PHILADELPHIA ELECTRIC COMPANY
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April 23, 1984

Mr. Harold R. Denton
Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Re: Philadelphia Electric Company
Limerick Generating Station, Units 1 and 2
Docket Nos. 50-352 and 50-353
(Construction Permit Nos. CPPR-106 and CPPR-107)

Dear Mr. Denton:

Pursuant to Section 50.71(b) of the Commission's Regulations, I enclose herewith for filing with the Commission a copy of the 1983 Annual Report of Philadelphia Electric Company.

Very truly yours,

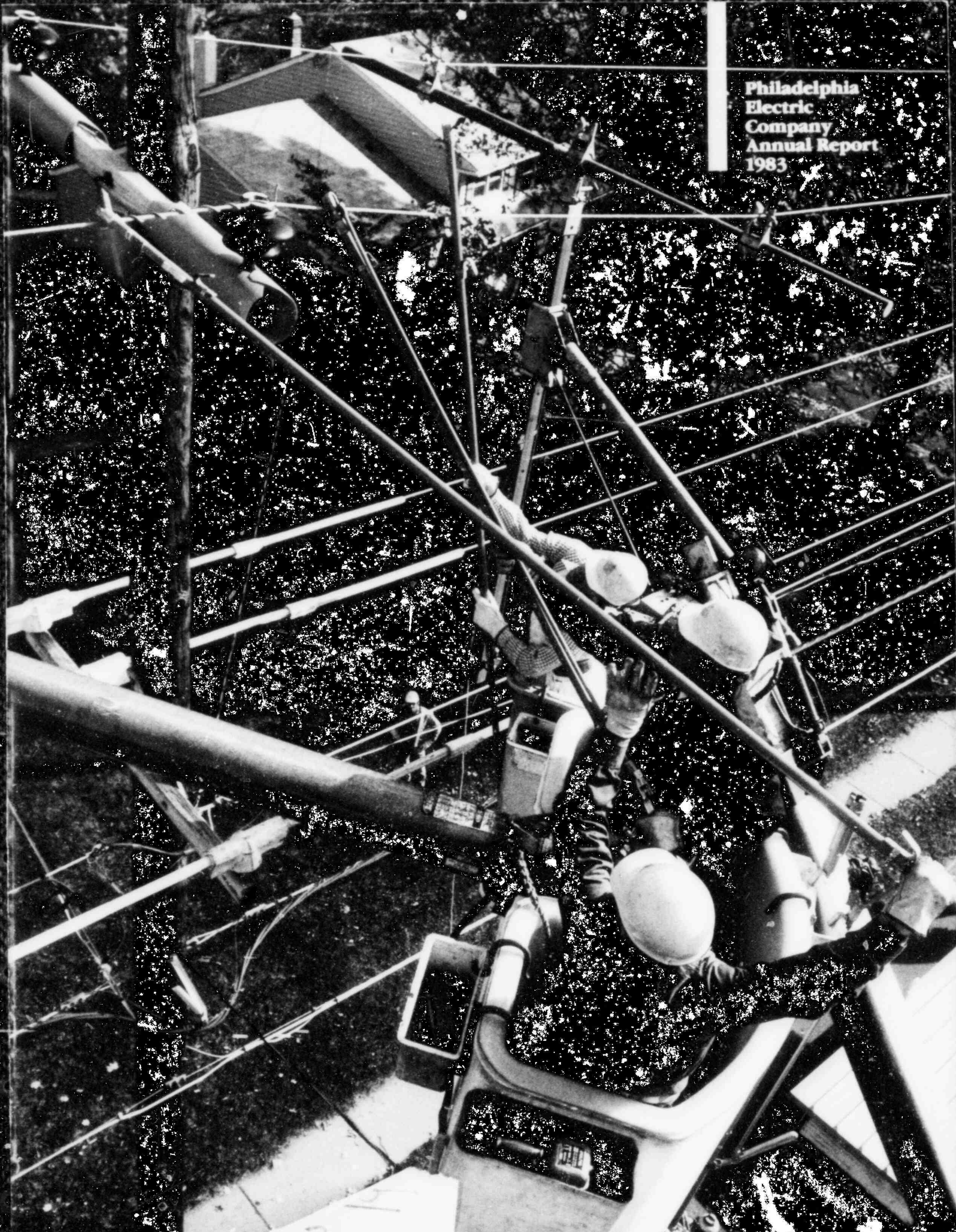
Eugene J. Bradley

EUGENE J. BRADLEY

EJB/as
Enc.

M004 1/1

Philadelphia Electric Company Annual Report 1983



"High Tech" Corridor

Over recent years, a "high tech" corridor has developed along U.S. Route 202 and the Pennsylvania Turnpike in Chester and Montgomery Counties in the northwest section of the Company's service territory. The nucleus of the corridor consists of research and development firms, medical, electronic, other high technology firms and large corporations that are moving support divisions to the suburbs.

Cover — "Hot Sticks"

Transmission and Distribution employees use insulated "hot sticks" to work safely on "live" 34,000 volt electric lines. This procedure allows work to be done without interrupting service to the customers. Company employees engaged in this work have developed innovative methods and tool modifications which improve these operations. Here, First Class Linemen Paul Dominick, Donald Anderson, and Carl White are raising the 34,000 volt conductors to provide new service to a shopping area in Warminster, PA.

Philadelphia Electric Company Annual Report 1983

Financial Highlights	1983	1982	% Change
Operating Revenue	**$2,596,050,000**	$2,644,753,000	(2%)
Operating Expenses	**$2,202,343,000**	$2,256,026,000	(2%)
Taxes Charged to Operations	**$ 378,641,000**	$ 372,180,000	2%
Operating Income	**$ 393,707,000**	$ 388,727,000	1%
Earnings Applicable to Common Stock	**$ 321,705,000**	$ 278,623,000	15%
Earnings per Average Common Share	**$2.40**	$2.39	—
Cash Dividends Paid per Common Share	**$2.12**	$2.06	3%
Average Shares of Common Stock Outstanding	**133,852,000**	116,480,000	15%
Construction Expenditures	**$1,040,428,000**	$ 883,898,000	18%
Total Assets	**$8,143,795,000**	$7,029,269,000	16%

