the findings and conclusions contained in the Credit and Collection section of the May 1991 PUC Management Audit Report prepared by Ernst & Young. At its June 28, 1993 meeting, the Board of Directors appointed a special committee of directors to consider whether such legal action is in the best interests of the Company and its shareholders. On March 14, 1994, upon the recommendation of the Special Committee, the Board of Directors approved a resolution refusing the shareholder demand set forth in the May 25, 1993 demand letter, and authorizing and directing officers of the Company to take all steps necessary to terminate the derivative suit discussed below.

On July 26, 1993, attorneys on behalf of two shareholders filed a shareholder derivative action in the Court of Common Pleas of Philadelphia County against several of the Company's present and former officers alleging mismanagement, waste of corporate assets and breach of fiduciary duty in connection with the Company's credit and collections practices. A similar suit by the same plaintiffs previously had been withdrawn while on appeal after dismissal by the court for failure to first serve a demand on the Company's Board of Directors. This action is also based on the findings and conclusions contained in the Credit and Collections section of the May 1991 PUC Management Audit Report prepared by

3. Commitments and Contingencies (CONTINUED)

Ernst & Young. The plaintiffs seek, among other things, an unspecified amount of damages and the awarding to the plaintiffs of the costs and disbursements of the action, including attorneys' fees. On April 12, 1994, the Company filed a motion for summary judgment seeking termination of the action pursuant to the Board of Directors' resolution of March 14, 1994. Any monetary damages which may be recovered, net of expenses, would be paid to the Company because the lawsuit is brought derivatively by shareholders on behalf of the Company.

The Company is involved in various other litigation matters, the ultimate outcomes of which, while uncertain, are not expected to have a material adverse effect on the Company's financial condition or results of operations.

4. Changes in Accounting

Effective January 1, 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which requires current recognition of the expected costs of the obligation to provide benefits to former or inactive employees during the period after active employment but before retirement. For 1993 and prior, the Company recognized these costs on a pay-as-you-go basis. The Company is currently recovering in base rates the pay-as-you-go costs. The Company's transition obligation under SFAS No. 112 was $10.9 million, which represents the previously unrecognized accumulated postemployment benefits obligation. The Company's increased SFAS No. 112 costs for 1994 were $1.4 million. The Company expects to recover all increased expenses resulting from the adoption of SFAS No. 112, and accordingly, has deferred all such expenses.

Effective January 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires the fair value of investments in certain debt and equity securities be recorded in the financial statements. The amounts which the Company recovers from customers for the Company's share of the estimated costs for decommissioning its nuclear generating stations are deposited in trust accounts and invested for funding of future costs. As of December 31, 1994, the Company recognized $1 million of unrealized gains using the average cost method, which are recorded as a deferred liability (see note 3). The Company had no other such investments as of December 31, 1994.

Effective January 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires the recognition of the expected costs of the benefits during the years employees render service, but not later than the date eligible for retirement using the prescribed accrual method. For 1992 and prior, the Company recognized these costs on a pay-as-you-go basis. For 1994 and prior, the Company recovered in base rates the pay-as-you-go costs. Adoption of SFAS No. 106 resulted in a transition obligation of $505 million, which is being amortized on a straight-line basis over 20 years. Adoption of SFAS No. 106 had no impact on the Company's results of operations as the Company deferred these increased costs pending rate treatment (see notes 2 and 6).

Effective January 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes utilizing the cumulative method of adoption. As a result, the Company recognized a charge of $3 million during 1993. The Company has also recorded an additional accumulated deferred income tax liability along with a corresponding recoverable deferred income tax asset of $2.1 and $2.3 billion at December 31, 1994 and 1993, respectively (see note 13).

5. Retirement Benefits

The Company and its subsidiaries have a non-contributory trusteed retirement plan applicable to all regular employees. The benefits are based primarily upon employees' years of service and average earnings prior to retirement. The Company's funding policy is to contribute, at a minimum, amounts sufficient to meet ERISA requirements. Approximately 85%, 71% and 78% of pension costs were charged to operations in 1994, 1993 and 1992, respectively, and the remainder, associated with construction labor, to the cost of new utility plant.

(THOUSANDS OF DOLLARS)	1994	1993	1992
Pension costs for 1994, 1993 and 1992 included the following components:			
Service cost — benefits earned during the period	$ 33,403	$ 33,673	$ 30,191
Interest cost on projected benefit obligations	136,690	134,658	129,000
Actual return on plan assets	12,946	(226,240)	(122,869)
Amortization of transition asset	(4,538)	(4,538)	(4,539)
Amortization and deferral	(161,955)	87,733	(5,741)
Net pension cost	$ 16,546	$ 25,286	$ 26,042

5. Retirement Benefits (CONTINUED)

The changes in net periodic pension costs in 1994, 1993 and 1992 were as follows:

(THOUSANDS OF DOLLARS)	1994	1993	1992
Change in number, characteristics and salary levels of participants and net actuarial gain	$ (6,004)	$ (756)	$ (840)
Change in plan provisions	(1,777)	—	—
Change in actuarial assumptions	(959)	—	4,542
Net change	$ (8,740)	$ (756)	$ 3,702

Plan assets consist principally of common stock, U.S. government obligations and other fixed income instruments. In determining pension costs, the assumed long-term rate of return on assets was 9.50% for 1994, 1993 and 1992.

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 8.25% at December 31, 1994, 7% at December 31, 1993, and 7.75% at December 31, 1992. The average rate of increase in future compensation levels ranged from 4.25% to 6.25% at December 31, 1994, from 4% to 6% at December 31, 1993, and from 4.5% to 6.5% at December 31, 1992.

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan. The funded status of the plan at December 31, 1994 and 1993 is summarized as follows:

(THOUSANDS OF DOLLARS)	1994	1993
Actuarial present value of accumulated plan benefit obligations:		
Vested benefit obligations	$ (1,505,552)	$ (1,482,868)
Accumulated benefit obligation	(1,632,666)	(1,600,768)
Projected benefit obligation for services rendered to date	(1,814,209)	(1,972,332)
Plan assets at fair value	1,741,271	1,844,281
Funded status	(72,938)	(128,051)
Unrecognized transition asset	(49,327)	(53,865)
Unrecognized prior service costs	73,338	95,728
Unrecognized net gain	(230,105)	(77,245)
Pension liability	$ (279,032)	$ (163,433)

6. Non-Pension Retirement Benefits

The Company provides certain health care and life insurance benefits for retired employees. Company employees will become eligible for these benefits if they retire from the Company with ten years of service. These benefits and similar benefits for active employees are provided by an insurance company whose premiums are based upon the benefits paid during the year. Prior to 1993, the Company recognized the cost of providing these benefits by charging the annual insurance premiums to expense.