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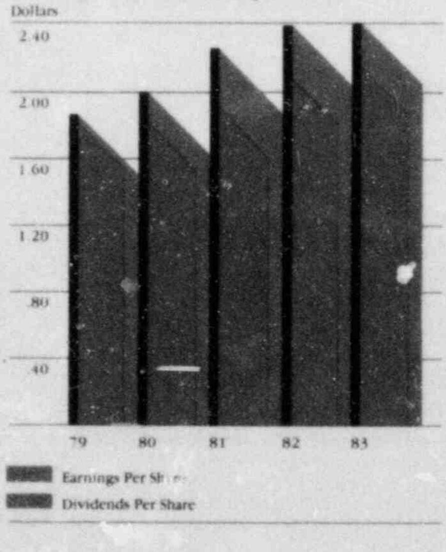
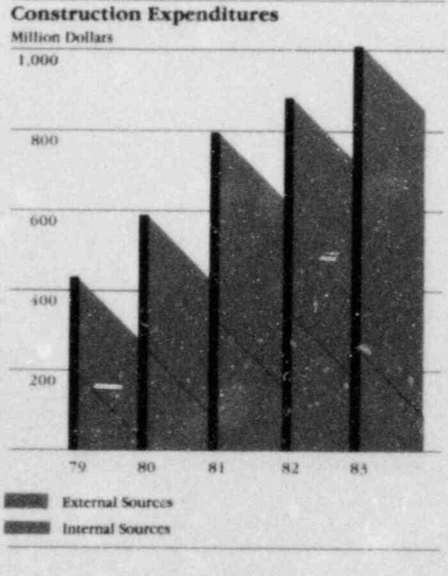
Earnings and Dividends per Share



Construction Expenditures



To Our Shareholders:

In spite of several disappointments, 1983 was a year of progress. We note below some of the highlights and invite you to read the balance of this Annual Report for additional details.

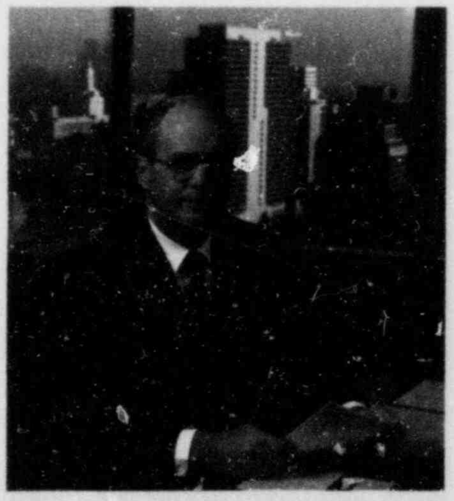
- Earnings were $2.40 per share, up one cent from last year. Lower wholesale sales from Salem Unit No. 2, which experienced long outages during the year, prevented more substantial earnings growth.
- Electric sales to retail customers increased 4%, assisted by hot summer weather and the economic recovery.
- Service reliability to our customers remained at a near perfect level of 99.988%.
- The Company established a new incentive electric rate for manufacturing customers, providing lower electric rates in exchange for increased employment and additional investment in facilities. At year-end, 36 customers had taken advantage of this rate and had added about 3,000 jobs in our service area.
- The Company received an electric rate increase in November from the Pennsylvania Public Utility Commission (PUC), estimated to add $144 million of annual revenue. The Company had requested $228 million.
- The construction of Limerick Unit No. 1 remained on schedule for commercial operation in April, 1985.
- Construction of Limerick Unit No. 2 remained suspended, awaiting PUC action on the Company's petition to resume construction. The Company believes that Limerick Unit No. 2 is needed for

James L. Everett

capacity and is the most economic generation available. On January 24, 1984, the Company responded to the PUC's latest Order and proposed to suspend construction of Unit No. 2 until Unit No. 1 is in commercial operation.

- Work continued on the Point Pleasant water pumping facilities in Bucks County which are planned to supply water to Limerick, as well as to communities in Bucks and Montgomery Counties, despite strong local political opposition to the project.
- The flue gas scrubbing systems that remove more than 90% of the sulfur dioxide from stack gases at the Company's only coal-burning stations, Eddystone and Cromby, operated successfully in 1983. These systems allow the Company to continue to burn coal while meeting stringent air quality regulations.
- The Company spent $1.0 billion on construction during the year. Approximately $800 million of these funds came from the sale of new securities and long-term bank borrowings and the balance from internal sources.
- The quarterly dividend rate on common stock was increased by 2 cents to 55 cents, or $2.20 per share on an annual basis, to be effective March 30, 1984.

The Company is proud of its 10,500 employees who serve so well and is grateful for the support of its shareholders, which now number over 300,000. Your Directors and Management look forward to the future with confidence.



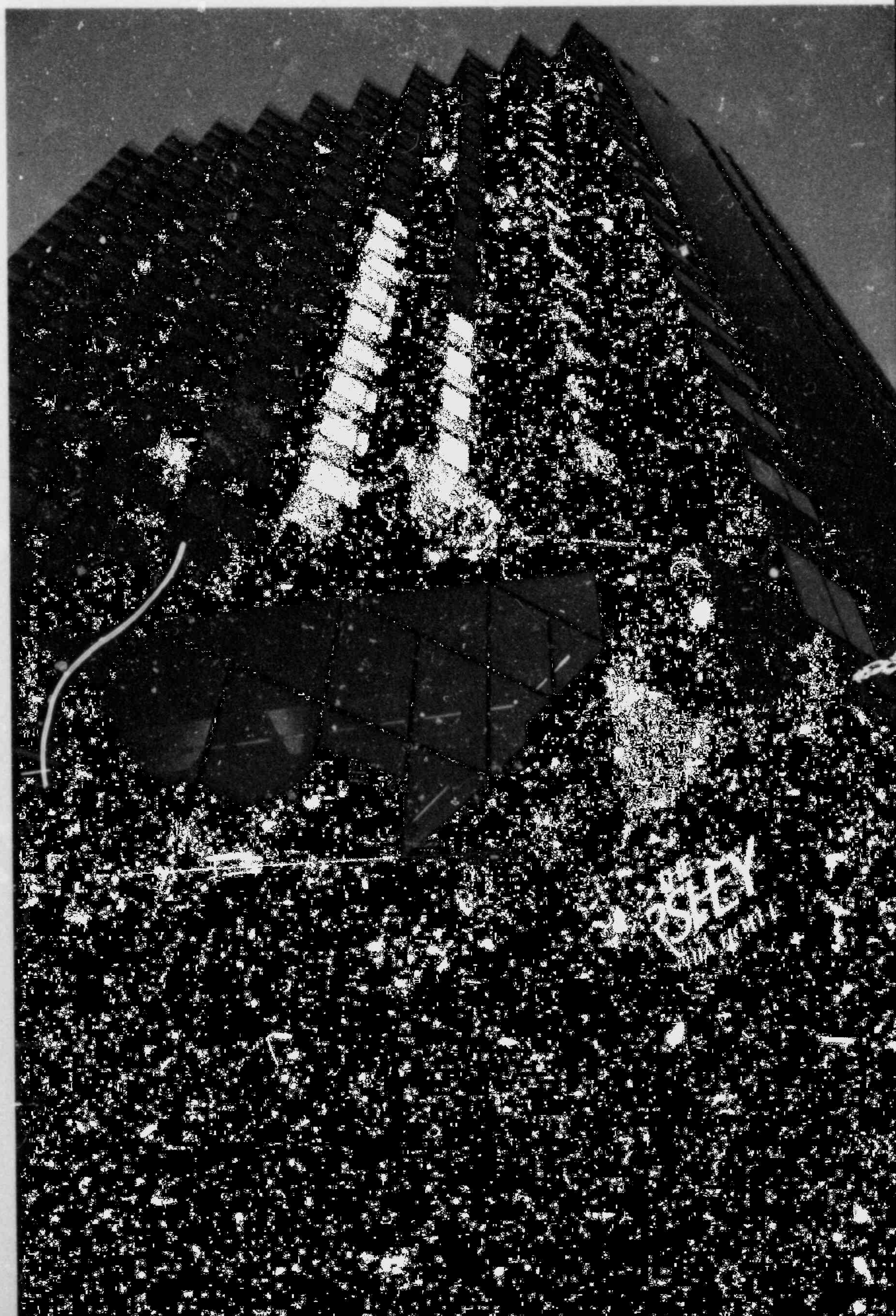
John H. Austin, Jr.

James L. Everett
Chairman of the Board
and Chief Executive Officer

John H. Austin, Jr.
President
and Chief Operating Officer

New Hotels

Philadelphia features a number of fine, new hotels. The 450-room Hershey Philadelphia Hotel opened in 1983 across from the Academy of Music.



Earnings Improve
Earnings per share in 1983 amounted to $2.40 per share, one cent per share above the 1982 level. Total common stock earnings were $322 million, 15% above last year while the number of average shares outstanding also rose 15%. Dividends paid on the common stock amounted to $2.12 a share, 100% of which were not taxable for federal income tax purposes. In addition, 93% of preferred stock dividends paid in 1983 were not taxable.

Lower wholesale sales of Salem Unit No. 2 output penalized earnings by approximately 37 cents per share compared with 1982. This was offset by higher electric sales to retail customers and by the full year's effect of rate increases granted in 1982.

Dividend Increased
On January 23, 1984, the Board of Directors voted to increase the quarterly common stock dividend from 53 to 55 cents per share effective with the first quarter payment in March, 1984.

Sales Results Mixed
Total electric sales decreased by 7% to 27.6 billion kilowatthours primarily due to lower sales of the Company's share of the output of Salem Unit No. 2 to Jersey Central Power & Light Company. This jointly-owned unit, which is operated by Public Service Electric and Gas Co. of New Jersey, was shut down for an extended refueling and maintenance outage during 1983. It is expected to return to service in early 1984.

Electric sales, excluding sales to Jersey Central, increased 4% to 27.2 billion kilowatthours due to higher average residential usage, one of the hottest summers on record and increased business activity. This encouraging result represented the first year-to-year gain in retail electric sales in four years.

Gas sales declined 6% to 65 billion cubic feet due to milder weather during the heating season and lower sales to commercial and industrial customers. Steam sales decreased 10% to 4.6 billion pounds.

Revenue, Expenses Decline
Total operating revenue amounted to $2.596 billion, a 2% decrease from 1982 levels. This $49 million decline was due to $105 million less electric revenue from sales of output of Salem Unit No. 2 to Jersey Central and lower fuel adjustment revenue, which was partially offset by rate increases and higher

Muddy Run
The Company has a five-year plan for improving recreation along the Susquehanna River in the Conowingo, Peach Bottom and Muddy Run areas. Fishing, boating and camping are but a few of the many activities available to visitors at Muddy Run Recreation Park. After 15 years of operation, the first major overhaul of Muddy Run generating units was completed in June, 1983.

Grays Ferry Capacitors
Electric Mechanic Joseph Harmer inspects the newly-installed high voltage capacitors at the Grays Ferry Substation. The new capacitors increase the capability to import low-cost energy from the west.

electric revenue from service territory sales. Gas revenue climbed $27 million and steam revenue declined $2 million.

Operating and maintenance expenses before depreciation and taxes were down 5% to $1.658 billion, primarily due to lower fuel expenses charged to operations. At year-end $149 million of fuel expenses had been deferred pending recovery in customers' rates.

Operating and maintenance expenses, excluding fuel, were up 10% due to higher maintenance costs at nuclear plants, operating and maintenance costs associated with the new sulfur dioxide removal equipment at the coal-burning stations, increased labor costs and expenditures for materials and supplies.

Construction Expenditures
Investment in new plant and equipment amounted to a record $1.04 billion in 1983, with $710 million or 68% spent on Limerick and related transmission facilities. Outlays for 1984 are expected to be reduced to $857 million as a result of the wind down of activities on Limerick Unit No. 1.

1983 Financing Program
The Company raised $1.017 billion in new capital and bank borrowings during 1983 to fund ongoing construction projects and deferred fuel costs and to refund maturing securities. The balance of the funds required came from internal cash sources — chiefly depreciation, retained earnings and deferred taxes. The Company's financings for the year are shown on the table at right.

Shareholder Accounting Improvements
In March, the Company installed a new shareholder accounting system in which shareholder records are maintained on a new online computer system. Toll-free telephone lines were installed in the Stock Transfer Section as a convenience to shareholders who have questions about their accounts. The new state-of-the-art computer system enables the Company to improve its record of providing shareholders with prompt service and timely, informative reports on Philadelphia Electric shareholdings.