The transition obligation resulting from the adoption of SFAS No. 106 was $505 million at January 1, 1993, which represents the previously unrecognized accumulated non-pension postretirement benefit obligation. The transition obligation is being amortized on a straight-line basis over an allowed 20-year period. As a result of the Voluntary Retirement Incentive Program (VRIP) and the Voluntary Separation Incentive Program (VSIP), the Company accelerated recognition of $180 million of non-pension postretirement benefits obligation (see note 22). The annual non-pension postretirement benefits costs (including amortization of the transition obligation) is $81 million. The Company's comparable pay-as-you-go costs for these benefits, which were recovered in base rates, were $32 million in 1994. Effective January 1, 1995, the Company will be permitted by the PUC to recover SFAS No. 106 costs associated with the Company's retail electric and gas operations (see note 2).

The transition obligation was determined by application of the terms of medical, dental and life insurance plans, including the effects of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates, which are projected to range from 10% in 1995 to 5% in 2002. The effect of a 1% annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation by $56 million and the annual service and interest costs by $7 million.

Total costs for all plans amounted to $81, $83 and $17 million in 1994, 1993 and 1992, respectively, for 6,000 retirees during 1994, 1993 and 1992 and for 3,539 active employees during 1994. The cost was higher in 1994 and 1993 than in 1992 primarily due to the adoption of SFAS No. 106.

6. Non-Pension Retirement Benefits (CONTINUED)

The net periodic benefits costs for 1994 and 1993 included the following components:

(THOUSANDS OF DOLLARS)	1994	1993
Service cost - benefits earned during the period	$ 17,056	$ 15,615
Interest cost on projected benefit obligations	41,196	41,708
Amortization of the transition obligation	22,659	25,251
Actual return on plan assets	–	—
Amortization and deferral	–	—
Net periodic postretirement benefits costs	$ 80,911	$ 82,574

The funded status of the plan at December 31, 1994 and 1993 is summarized as follows:

(THOUSANDS OF DOLLARS)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 566,128	$ 476,059
Fully eligible active plan participants	7,895	39,367
Other active plan participants	16,006	79,808
Total	590,029	595,234
Plan assets at fair value	(1,200)	—
Accumulated postretirement benefit obligation in excess of plan assets	588,829	595,234
Unrecognized transition obligation	(267,871)	(479,778)
Unrecognized net gain	33,500	(63,675)
Accrued postretirement benefits cost recognized on the balance sheet	$ 354,458	$ 51,781

Measurement of the accumulated postretirement benefits obligation was based on an 8.5% and 7.25% assumed discount rate as of December 31, 1994 and 1993, respectively.

7. Accounts Receivable

Accounts receivable at December 31, 1994 and 1993 included unbilled operating revenues of $100 and $115 million, respectively. Accounts receivable at December 31, 1994 and 1993 were net of an allowance for uncollectible accounts of $17 and $15 million, respectively.

The Company is party to an agreement with a financial institution whereby it can sell on a daily basis and with limited recourse an undivided interest in up to $325 million of designated accounts receivable until January 24, 1996. At December 31, 1994 and 1993, the Company had sold a $325 million interest in accounts receivable under this agreement. The Company retains the servicing responsibility for these receivables.

By terms of this agreement, under certain circumstances, a portion of deferred Limerick costs may be included in the pool of eligible receivables. At December 31, 1994, $37 million of deferred Limerick costs were included in the pool of eligible receivables.

8. Common Stock

At December 31, 1994 and 1993, common stock without par value consisted of 500,000,000 shares authorized and 221,608,984 and 221,517,099 shares outstanding, respectively. At December 31, 1994, there were 4,800,000 shares reserved for issuance under stock purchase plans.

The Company maintains a Long-Term Incentive Plan (LTIP) for certain full-time salaried employees of the Company. The types of long-term incentive awards which may be granted under the LTIP are non-qualified options to purchase shares of the Company's common stock, dividend equivalents and shares of restricted common stock. Pursuant to the LTIP, 2,651,397 shares of stock were authorized for issuance upon exercise of options at December 31, 1994.

8. Common Stock (CONTINUED)

The following table summarizes option activity during 1994, 1993 and 1992:

	1994	1993	1992
Balance at January 1	1,961,882	2,445,833	1,656,244
Options granted	909,000	533,800	1,380,000
Options exercised	(90,885)	(981,551)	(504,411)
Options cancelled	(128,600)	(36,200)	(86,000)
Balance at December 31	2,651,397	1,961,882	2,445,833
Exercisable at December 31	1,865,397	1,447,282	1,162,833

Options were exercised at average option prices of $22.91 per share, $22.66 per share and $24.73 per share in 1994, 1993 and 1992, respectively. The average exercise prices of shares under option were $26.73 per share, $25.12 per share and $23.18 per share at December 31, 1994, 1993 and 1992, respectively.

9. Preferred and Preference Stock

At December 31, 1994 and 1993, Series Preference Stock consisted of 100,000,000 shares authorized, of which no shares were outstanding. At December 31, 1994 and 1993, cumulative Preferred Stock, no par value, consisted of 15,000,000 shares authorized.

	Current Redemption Price (a)	Shares Outstanding 1994	Shares Outstanding 1993	Amount (Thousands of Dollars) 1994	Amount (Thousands of Dollars) 1993
Series (without mandatory redemption)					
$7.85	—	–	500,000	–	$ 50,000
$7.80	—	–	750,000	–	75,000
$7.75	—	–	200,000	–	20,000
$4.68	104.00	150,000	150,000	$ 15,000	15,000
$4.40	112.50	274,720	274,720	27,472	27,472
$4.30	102.00	150,000	150,000	15,000	15,000
$3.80	106.00	300,000	300,000	30,000	30,000
$7.96(b)	(c)	1,400,000	1,400,000	140,000	140,000
$7.48	(d)	500,000	500,000	50,000	50,000
		2,774,720	4,224,720	277,472	422,472
Series (with mandatory redemption) (e)					
$9.875	–	–	390,000	–	39,000
$7.325	—	–	300,000	–	30,000
$7.00	—	–	248,000	–	24,800
$6.12	(f)	927,000	927,000	92,700	92,700
		927,000	1,865,000	92,700	186,500
Total Preferred Stock		3,701,720	6,089,720	$ 370,172	$ 608,972

(a) Redeemable, at the option of the Company, at the indicated dollar amounts per share, plus accrued dividends.
(b) Ownership of this series of preferred stock is evidenced by depositary receipts, each representing one-fourth of a share of preferred stock.
(c) None of the shares of this series are subject to redemption prior to October 1, 1997.
(d) None of the shares of this series are subject to redemption prior to April 1, 2003.
(e) There are no annual sinking fund requirements in the period 1995-1998. Annual sinking fund requirements in 1999 are $18,540,000.
(f) None of the shares of this series are subject to redemption prior to August 1, 1999.