Rate Increases
A $143.5 million electric rate increase

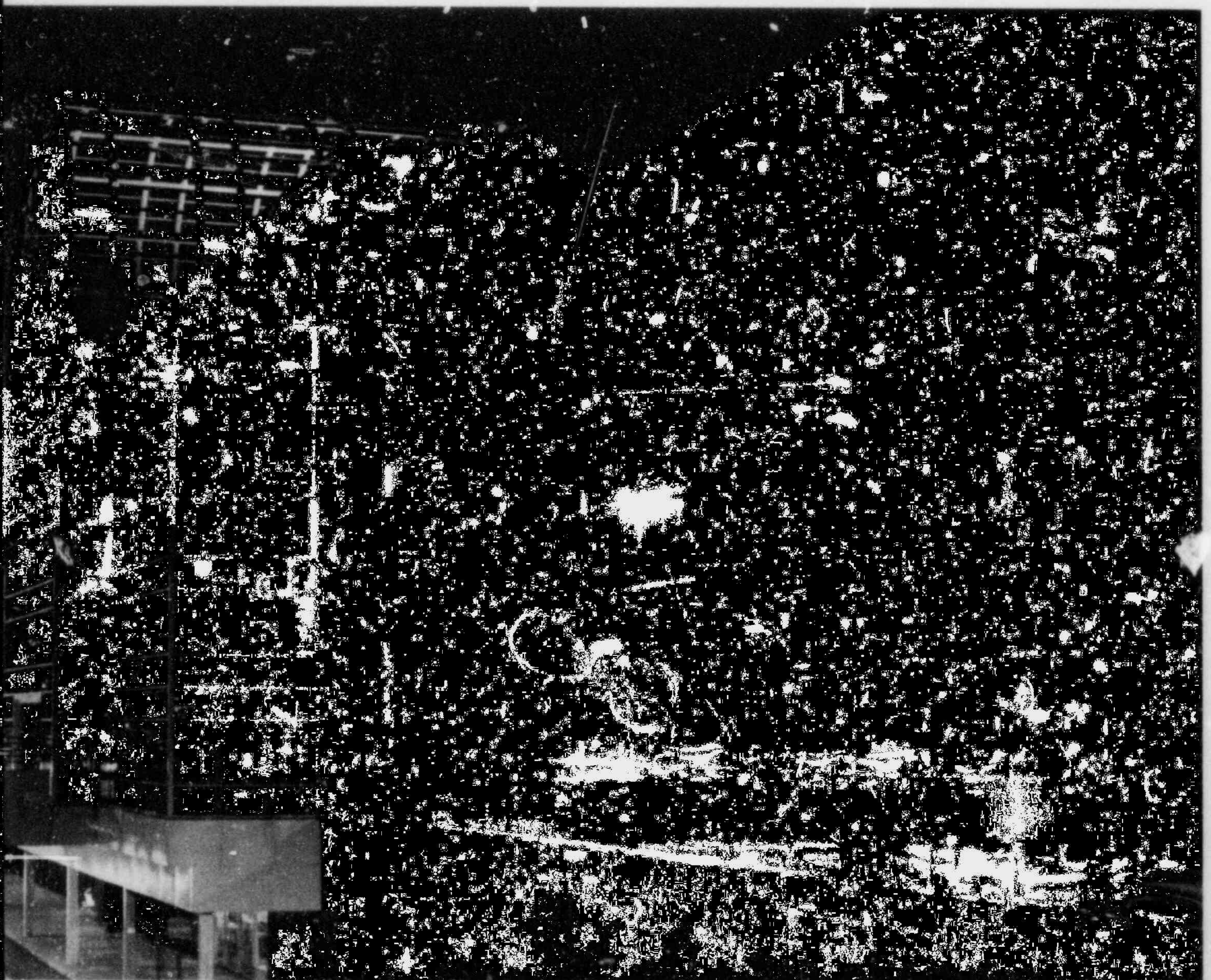
Cromby Scrubbers
Plant Operator Richard Vagnoni controls operations at the flue gas scrubbing plant of the Cromby coal-fired units. The scrubbing plant successfully completed its first year of operation in 1983.

1983 MAJOR FINANCINGS

Month		Millions of Dollars
Feb.	Depositary Preferred Stock — 12.80% — 7,500,000 shares @ $10	$ 75.0
Mar.	Common Stock — 6,000,000 shares @ $17.40	104.4
June	Mortgage Bonds — 13⅜% Series due 2013	125.0
Sept.	Pollution Control Revenue Bonds (variable tax-exempt @ 5.2-5.8%)	50.0
Oct.	Common Stock — 5,000,000 shares @ $17.375	86.9
Nov.	Depositary Preferred Stock — 13.35% — 7,500,000 shares @ $10	75.0
—	Common Stock Purchase Plans:	
	Dividend Reinvestment, Employee, TRASOP — 6,044,000 Shares	98.3
	Subtotal	$614.6
—	Bank Borrowings	402.8
	Total	$1,017.4

Retail E. pansion

The Court at K...g of Prussia features many fine stores, such as Bloomingdale's. The Court, which opened in 1981, adjoins the King of Prussia Plaza and together they form one of the largest retailing complexes in the world.



Fine Dining

Excellent restaurants abound in Philadelphia and the surrounding suburbs. Chef Georges Perrier of Le Bec Fin displays some tempting selections from his dessert cart.

approved by the Pennsylvania Public Utility Commission (PUC) effective November 23 was 63% of the $228.2 million originally requested in February, 1983. With this increase, the PUC established a 16.15% return allowance for common stock shareholders' investment.

In addition, the Company lowered its electric Energy Cost Rate (ECR) by approximately one-half cent per kilowatthour effective April 1, 1983 due to expected lower fuel costs. This was the third ECR reduction since May 1, 1982 and it reduced customers' bills by approximately $137 million per year. The ECR recovers the actual cost of fuel without profit. This reduction did not affect the Company's earnings.

The Company's retail rate increase activity during 1983 is summarized in the table below.

Limerick Generating Station

During 1983, construction work on Limerick Unit No. 1 continued at a rapid pace. As of December 31, 1983, Unit No. 1 and total common plant were approximately 91% complete and the Company's investment amounted to $1.8 billion for Unit No. 1 and $827 million for the common plant.

As the systems and components of Limerick Unit No. 1 near completion, Bechtel Power Corporation, the construction contractor, will relinquish control of these systems and components to the Company. The initial test program consists of pre-operational testing, fuel loading and step-by-step power generation testing to full capacity. The Company's start-up schedule calls for fuel loading of Unit No. 1 by August, 1984 and commercial operation by April, 1985. The entire start-up and commercial operation schedule is contingent upon timely licensing by the Nuclear Regulatory Commission which has reported potential licensing delays.

Work on Unit No. 2 remained in a suspended status pending resolution of the Pennsylvania PUC's August, 1982 Order which directed the Company to either cancel Unit No. 2 or suspend its construction until Unit No. 1 was complete. The Company had appealed that Order but on May 27, 1983, the Pennsylvania Supreme Court upheld the authority of the PUC to deny the registration of any new Securities Certificates that would provide funds for construction of Unit No. 2, pending completion of Unit No. 1.

On July 21, 1983, the Company notified the PUC of its election to resume construction of Unit No. 2 in early 1984 as comparable construction tasks are completed on Unit No. 1. At the same time, the Company filed a Securities Certificate with the PUC to seek

Transportation Center
The Company's high service reliability record depends in good part on a well maintained fleet of vehicles to transport and assist Company employees. Shown here is the modern and efficient Transportation Center in Berwyn.