10. Monthly Income Preferred Securities of Subsidiary

On July 27, 1994, PECO Energy Capital, L.P., a Delaware limited partnership of which a wholly owned subsidiary of the Company is the sole general partner, issued 8.85 million of 9% Cumulative Monthly Income Preferred Securities, Series A, representing limited partnership interests with a stated liquidation value of $25, totaling $221 million, all of which were outstanding as of December 31, 1994.

11. Long-Term Debt

(THOUSANDS OF DOLLARS)	Series	Due	At December 31, 1994	1993
First and Refunding Mortgage Bonds (a)	4 1/2% - 13.05%	1994	–	$ 170,000
	6 1/8%	1997	**$ 75,000**	75,000
	5 3/8%	1998	**225,000**	225,000
	7 1/2% - 9 1/4%	1999	**325,000**	325,000
	5 5/8% - 10%	2000-2004	**1,310,069**	1,310,069
	6 3/8% - 10 1/4%	2005-2009	**127,813**	131,875
	(b)	2010-2014	**154,200**	167,540
	8 7/8% - 11%	2015-2019	**145,281**	227,841
	6 5/8% - 10 1/2%	2020-2024	**1,665,280**	1,665,280
Total First and Refunding Mortgage Bonds			**4,027,6[illegible]7**	4,297,605
Notes Payable — Banks	(c)	1994-1996	**167,000**	167,000
Revolving Credit and Term Loan Agreements	(d)	1995-1998	**525,000**	425,000
Pollution Control Notes	(e)	1997-2025	**161,465**	65,565
Debentures	10.05%	1994-2011	–	62,000
Medium-Term Notes	(f)	1994-2005	**134,200**	150,000
Sinking Fund Debentures — PECO Energy Power Company, a Subsidiary	4 1/2%	1995	**9,750**	10,550
Unamortized Debt Discount and Premium, Net			**(38,214)**	(41,114)
Total Long-Term Debt			**4,986,844**	5,136,606
Due Within One Year (g)			**201,213**	252,263
Long-Term Debt included in Capitalization (h)			**$ 4,785,631**	$ 4,884,343

(a) Utility Plant is subject to the lien of the Company's mortgage.

(b) Floating rates, which were an average annual interest rate of 3.7% at December 31, 1994.

(c) The Company has entered into interest rate swap agreements to fix the effective interest rates on these notes. At December 31, 1994 and 1993, the Company had two interest rate swap agreements outstanding with commercial banks, for a total notional principal amount of $167 million, respectively. These agreements are subject to performance by the commercial banks, which are counterparties to the interest rate swaps. The Company does not anticipate nonperformance by the counterparties. The annual interest rate for these notes, giving effect to the interest rate swaps, was 10.51% at December 31, 1994.

(d) On October 3, 1994, borrowings by the Company under its $525 million revolving credit and term loan agreement with a group of banks converted to a term loan. The term loan is due in six semi-annual installments commencing April 3, 1995. Interest on outstanding borrowings is based on specific formulas selected by the Company involving yields on several types of debt instruments. The average annual interest rate for this revolving credit agreement was 6.5% at December 31, 1994. The Company also has a $150 million revolving credit and term loan agreement with a group of banks. The revolving credit agreement converts into a term loan in July 1996 and the commitment terminates in 1998. There is an annual commitment fee of 0.2% on the unused amount. At December 31, 1994 and 1993, no amounts were outstanding under this agreement.

(e) Floating rates, which were an average annual interest rate of 4.9% at December 31, 1994.

(f) Medium-term notes collateralized by mortgage bonds. The average annual interest rate was 8.2% at December 31, 1994.

(g) Long-term debt maturities, including mandatory sinking fund requirements, in the period 1996-1999 are as follows: 1996 - $393,463,000; 1997 - $266,063,000; 1998 - $241,463,000; 1999 - $359,063,000.

(h) The annualized interest on long-term debt at December 31, 1994, was $362 million, of which $303 million was associated with mortgage bonds and $59 million was associated with other long-term debt.

12. Short-Term Debt

(THOUSANDS OF DOLLARS)	1994	1993	1992
Average Borrowings	$ 130,539	$ 113,193	$ 50,161
Average Interest Rates, computed on daily basis	4.03%	3.35%	3.72%
Maximum Borrowings Outstanding	$ 418,600	$ 368,400	$ 255,500
Average Interest Rates at December 31	6.73%	3.45%	3.72%

The Company has a $150 million commercial paper program and at December 31, 1994, there was no commercial paper outstanding. At December 31, 1994, the Company had formal and informal lines of credit with banks aggregating $351 million against which $11 million of short-term debt was outstanding. The Company has compensating balance arrangements for $158 million of these formal and informal lines of credit. During 1994, the Company was required to maintain a 5% average compensating balance for these credit lines.

13. Income Taxes

(THOUSANDS OF DOLLARS)	1994	1993	1992
Included in Operating Income:			
Federal			
Current	$ 164,472	$ 117,535	$ 131,054
Deferred	(2,691)	113,054	66,281
Investment Tax Credit, Net	28,006	43,344	(3,495)
State			
Current	77,754	70,740	78,546
Deferred	(33,508)	9,718	(7,903)
	234,033	354,391	264,483
Included in Other Income and Deductions:			
Federal			
Current	1,989	(3,650)	(45,295)
Deferred	9,722	15,926	20,237
State			
Current	409	(1,615)	(18,430)
Deferred	3,171	1,147	3,328
	15,291	11,808	(40,160)
Total	$ 249,324	$ 366,199	$ 224,323

13. Income Taxes (CONTINUED)

In accordance with SFAS No. 109, the Company has recorded an additional accumulated net deferred income tax liability and pursuant to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," a corresponding recoverable deferred income tax asset of $2.1 and $2.3 billion at December 31, 1994 and 1993, respectively, representing primarily the cumulative amount of federal and state income taxes associated with the elimination of the net-of-tax AFUDC accounting methodology.