1983 RETAIL RATE INCREASES

	Application Date	Effective Date	Millions of Dollars Annual Revenue
Electric — Pennsylvania	2/23/83	11/23/83	$143.5
Electric — Maryland	11/3/82	2/1/83	2.5
Gas	7/29/83	Pending	40.7
Steam	7/29/82	4/29/83	4.9
Steam	7/29/83	1/1/84	2.6

Commuter Tunnel

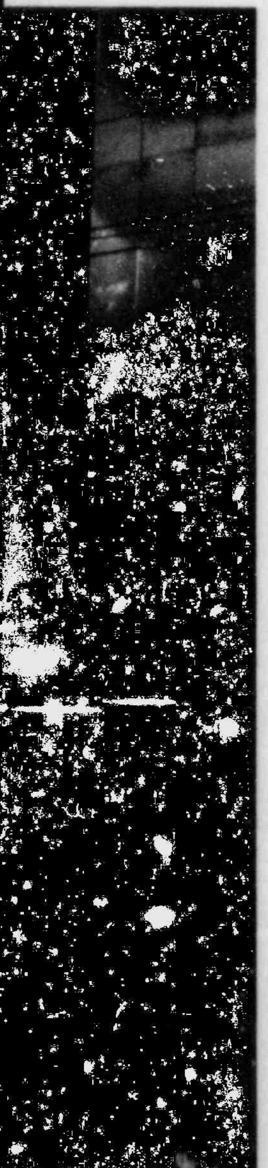
After four years of construction, the $325 million center city Commuter Tunnel was essentially completed in 1983. Passenger service is expected to begin in early 1984 linking two previously separate sets of tracks — those of the former Pennsylvania Railroad, which feed into Suburban Station, and those of the former Reading Railroad, which feed into Reading Terminal.

E2R2

United States Gypsum Company was one of the first customers to benefit from the Employment and Economic Recovery Rider (E2R2) which was put into effect in July. PE Major Accounts Representative Jay Ammon (center) discusses operations with U.S. Gypsum plant manager Erik Anderson (right) and engineer Charles Kahler (left).

approval for a $1.1 billion revolving credit/term loan agreement to be provided by a consortium of major banks which would provide the required debt funds to continue work on the entire project until Unit No. 1 is in rate base.

On December 16, 1983, the PUC rejected the Company's response and clarified its previous Order to define completion of Unit No. 1 as placing the unit in commercial operation, precluding a resumption of Unit No. 2 construction until early 1985. The Company was given another 120 days to respond.



On January 24, 1984, the Company responded to the PUC requesting that it approve the Company's election to suspend construction of Unit No. 2 until Unit No. 1 is in commercial operation. Under the Company's schedule for Unit No. 1, this will delay completion of Unit No. 2 from late 1988 to April, 1990, which will increase the project's cost by about $650 million. Nevertheless, completion of the unit is necessary to supply future energy needs and is the most economical means of doing so. As of December 31, 1983, the Company's investment in Unit No. 2 amounted to $667 million.

Point Pleasant Construction

Construction began in January, 1983 on the Point Pleasant Water Supply System which has been planned to be constructed and operated by Bucks County and by the Neshaminy Water Resources Authority (NWRA), a municipal authority created by Bucks County, under a contract among the Company, NWRA and Bucks County. The Point Pleasant facilities are designed to supply water from the Delaware River for public use and also for supplementary cooling water for Limerick during periods of low river flow on the Schuylkill River.

Excavation for the pumphouse was completed and the initial pour of concrete began in October. At year-end, construction of the pumphouse was 20% complete.

In January, 1984, the Bucks County Commissioners appointed three NWRA board members (a majority) who have declared their opposition to the project. In February, 1984, the NWRA ordered the contractor to stop work on the project and the Company began legal action to have construction resumed.

Other components of the supplementary cooling water system are also the subject of legal proceedings.

Commercial Operations

The hot summer, the improving economy and increased average residential usage had beneficial effects on electric sales to regular customers in 1983. Total electric sales, excluding sales to Jersey Central, increased 4% to 27.2 billion kilowatthours. Electric residential sales rose 8% and electric house heating sales increased 6%. Increased business activity helped both small and large commercial and industrial sales which increased by 5% and 2%, respectively.

During 1983, 8,500 living units were built in the Company's service territory, an increase of 37% over 1982. Company services were used for space heating in 84% of these units — 64% electric heat, of which one-half were equipped with heat pumps, and 20% gas. In the commercial market 63% of the floor space added was heated electrically, 15% by gas.

In an effort to encourage firms and businesses to locate and remain in our service area, Company representatives maintain close contact with commercial and industrial customers. In 1983, the Area Development Department helped 90 industrial and commercial firms to locate or expand in the Company's territory. These firms occupied 1.3 million square feet of new space and 3.9 million square feet of existing, unoccupied buildings and provided 9,700 jobs.

The Employment and Economic Recovery Rider was established on July 1 to stimulate economic growth. This rate allows new large industrial customers, as well as existing ones who add

Microprocessor

The Company has begun using hand-held microprocessors for data collection in its meter reading operation, eliminating the need for scannable, paper documents. These new devices, called Portable Data Recorders, were delivered and tested in the fourth quarter of 1983 and full implementation is expected during 1984.

employees or make an investment in plant facilities, to receive up to a one cent per kilowatthour rate reduction on their increased kilowatthour usage. The maximum reduction will apply through 1987 and gradually will phase out by 1991. At year-end, 36 participating industrial customers have employed an additional 3,000 people and made an additional investment in plant facilities of more than $2 million.

A "high-tech" corridor is developing along Route 202 and the Pennsylvania Turnpike in Chester and Montgomery Counties which promises to enhance the growth potential of the Company's service territory. The nucleus of this corridor consists of research and development, medical, electronic, and other high technology firms. Some of these prestigious companies include Burroughs Corporation, Commodore Business Machine, General Electric, and Shared Medical Systems Corporation.

Philadelphia also is experiencing a revitalization within its center city area. In addition to extensive restoration and modernization of existing buildings, a great deal of new construction is underway in the city. Several major sites providing additional office space include the first portion of twin, all-electric buildings at 1800 Kennedy Boulevard with 20 floors and a 32-story building known as One Reading Center, located at 11th and Market Streets, with 720,000 square feet of space. Gallery II was opened during 1983 and, along with its forerunner Gallery I, comprise a 1.7 million square foot, 230-store complex. It is the largest urban shopping center in the nation. More than $750 million has been spent in transforming this area, known as Market Street East, into a lively retail center.

Twenty-four minority entrepreneurs have set up shop in the newly opened Gallery II. It is one of the highest percentages of minority participation of any major retail development in the country.