The accumulated net deferred income tax liability reflects the tax effect of anticipated revenues and reverses as the related temporary differences reverse over the life of the related depreciable assets concurrent with the recovery of their cost in rates. Also included in the accumulated deferred income tax liability are other accumulated deferred income taxes, principally associated with liberalized tax depreciation, established in accordance with the ratemaking policies of the PUC based on flow-through accounting.

ITC and other general business credits reduced federal income taxes currently payable by $43, $60 and $41 million in 1994, 1993 and 1992, respectively. Under the Tax Reform Act of 1986, ITC was repealed effective January 1, 1986 with the exception of transition property. The Company believes that Limerick Unit No. 2 qualifies as transition property eligible for ITC.

All remaining general business credits were used by the Company during 1994.

The Internal Revenue Service (IRS) has completed its examinations of the Company's federal income tax returns through 1986. The 1987 through 1990 federal income tax returns are under examination. The IRS completed its field examination in February 1994 and subsequently issued an assessment that the Company has appealed. The Company expects resolution of the appeal by mid-1995.

For the years 1987 through 1990, the Company's current tax liability was determined under the AMT method resulting in a cumulative tax credit of $176 million which can be utilized in future years when regular tax liability exceeds AMT liability.

The tax effect of temporary differences which give rise to the Company's net deferred tax liability as of December 31, 1994 and 1993 are as follows:

(MILLIONS OF DOLLARS)	Liability or (Asset) 1994	1993
Nature of Temporary Difference:		
Utility Plant		
Accelerated Depreciation	$ 1,377	$ 1,270
Deferred Investment Tax Credits	374	346
AMT Credits	(176)	(176)
Other Plant Related Temporary Differences	1,305	1,335
Taxes Recoverable Through Future Rates, Net	882	980
Deferred Debt Refinancing Costs	132	142
Other, Net	(306)	(155)
Deferred Income Taxes per the Balance Sheet	$ 3,588	$ 3,742

The net deferred tax liability shown above as of December 31, 1994 and 1993 is comprised of $4.127 and $4.182 billion of deferred tax liabilities, partly offset by $539 and $440 million of deferred tax assets, respectively.

The 1994 amendment to Pennsylvania tax law changed the corporate income tax rate from 12.25% to 11.99% for 1994, 10.99% for 1995, 10.75% for 1996, and 9.99% for 1997 and thereafter. This change resulted in a $2 million decrease in Income Taxes in the Consolidated Statement of Income for the year ended December 31, 1994. This change also resulted in a $174 million decrease in the Deferred Income Taxes liability on the December 31, 1994 Consolidated Balance Sheet. The decrease in the Deferred Income Taxes liability is returned to customers through the State Tax Adjustment Clause in the year realized.

The Omnibus Budget Reconciliation Act of 1993 changed the federal income tax rate for corporations to 35% from 34%, effective January 1, 1993. This change resulted in an $8 million increase in Income Taxes in the Consolidated Statement of Income for the year ended December 31, 1993. This change also resulted in a $107 million increase in the Deferred Income Taxes liability in 1993, included in the December 31, 1994 and 1993 Consolidated Balance Sheets, because the Company expects to receive recovery of all taxes when paid.

13. Income Taxes (CONTINUED)

Provisions for deferred income taxes consist of the tax effects of the following timing differences:

(THOUSANDS OF DOLLARS)	1994	1993	1992
Depreciation and Amortization	$ 85,772	$ 78,324	$ 93,469
Deferred Energy Costs	13,777	19,013	(18,033)
Early Retirement and Separation Programs	(82,008)	—	1,865
Incremental Nuclear Maintenance and Refueling Outage Costs	(2,751)	(827)	(1,627)
Uncollectible Accounts	(23,096)	625	(2,629)
Reacquired Debt	(12,954)	28,959	39,123
Unrecovered Revenue	(2,239)	(806)	(56,050)
Environmental Clean-up Cost	(3,949)	(2,479)	—
Obsolete Inventory	(6,192)	(6,887)	—
Limerick Plant Disallowances and Phase-In Plan	12,894	17,073	15,118
Other	(2,560)	6,850	10,707
Total	$ (23,306)	$ 139,845	$ 81,943

The total income tax provisions differed from amounts computed by applying the federal statutory tax rate to income and adjusted income before income taxes as shown below:

(THOUSANDS OF DOLLARS)	1994	1993	1992
Net Income	$ 426,713	$ 590,648	$ 478,941
Total Income Tax Provisions	249,324	366,199	224,323
Income Before Income Taxes	676,037	956,847	703,264
Deduct: Allowance for Funds Used During Construction	22,169	23,774	20,663
Adjusted Income Before Income Taxes	$ 653,868	$ 933,073	$ 682,601
Income Taxes on Above at Federal Statutory Rate of 35% in 1994 and 1993 and 34% in 1992	$ 228,854	$ 326,576	$ 232,084
Increase (Decrease) due to:			
Depreciation Timing Differences Not Normalized	12,767	9,721	10,427
Limerick Plant Disallowances and Phase-In Plan	(530)	5,094	2,159
Unbilled Revenues Not Normalized	—	—	(5,766)
State Income Taxes, Net of Federal Income Tax Benefits	31,086	51,994	36,657
Amortization of Investment Tax Credits	(14,570)	(13,470)	(24,624)
Prior Period Income Taxes	(14,524)	(3,942)	(20,655)
Other, Net	6,241	(9,774)	(5,959)
Total Income Tax Provisions	$ 249,324	$ 366,199	$ 224,323
Provisions for Income Taxes as a Percent of:			
Income Before Income Taxes	36.9%	38.3%	31.9%
Adjusted Income Before Income Taxes	38.1%	39.2%	32.9%

14. Taxes, Other Than Income - Operating

(THOUSANDS OF DOLLARS)	1994	1993	1992
Gross Receipts	$ 160,704	$ 155,407	$ 158,314
Capital Stock	39,957	38,990	28,013
Real Estate	77,571	71,445	63,593
Payroll	31,556	31,490	29,410
Other	1,901	800	2,538
Total	$ 311,689	$ 298,132	$ 281,868

15. Leases

Leased property included in Utility Plant at December 31, was as follows:

(THOUSANDS OF DOLLARS)	1994	1993
Nuclear Fuel	**$ 445,338**	$ 448,203
Electric Plant	**2,110**	2,169
Gross Leased Property	**447,448**	450,372
Accumulated Amortization	**(272,883)**	(255,670)
Net Leased Property	**$ 174,565**	$ 194,702

The nuclear fuel obligation is amortized as the fuel is consumed. Amortization of leased property totaled $62, $58 and $55 million for the years ended December 31, 1994, 1993 and 1992, respectively. Other operating expenses included interest on capital lease obligations of $7, $8 and $7 million in 1994, 1993 and 1992, respectively. Minimum future lease payments as of December 31, 1994 were:

(THOUSANDS OF DOLLARS) YEAR ENDING DECEMBER 31,	Capital Leases	Operating Leases	Total
1995	$ 69,777	$ 97,608	$ 167,385
1996	60,752	61,349	122,101
1997	50,213	60,208	110,421
1998	9,675	56,347	66,022
1999	92	53,900	53,992
Remaining Years	1,089	578,419	579,508
Total Minimum Future Lease Payments	$ 191,598	$ 907,831	$ 1,099,429
Imputed Interest (rates ranging from 6.5% to 17.0%)	(17,033)		
Present Value of Net Minimum Future Lease Payments	$ 174,565		

Rental expense under operating leases totaled $101, $99 and $94 million in 1994, 1993 and 1992, respectively.

16. Jointly Owned Electric Utility Plant

The Company's ownership interests in jointly owned electric utility plant at December 31, 1994 were as follows:

	Production Plants				Transmission and Other Plant
	Peach Bottom	Salem	Keystone	Conemaugh	
OPERATOR	PECO Energy Company	Public Service Electric and Gas Company	Pennsylvania Electric Company	Pennsylvania Electric Company	Various Companies
Participating Interest	42.49%	42.59%	20.99%	20.72%	21% to 43%
(THOUSANDS OF DOLLARS)					
Company's share of					
Utility Plant	$ 732,291	$ 1,184,271	$ 86,845	$ 147,479	$ 88,276
Accumulated Depreciation	274,452	374,354	47,840	48,719	28,060
Construction Work in Progress	22,283	47,280	21,484	27,658	1,101

The Company's participating interests are financed with Company funds and, when placed in service, all operations are accounted for as if such participating interests were wholly owned facilities.

On April 2, 1992, the United States District Court for the District of New Jersey approved a settlement of the lawsuits filed against the Company by the other co-owners of Peach Bottom concerning the 1987 shutdown of Peach Bottom ordered by the NRC. As part of the settlement, the Company paid $131 million to the other co-owners on October 1, 1992 and the Company recognized a charge against income ($76 million, net of taxes) in the first quarter of 1992.

In 1990, the Company received net proceeds of $28 million ($16 million, net of taxes) in settlement of a shareholders' derivative suit in connection with the 1987 Peach Bottom shutdown. Recognition of the $28 million had been deferred pending the resolution of the co-owners' litigation. As a result of the settlement of the co-owners' litigation, the $28 million was recognized as other income in the first quarter of 1992 and reported as an offset against the amount of the above-mentioned charge relating to the settlement of the co-owners' litigation.

17. Segment Information

(THOUSANDS OF DOLLARS)	1994	1993	1992
ELECTRIC OPERATIONS			
Operating Revenues	**$ 3,624,797**	$ 3,605,425	$ 3,597,141
Operating Expenses, excluding Depreciation	**2,429,452**	2,228,507	2,236,907
Depreciation	**415,854**	400,851	390,846
Operating Income	**$ 779,491**	$ 976,067	$ 969,388
Utility Plant Additions	**$ 457,728**	$ 458,125	$ 461,407
GAS OPERATIONS			
Operating Revenues	**$ 415,835**	$ 382,704	$ 365,328
Operating Expenses, excluding Depreciation	**339,529**	299,259	278,407
Depreciation	**26,247**	24,101	22,933
Operating Income	**$ 50,059**	$ 59,344	$ 63,988
Utility Plant Additions	**$ 67,090**	$ 72,481	$ 74,858
Identifiable Assets*			
Electric	**$ 10,410,461**	$ 10,395,488	$ 10,393,449
Gas	**768,279**	727,690	658,825
Nonallocable Assets	**3,914,019**	3,909,149	1,525,953
Total Assets	**$ 15,092,759**	$ 15,032,327	$ 12,578,227

Includes Utility Plant less accumulated depreciation, inventories and allocated common utility property.

18. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The following disclosur.s supplem— the accompanying Statements of Cash Flows:

(THOUSANDS OF DOLLARS)	[illegible]	1993	1992
Cash Paid During the Year:			
Interest (net of amount capitalized)	**$ 437,096**	$ 474,735	$ 515,696
Income Taxes (net of refunds)	**205,316**	182,751	224,352
Noncash Investing and Financing:			
Capital Lease Obligations Incurred	**41,710**	42,484	40,757

19. Investments

(THOUSANDS OF DOLLARS) DECEMBER 31,	1994	1993
Trust Accounts for Decommissioning Nuclear Plants	$ 175,326	$ 149,932
Real Estate Developments and Other Ventures	42,298	46,741
Nonutility Property	19,609	21,262
Gas Exploration and Development Joint Ventures	(722)	525
Other Deposits	76	76
Total	$ 236,587	$ 218,636

20. Financial Instruments

Fair values of financial instruments, including liabilities, are estimated based on quoted market prices for the same or similar issues. The carrying amounts and fair values of the Company's financial instruments as of December 31, 1994 and 1993 were as follows:

(THOUSANDS OF DOLLARS)	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Temporary Cash Investments	$ 46,970	$ 46,970	$ 46,923	$ 46,923
Long-Term Debt (including amounts due within one year)	4,986,844	4,730,005	5,136,606	5,375,427
Trust Accounts for Decommissioning Nuclear Plants	175,326	175,326	149,932	160,141

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and customer accounts receivable. The Company places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation limit. Concentrations of credit risk with respect to customer accounts receivable are limited due to the Company's large number of customers and their dispersion across many industries.

21. Nuclear Fuel Agreement with Long Island Power Authority [LIPA]

In March 1993, the Company entered into an agreement with LIPA and other parties, subsequently revised in September 1993, to receive $46 million as compensation for accepting slightly irradiated nuclear fuel from Shoreham Nuclear Power Station. The Company has received the payments in installments as the shipments of nuclear fuel were accepted. As of June 30, 1994, the Company had accepted all of the nuclear fuel shipments, and pursuant to the agreement, earned a $4 million bonus as a result of receiving all shipments prior to the September 5, 1994 target date.