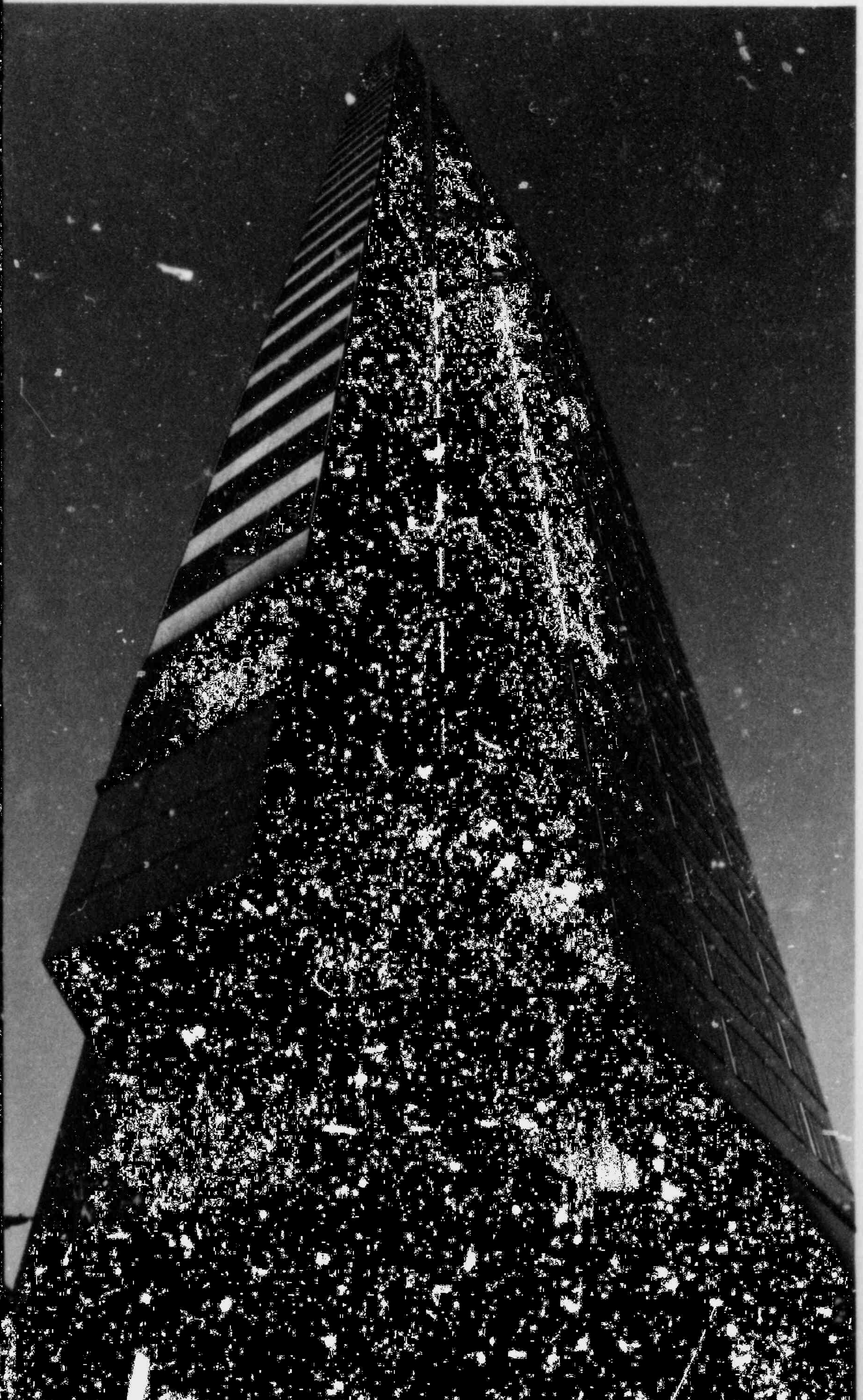
The economy within our service area is beginning an upturn and the Company is working with all customers to insure its growth and development.

The Company is also committed to providing its customers with both the highest quality of service and complete and reliable information on energy conservation. In addition to providing a reliable product at the lowest possible cost, the Company provides information on how to best use energy to meet customer needs.

Each customer is treated as an important individual. For example, Philadelphia Electric Company initiated the "PE CARES" program to help senior citizens and persons receiving disability or survivor benefits. Employees were specifically trained to provide customers with valuable information regarding programs available within our Company and from other outside social service assistance agencies. To date, 25,000

Media Campaign

A new series of corporate radio and television messages began in late October. The campaign addresses the topics of energy conservation, home energy audits, electrical safety and what customers should do in the event of a power outage.



Corporate Headquarters

CIGNA Corporation moved its corporate headquarters to Philadelphia in 1983 and occupied this new building in center city. Formed by the merger of the INA Corporation and Connecticut General Corporation, CIGNA is now the second largest stock insurance company in the United States with over $30 billion in assets and 40,000 employees worldwide.

customers have enrolled in this program.

The Company conducted 3,300 home energy conservation audits for customers during 1983, bringing the cumulative total to 12,000 since the program was started in 1981. The audits consist of a complete survey of the home and an analysis of the energy usage savings from recommended conservation measures. In addition, more than 1,200 inquiries have been received from residential customers for information concerning appliances, for space heating and air conditioning information and operating costs, and for energy conservation assistance. Energy conservation training programs are conducted for residential, commercial and industrial customers, including special community-based programs for low income customers.

Electric Operations

1983 was a year of many challenges for electric operations. The summer of 1983 produced record-breaking temperatures evidenced by 41 days of above 90 degree temperatures. As a result, total electric kilowatthour usage exceeded 1982 levels by 11% during the three-month period of July through September. A new one-hour electric peak demand (on a weather-adjusted basis) was established on September 6th. In addition to experiencing one of the hottest summers on record, three major storms interrupted electric service to 219,000 customers during the summer.

Aggravating these extreme weather situations were the longer-than-anticipated outages of our nuclear units. When Peach Bottom Unit No. 3 was shut down for scheduled refueling in February, 1983, weld cracks caused by stress corrosion were found in the stainless steel piping connected to the reactor vessel. Unit No. 2 was voluntarily taken out of service in July to inspect its welds, and similar cracks were found. A total of 35 weld cracks were temporarily repaired over a 39-week period using a weld overlay technique. Unit No. 3 was returned to service on October 15 and Unit No. 2 on December 3. The permanent repair of the piping will be undertaken during the next scheduled refueling outages for the units which are set for early 1984 (Unit No. 2) and for 1985 (Unit No. 3).

Despite these major difficulties facing the Company during 1983, the Company's customers experienced no major disruptions to their service. There were no "brownouts" or voltage reductions and the Company maintained its near-perfect record of reliable service with a service availability of 99.988%. This index is the ratio of the number of customer-hours that service is available compared to the total customer-hours in a year and is used by PE and the electric utility industry as a measure of service reliability.

This high level of performance can be traced to two basic factors. First,

Sports Complex

The sports complex in South Philadelphia features Veterans Stadium, home of the Phillies and Eagles; the Spectrum, home of the 76ers and the Flyers; and John F. Kennedy Stadium for football games and other special events.

Opposite page: Some of Philadelphia's sports heroes — (left to right) Steve Carlton of the Phillies, Bobby Clarke of the Flyers, Wilbert Montgomery of the Eagles, and Dr. J., Julius Erving, of the 76ers.

Transformer Installation
First Class Linemen James Wiechec (left) and Albert Poulton (right) prepare a 34 kV padmount transformer to supply underground electric service to a new residential development.

the Company has sufficient reserve capacity to absorb the temporary loss or outage of a significant portion of its generating capacity without adversely affecting the supply of energy to its customers. To augment this reserve capacity, the Company has over the years entered into agreements for the purchase of power from other systems and, during 1983, PE expanded these arrangements. Over 12 billion kilowatthours of economical power was purchased by the Company in 1983 representing 41% of total output and the savings to PE customers amounted to approximately $236 million.