The payments from LIPA, in excess of related costs, were recognized in income. The Company recognized $26 and $20 million as other income in the Consolidated Statements of Income for the year ended December 31, 1994 and 1993, respectively. The Company incurred $4 million of costs related to accepting the shipments pursuant to this agreement. The acquisition of the fuel will result in estimated benefits to the Company's customers of $70 million over the next 15 years due to reduced fuel-purchase requirements.

22. Voluntary Retirement and Separation Incentive Programs

In April 1994, the Company's Board of Directors approved a package of financial incentives permitting eligible employees to participate in either VRIP or VSIP.

All regular, part-time and intermittent employees who would be 50 years of age and have at least five years of credited service as of December 31, 1995 were eligible for VRIP. All regular and part-time employees of the Company, regardless of age or seniority, were eligible for VSIP. Employees who voluntarily separate from the Company under VSIP receive a lump-sum payment based on years of service. Of the estimated 2,135 employees eligible for VRIP, 1,474 employees elected to accept early retirement. An additional 1,008 employees elected to separate under VSIP. The retirements and separations are taking place in stages through December 31, 1995.

As a result of VRIP and VSIP, the Company incurred a one-time pre-tax charge of $254 million ($145 million net of taxes) in the third quarter of 1994. This charge consisted of the following: $190 million for the actuarially determined pension and other postretirement benefits costs; $51.5 million in cash payments for severance and accrued vacation/sick pay to be paid upon separation; and $12.5 million for outplacement services costs and, for those electing VSIP, the continuation of benefits for one year.

In addition, as a result of VRIP and VSIP, the Company accelerated recognition of $180 million of its non-pension postretirement benefits obligation. The Company recorded a corresponding regulatory asset as it expects to receive recovery of all non-pension postretirement benefits cost through the ratemaking process. This recognition of $180 million of non-pension postretirement benefits obligation and the recordation of the corresponding regulatory asset did not impact earnings.

23. Quarterly Data (Unaudited)

The data shown below include all adjustments which the Company considers necessary for a fair presentation of such amounts:

(THOUSANDS OF DOLLARS)	Operating Revenues		Operating Income		Net Income	
	1994	1993	**1994**	1993	**1994**	1993
Quarter ended						
March 31	**$ 1,128,409**	$ 1,071,492	**$ 260,313**	$ 281,734	**$ 159,384**	$ 162,356
June 30	**951,541**	901,703	**202,784**	223,196	**116,050**	107,691
September 30	**1,041,162**	1,073,134	**128,477**	290,937	**22,195**	181,683
December 31	**919,520**	941,800	**237,976**	239,544	**129,084**	138,918

(THOUSANDS OF DOLLARS)	Earnings Applicable to Common Stock		Average Shares Outstanding		Earnings Per Average Share	
	1994	1993	**1994**	1993	**1994**	1993
Quarter ended						
March 31	**$ 148,553**	$ 149,305	**221,517**	220,609	**$ 0.67**	$ 0.68
June 30	**105,264**	94,540	**221,531**	220,856	**0.48**	0.43
September 30	**12,577**	169,727	**221,570**	221,318	**0.06**	0.77
December 31	**123,021**	128,018	**221,596**	221,493	**0.55**	0.58

1994 third quarter results include a net charge of $254 million ($145 million, net of taxes), or $0.66 per share, as a result of VRIP and VSIP (see note 22).

(MILLIONS OF DOLLARS) FOR THE YEAR ENDED	1994	1993	1992	1991	1990	1989
Summary of Earnings and Financial Condition						
Operating Revenues	**$ 4,040.6**	$ 3,988.1	$ 3,962.5	$ 4,018.6	$ 3,786.7	$ 3,473.8
Operating Income	**829.6**	1,035.4	1,033.4	1,081.2	767.7	809.3
Income from Continuing Operations	**426.7**	590.6	478.9	534.7	105.8	590.5
Net Income	**426.7**	590.6	478.9	534.7	214.2	590.5
Earnings Applicable to Common Stock	**389.4**	541.6	418.2	468.6	123.9	493.9
Earnings Per Average Common Share From Continuing Operations (DOLLARS)	**1.76**	2.45	1.90	2.15	0.07	2.36
Earnings Per Average Common Share (DOLLARS)	**1.76**	2.45	1.90	2.15	0.58	2.36
Dividends Per Common Share (DOLLARS)	**1.545**	1.43	1.325	1.225	1.45	2.20
Common Stock Equity (PER SHARE)	**19.41**	19.25	18.24	17.69	16.71	17.67
Average Shares of Common Stock Outstanding (MILLIONS)	**221.6**	221.1	220.2	218.2	214.4	208.9

AT DECEMBER 31,	1994	1993	1992	1991	1990	1989
Net Utility Plant, at Original Cost	**$ 10,828.7**	$ 10,763.0	$ 10,691.2	$ 10,598.4	$ 10,591.3	$ 10,720.8
Leased Property, Net	**174.6**	194.7	210.0	223.8	241.3	273.5
Total Current Assets	**454.8**	514.8	550.0	783.2	745.0	655.0
Total Deferred Debits and Other Assets	**3,634.7**	3,559.8	1,127.0	918.1	938.6	972.8
Total Assets	**$ 15,092.8**	$ 15,032.3	$ 12,578.2	$ 12,523.5	$ 12,516.2	$ 12,622.1
Common Shareholders' Equity	**$ 4,302.5**	$ 4,263.4	$ 4,022.2	$ 3,892.3	$ 3,624.5	$ 3,744.8
Preferred and Preference Stock						
Without Mandatory Redemption	**277.5**	422.5	422.5	422.5	422.5	622.4
With Mandatory Redemption	**92.7**	186.5	231.1	315.6	330.9	351.1
Minority Interest in Preferred Securities of Subsidiary	**221.3**	—	—	—	—	—
Long-Term Debt	**4,785.6**	4,884.3	5,203.9	5,415.6	5,830.8	5,762.7
Total Capitalization	**9,679.6**	9,756.7	9,879.7	10,046.0	10,208.7	10,481.0
Total Current Liabilities	**878.6**	954.6	830.6	823.4	783.8	790.5
Total Deferred Credits and Other Liabilities	**4,534.6**	4,321.0	1,867.9	1,654.1	1,523.7	1,350.6
Total Capitalization and Liabilities	**$ 15,092.8**	$ 15,032.3	$ 12,578.2	$ 12,523.5	$ 12,516.2	$ 12,622.1

FOR THE YEAR ENDED	1994	1993	1992	1991	1990	1989
Electric Operations						
OUTPUT (MILLIONS OF KILOWATTHOURS)						
Fossil	**11,239**	10,352	8,082	7,376	7,913	10,470
Nuclear	**28,195**	27,026	24,428	25,735	23,715	12,890
Hydro	**1,970**	1,699	1,803	1,388	2,266	1,743
Pumped Storage Output	**1,596**	1,478	1,597	1,653	1,437	1,354
Pumped Storage Input	**(2,256)**	(2,192)	(2,217)	(2,355)	(2,059)	(1,937)
Purchase and Interchange	**6,164**	6,447	8,675	8,603	5,787	11,192
Internal Combustion	**106**	56	29	79	152	348
Other	**—**	—	—	—	180	1,063
TOTAL ELECTRIC OUTPUT	**47,014**	44,866	42,397	42,479	39,391	37,123
SALES (MILLIONS OF KILOWATTHOURS)						
Residential	**10,817**	10,657	9,894	10,311	9,815	9,974
Small Commercial and Industrial	**6,108**	5,773	5,367	5,284	5,066	4,921
Large Commercial and Industrial	**15,847**	15,935	15,770	16,177	16,554	16,749
Other	**791**	771	962	1,029	1,010	1,031
Service Territory	**33,563**	33,136	31,993	32,801	32,445	32,675
Interchange Sales	**768**	457	1,231	1,612	2,751	2,027
Sales to Other Utilities	**10,039**	8,670	6,699	5,445	1,865	—
TOTAL ELECTRIC SALES	**44,370**	42,263	39,923	39,858	37,061	34,702
NUMBER OF CUSTOMERS, DECEMBER 31,						
Residential	**1,350,210**	1,341,873	1,333,926	1,324,795	1,320,126	1,309,717
Small Commercial and Industrial	**143,605**	142,363	141,253	140,901	140,305	138,244
Large Commercial and Industrial	**3,603**	3,742	3,972	4,162	4,344	4,449
Other	**944**	888	857	840	817	775
TOTAL ELECTRIC CUSTOMERS	**1,498,362**	1,488,866	1,480,008	1,470,698	1,465,592	1,453,185
OPERATING REVENUES (MILLIONS OF DOLLARS)						
Residential	**$ 1,369.6**	$ 1,354.1	$ 1,304.5	$ 1,342.3	$ 1,229.8	$ 1,157.0
Small Commercial and Industrial	**706.8**	678.9	669.8	641.0	595.2	537.1
Large Commercial and Industrial	**1,142.9**	1,164.0	1,223.2	1,278.9	1,247.1	1,182.0
Other	**136.0**	161.2	168.0	170.4	166.9	143.9
Service Territory	**3,355.3**	3,358.2	3,365.5	3,432.6	3,239.0	3,020.0
Interchange Sales	**23.0**	14.3	32.1	42.8	81.5	68.2
Sales to Other Utilities	**246.5**	232.9	199.5	187.2	81.1	—
TOTAL ELECTRIC REVENUES	**$ 3,624.8**	$ 3,605.4	$ 3,597.1	$ 3,662.6	$ 3,401.6	$ 3,088.2
OPERATING EXPENSES (MILLIONS OF DOLLARS)						
Operating Expenses, excluding Depreciation	**$ 2,429.4**	$ 2,228.5	$ 2,236.9	$ 2,253.2	$ 2,325.2	$ 2,077.4
Depreciation	**415.9**	400.8	390.8	379.6	337.7	257.4
TOTAL OPERATING EXPENSES	**$ 2,845.3**	$ 2,629.3	$ 2,627.7	$ 2,632.8	$ 2,662.9	$ 2,334.8
ELECTRIC OPERATING INCOME	**$ 779.5**	$ 976.1	$ 969.4	$ 1,029.8	$ 738.7	$ 753.4
AVERAGE USE PER RESIDENTIAL CUSTOMER (KILOWATTHOURS)						
Without Electric Heating	**6,736**	6,727	6,259	6,707	6,376	6,488
With Electric Heating	**17,527**	17,096	16,298	16,201	16,038	17,250
Total	**8,041**	7,970	7,443	7,801	7,464	7,655
Electrical Peak Load, Demand (THOUSANDS OF KILOWATTS)	**7,227**	7,100	6,617	7,096	6,755	6,467
Net Electric Generating Capacity — Year-End Summer Rating (THOUSANDS OF KILOWATTS)	**8,956**	8,877	8,836	8,766	8,766	7,759
Cost of Fuel per Million Btu	**$ 0.89**	$ 0.90	$ 0.82	$ 0.92	$ 1.13	$ 1.37
Btu per Net Kilowatthour Generated	**11,617**	10,675	10,657	10,849	10,844	10,894

Gas Operations

	1994	1993	1992	1991	1990	1989
SALES (MILLIONS OF CUBIC FEET)						
Residential	**1,636**	1,637	1,819	1,746	1,778	1,951
House Heating	**31,974**	30,687	29,750	26,423	25,303	28,301
Commercial and Industrial	**21,520**	22,943	21,497	20,492	23,228	30,038
Other	**5,079**	5,656	2,146	534	1,567	2,344
TOTAL GAS SALES	**60,209**	60,923	55,212	49,195	51,876	62,634
Gas Transported for Customers	**29,801**	22,946	22,060	21,414	24,413	18,033
TOTAL GAS SALES & TRANSPORTED	**90,010**	83,869	77,272	70,609	76,289	80,667
NUMBER OF CUSTOMERS, DECEMBER 31,						
Residential	**57,122**	59,573	59,859	62,444	63,267	65,544
House Heating	**287,481**	277,500	269,577	260,473	254,564	246,273
Commercial and Industrial	**32,292**	31,573	30,956	30,204	29,456	28,369
TOTAL GAS CUSTOMERS	**376,895**	368,646	360,392	353,121	347,287	340,186
OPERATING REVENUES (MILLIONS OF DOLLARS)						
Residential	**$ 16.0**	$ 15.0	$ 16.4	$ 17.0	$ 18.1	$ 18.0
House Heating	**235.4**	205.5	201.9	192.4	200.8	195.8
Commercial and Industrial	**133.1**	124.2	121.1	123.6	144.7	152.5
Other	**14.0**	15.2	2.8	2.2	5.6	7.3
Subtotal	**$ 398.5**	$ 359.9	$ 342.2	$ 335.2	$ 369.2	$ 373.6
Other Revenues (including Transported for Customers)	**17.3**	22.8	23.1	20.8	15.8	12.1
TOTAL GAS REVENUES	**$ 415.8**	$ 382.7	$ 365.3	$ 356.0	$ 385.0	$ 385.7
OPERATING EXPENSES (MILLIONS OF DOLLARS)						
Operating Expenses, excluding Depreciation	**$ 339.5**	$ 299.3	$ 278.4	$ 283.7	$ 336.2	$ 310.2
Depreciation	**26.2**	24.1	22.9	21.0	19.8	19.6
TOTAL OPERATING EXPENSES	**$ 365.7**	$ 323.4	$ 301.3	$ 304.7	$ 356.0	$ 329.8
GAS OPERATING INCOME	**$ 50.1**	$ 59.3	$ 64.0	$ 51.3	$ 29.0	$ 55.9