Secondly, the Company's high level of performance is maintained by an able and flexible body of transmission and distribution employees who are called into action during major storms. Three hundred linemen, plus the necessary support personnel, were moved into the affected areas to restore service promptly during the summer storms of 1983. As a part of maintaining this employee body, 23 candidates were graduated from an intensive seven-week training school as apprentice linemen and eight from a comprehensive nine-week cable splicing school in 1983.

Despite all the Company's efforts, the unusual circumstances of 1983 did have their negative impact. Due to the unavailability of some of its lower cost nuclear generation, the Company's electric fuel and interchange costs increased 16% in 1983. Nearly $220 million of these costs were deferred to coincide with their recovery in rates.

The Company has a long-standing commitment to provide service to its customers in a manner which is environmentally safe and acceptable. In 1983 the Company completed its initial year of commercial operation of the flue gas scrubbers at its Eddystone and Cromby Stations. The process for removing the sulfur dioxide from the flue gas has performed as designed and has allowed Eddystone and Cromby to meet the stringent emission limits of the Pennsylvania Department of Environmental Resources.

In this process, sulfur dioxide is removed from the flue gas by a chemical reaction with magnesium oxide. The resultant magnesium sulfite is shipped to one of the Company's two magnesium oxide regeneration facilities where it is regenerated to produce sulfur dioxide for sale for the manufacture of sulfuric acid and magnesium oxide for reuse in the scrubber process. The capital cost for the scrubber, regeneration facilities and waste water treatment facilities totaled almost $300 million.

Gas Operations

The Company added more than 3,800 new gas customers during 1983, bringing the total to over 300,000 customers. Overall gas sales were down 6% to 65 billion cubic feet due to milder winter weather, conservation, and lower commercial and industrial sales.

In 1983, the Company instituted a new gas rate called Temperature Controlled Service (TCS) that provides for a discount from the general service rate to large commercial and industrial customers. To be served under the rate, new commercial and industrial customers are required to install large dual-fuel boilers. Existing customers with dual-fuel boilers are also encouraged to revise their service contract to include the TCS rider. The primary purpose of the new rate is to switch customers from gas to alternate fuels during extremely cold weather to reduce the peak gas sendout and Company costs. The TCS customer can expect to burn alternate fuel for ten to fifteen days a year. A unit installed at the customer's property notifies the customer when an alternate fuel must be used and a central computer continually monitors the gas consumed by the customer.

Other Developments

The Company executed an innovative interim sales contract with the Department of Energy in July, 1983 for the delivery of enriched uranium for the Peach Bottom and Limerick reactors. Under this agreement, the Company was

Gas Service

(Above) Gas service is extended to a new residential community near Newtown, PA. Welder Charles Dunlap and Street Mechanics Franklin Gallagher and Earl Scarborough work on a 2-inch main installation. (Below) Temperature-controlled gas service was inaugurated in 1983. Senior Engineer Gerard Eberz watches as Thomas Shoemaker, a Senior Utilization Mechanic, monitors the computer-controlled communication between the customer and the gas system control center.

Limerick Turbine

Work nears completion on Limerick Unit No. 1. Shift Superintendent Charles Gillespie, Auxiliary Operator Cynthia Naughton and Assistant Control Operator Stanley Gamble from Electric Production look on as workmen finish applying thermal insulation to the high pressure turbine.

able to partially terminate its enrichment services under two existing contracts and receive uranium enrichment services at a discount. The Department of Energy, in turn, was assured that the Company would not enter the secondary market for foreign enrichment services for the years 1983 through 1985. As a result of this agreement, the Company saved about $3 million during 1983 on enriched uranium that was received from the Department of Energy for the initial core of Limerick Unit No. 1. Additional savings are anticipated over the next two years.

PE has been selected by the Electric Power Research Institute to be the host utility for a large-scale test of a unique two-way radio control system. The system is designed to be used for remote load management, automatic meter reading and the monitoring and control of electric distribution facilities. Outbound signals from a central computer in our headquarters building are sent to a local commercial radio station transmitter by telephone and broadcast by AM radio to points on our distribution system and our customers' meters. Meter readings and operating data are returned to the Company by VHF radio equipment. The radio station utility signals are not discernible to the station's listeners.

Central computer and AM broadcast equipment were installed in 1983 and a small number of receiver units are being tested. In 1984, 1,000 one-way and two-way communications units will be installed throughout our service territory. The test will continue for one year.

On May 2, 1983, after 18 months of negotiations by the Company's Real Estate Department, an agreement was completed between Consolidated Rail Corporation and PE for the conversion of 562 existing license agreements to permanent easements, under which Company facilities occupy railroad rights-of-way, and for the acquisition of approximately 300 railroad structures presently supporting PE facilities at a cost of approximately $5 million payable over a four-year period.

The conversion agreement will benefit the Company since it not only obtains permanent rights for transmission and distribution facilities, but also results in significant savings.

In keeping with its corporate objective of good corporate citizenship, PE is committed to the development and use of minority vendors. The Company actively seeks out and encourages minority vendors and contractors who may be interested in doing business with it. PE has expanded its Minority Vendor Development Program by initiating comprehensive involvement with the minority business community, resulting in an increase of more than 100% in the contract dollars awarded to minority vendors.

Center City Housing
Philadelphia offers a great variety in urban housing. Shown here are areas of restored and renovated row homes as well as modern town homes.

General

In recent years, the Company has experienced substantial increases in operating costs and carrying charges on increased investment in plant and equipment. Any future increases in such costs and charges may be expected to affect future net income and earnings per average common share adversely unless periodic rate relief is obtained to offset them. In addition, the capital carrying charges associated with the construction of Limerick, which are capitalized by crediting income with an allowance for funds used during construction (AFUDC) and recovered through future depreciation, now represent a major portion of net income and will continue to increase at least until Limerick Unit No. 1 goes into service, which is expected to be in 1985.

Until recently, the sluggish economic conditions in the Company's service territory also had an adverse effect on operating results. Although the return on average common equity has increased during the past three years, the return on investment is still below that allowed by the Pennsylvania Public Utility Commission (PUC) as a fair return in the Company's last rate order.

During 1983, the Company put into effect increased rates for electric and steam service totaling approximately $151 million per year. On July 29, the Company filed with the PUC for an additional $40.7 million in gas revenues and $5.5 million in steam revenues. The gas rate increase request has been suspended until April 27, 1984. On December 16, 1983, the PUC approved a steam rate increase settlement of $2.6 million, effective January 1, 1984.