SECURITIES STATISTICS

Ratings on PECO Energy Company's Securities

	Mortgage Bonds		Debentures		Preferred Stock	
AGENCY	Rating	Date Established	Rating	Date Established	Rating	Date Established
Duff and Phelps, Inc.	BBB+	4/92	BBB	4/92	BBB-	8/91
Fitch Investors Service, Inc.	A-	9/92	BBB+	9/92	BBB+	9/92
Moody's Investors Service	Baa1	4/92	Baa2	4/92	baa2	4/92
Standard & Poor's Corporation	BBB+	4/92	BBB	4/92	BBB	4/92

NYSE-Composite Common Stock Prices, Earnings and Dividends By Quarter (PER SHARE)

	1994				1993			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High Price	**$25-7/8**	**$28-1/4**	**$29-3/8**	**$ 30**	$32-7/8	$33-1/2	$31-1/8	$30-3/8
Low Price	**$23-5/8**	**$23-5/8**	**$25-3/8**	**$25-3/8**	$27-3/8	$30-3/8	$27-3/4	$25-1/2
Close	**$24-1/2**	**$25-3/8**	**$26-1/4**	**$27-3/4**	$30-1/4	$32-3/4	$30-5/8	$ 30
Earnings	**55¢**	**6¢**	**48¢**	**67¢**	58¢	77¢	43¢	68¢
Dividends	**40.5¢**	**38¢**	**38¢**	**38¢**	38¢	35¢	35¢	35¢

Board of Directors

Susan W. Catherwood [51]
Chairman, Trustee Board, The University of Pennsylvania Health System

M. Walter D'Alessio [61]
President and Chief Executive Officer, Legg Mason Real Estate Services (Commercial mortgage banking and pension fund advisors)

Richard G. Gilmore * [67]
Former Senior Vice President, Finance and Chief Financial Officer of the Company

Richard H. Glanton, Esquire [48]
Partner of the law firm Reed Smith Shaw & McClay

James A. Hagen * [62]
Chairman, President and Chief Executive Officer, Conrail, Inc.

Nelson G. Harris * [68]
Chairman of the Executive Committee, Tasty Baking Company

Joseph C. Ladd [68]
Former Chairman, The Fidelity Mutual Life Insurance Company

Edithe J. Levit, M.D. [68]
President Emeritus and Life Member of the Board, National Board of Medical Examiners

Admiral Kinnaird R. McKee [65]
Directo. Emeritus, U.S. Navy Nuclear Propulsion

Joseph J. McLaughlin * [66]
Former President and Chief Executive Officer, Beneficial Mutual Savings Bank

Corbin A. McNeill, Jr. [55]
President and Chief Operating Officer of the Company

John M. Palms, PhD. [59]
President, University of South Carolina

Joseph F. Paquette, Jr. * [60]
Chairman and Chief Executive Officer of the Company

Ronald Rubin * [63]
Chief Executive Officer, The Rubin Organization, Inc. (Real estate development and management)

Robert Subin [56]
Senior Vice President, Campbell Soup Company and President, Campbell Soup Company, Bakery and Confectionery Division

Director Changes:

Robert D. Harrison's term expired on March 31, 1994.

Robert Subin was electe.l a member of the Board, effective September 26, 1994.

* *Member of the Executive Committee*

Officers

Joseph F. Paquette, Jr. [60]
Chairman and Chief Executive Officer

Corbin A. McNeill, Jr. [55]
President and Chief Operating Officer

William L. Bardeen [56]
Senior Vice President and Group Executive, Consumer Energy Services Group [1]

James W. Durham [57]
Senior Vice President and General Counsel

William J. Kaschub [52]
Senior Vice President, Human Resources

Gwendolyn S. King [54]
Senior Vice President, Corporate and Public Affairs

Kenneth G. Lawrence [47]
Senior Vice President, Finance and Chief Financial Officer [1]

John M. Madara, Jr. [51]
Senior Vice President and Group Executive, Power Generation Group [1]

Robert J. Patrylo [48]
Senior Vice President and Group Executive, Gas Services Group [4]

Dickinson M. Smith [61]
Senior Vice President, Nuclear Generation Group and Chief Nuclear Officer [1]

Alvin J. Weigand [56]
Senior Vice President and Group Executive, Bulk Power Enterprises [1]

JoAnn M. Bauer [48]
Vice President, Customer Services [3]

Gregory A. Cucchi [45]
Vice President, Planning and Performance [1]

David R. Helwig [43]
Vice President, Limerick Generating Station

Thomas P. Hill, Jr. [46]
Vice President and Controller

Katherine C. Holland [42]
Vice President, Information Systems and Chief Information Officer [2]

Garret C. Miller [50]
Vice President, Pniladelphia Region

J. Barry Mitchell [47]
Vice President, Finance and Treasurer [7]

William E. Powell, Jr. [58]
Vice President, Support Services [8]

Gerald R. Rainey [45]
Vice President, Peach Bottom Atomic Power Station

William H. Smith, III [46]
Vice President, Station Support [1]

Thomas C. Stapleford [57]
Vice President, Bucks/Mont Region

Damian A. Thomas [48]
Vice President, Marketing and Sales [8]

William J. Williams [53]
Vice President, Transmission and Distribution Services

Nancy J. Zausner [41]
Vice President, Power Transactions [5]

Katherine K. Dodd [44]
Corporate Secretary [6]

Edward J. Cullen, Jr. [47]
Assistant Corporate Secretary [8]

Todd D. Cutler [34]
Assistant Corporate Secretary

James F. Hohenstein [51]
Assistant Treasurer

(1) *Effective March 1, 1994*
(2) *Effective March 21, 1994*
(3) *Effective April 13, 1994*
(4) *Effective August 1, 1994*
(5) *Effective October 11, 1994*
(6) *Effective November 1, 1994*
(7) *Effective December 1, 1994*
(8) *Effective January 30, 1995*

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