Electric Operating Revenue

The decrease in electric revenue for 1983 compared with 1982 is primarily attributable to the significant reduction in the sale of output from Salem Unit No. 2 to Jersey Central Power & Light Company as a result of the extended outage of the unit and to lower fuel-related revenue. Increases in 1982 over 1981 reflect higher base rates and the sale of output and capacity from Salem Unit No. 2 to Jersey Central Power & Light Company. Kilowatthour sales of electricity to retail customers increased 3.9 percent in 1983, after a decline in 1982.

Electric Revenue	Millions of Dollars	
Increase/(Decrease)	'83 vs. '82	'82 vs. '81
Rate Increases	$ 115.6	$198.2
Fuel Related Revenue	(188.7)	(83.0)
Salem Unit No. 2	(104.9)	89.6
Other	104.9	(25.9)
Total	$(73.1)	$178.9

Gas Operating Revenue

Increases in 1983 over 1982 primarily reflect the recovery of higher fuel costs and higher rates. Mcf sales of gas declined 5.7 percent.

Fuel and Energy Interchange Expense

For accounting purposes, fuel and energy interchange costs are deferred until billed as fuel adjustment revenue. During 1983, gross fuel and energy interchange costs increased substantially because of extended outages of nuclear units and increased output. However, $219.2 million of electric fuel costs were deferred resulting in a net decrease in fuel and energy interchange expense compared with 1982.

Fuel and energy interchange expense also decreased in 1982 from 1981 as a result of higher nuclear output and economic purchases of power from other utilities.

Other Operating and Maintenance Expenses

Other operating and maintenance expenses have increased in the last two years due to inflation and to growth in utility plant.

Depreciation

Increases in depreciation in the last two years reflect additions to plant in service.

Income Taxes

Income taxes charged to operations decreased in 1983 from 1982 as a result of lower taxable income caused primarily by significantly lower revenue from Salem Unit No. 2 sales.

Income tax credits, net, included in other income, have increased in the last two years as a result of the higher allowance for borrowed funds used during construction.

For 1983, the Company's consolidated taxable income for federal income tax purposes is estimated to be a net loss of approximately $115 million versus taxable income of $261 million in 1982. The decrease was primarily attributable to a $272 million increase in fuel expense not recovered currently from customers, a $105 million decrease in revenue from the sale of Salem No. 2 output and a $62 million charge for future disposal of spent nuclear fuel.

Other Taxes

Other taxes have increased due to higher realty, gross receipts, and social security taxes.

Allowance for Funds Used During Construction

The increases in AFUDC for the last two years resulted from a higher cost of capital for construction and increases in construction work in progress.

Interest Charges

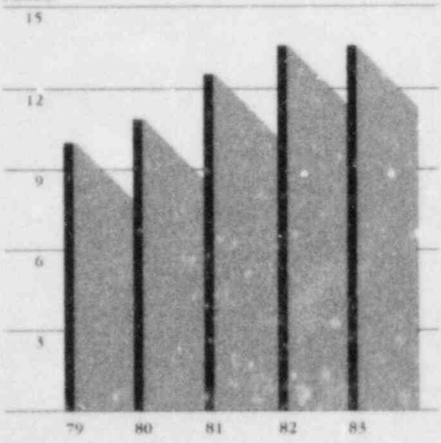
Interest charges on debt increased in the last two years because of additional debt outstanding. The ratio of earnings to mortgage interest, which is a measure of the Company's ability to issue additional long-term debt, was 2.25 times in 1983, above the minimum of 2.0 times required for the issuance of new mortgage debt.

Capital Expenditures and Changes in Financial Position

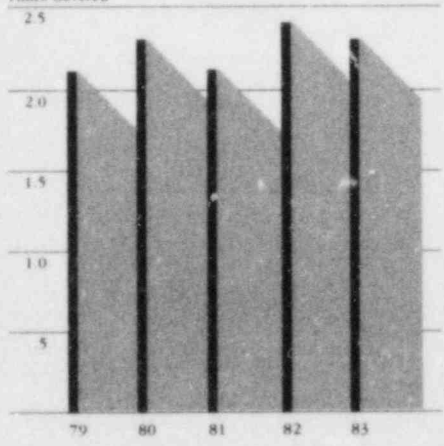
The Company is carrying on a construction program which is estimated to require expenditures of $857 million in 1984 and $2.3 billion from 1985 to 1987. A majority of these expenditures relates to the construction of the Company's two 1055 mW nuclear generating units at Limerick. Successful completion of this program is dependent on the Company's ability to obtain external financing, primarily through debt arrangements and sales of equity securities which are subject to market conditions and to meeting certain earnings tests. The program also is subject to the licensing requirements of the NRC, to financing approvals by the PUC, and to change due to litigation. The Company cannot predict the outcome of such regulatory reviews, but believes the safety requirements have been or will be met, the economic desirability of the program has been demonstrated, and that the program will be successfully completed and approved.

Interim financing of the construction program is provided by commercial paper borrowings and short- and intermediate-term bank loans, which also are dependent on the Company's financial position.

Return on Average Common Stock Equity
Percent



Ratio of Earnings to Mortgage Interest
Times Covered



Accountants' Report

To the Shareholders and Board of Directors
Philadelphia Electric Company

We have examined the consolidated balance sheets of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1983 and 1982, and the related consolidated statements of income, retained earnings, and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1983 and 1982, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

1900 Three Girard Plaza
Philadelphia, Pennsylvania
February 2, 1984

Coopers & Lybrand

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6"

IMAGE EVALUATION TEST TARGET (MT-3)

150mm

6″

IMAGE EVALUATION
TEST TARGET (MT-3)

150mm

6″

Consolidated Statements of Income

	For the Year Ended December 31		
	1983	1982	1981
		(Thousands of Dollars)	
Operating Revenues			
Electric	**$2,107,897**	$2,180,960	$2,002,063
Gas	**417,042**	390,427	356,431
Steam	**71,111**	73,366	74,931
Total Operating Revenues	**2,596,050**	2,644,753	2,433,425
Operating Expenses			
Fuel and Energy Interchange	**986,634**	1,128,498	1,187,635
Other Operating Expenses	**449,101**	411,753	360,840
Maintenance	**222,640**	199,747	156,878
Depreciation	**165,327**	143,848	130,283
Income Taxes	**200,026**	207,669	129,484
Other Taxes	**178,615**	164,511	145,312
Total Operating Expenses	**2,202,343**	2,256,026	2,110,432
Operating Income	**393,707**	388,727	322,993
Other Income			
Allowance for Other Funds Used During Construction	**108,126**	65,699	65,013
Income Tax Credits, net	**87,912**	75,845	63,164
Other, net	**(3,125)**	(717)	2,457
Total Other Income	**192,913**	140,827	130,634
Income Before Interest Charges	**586,620**	529,554	453,627
Interest Charges			
Long-Term Debt	**330,200**	308,862	266,691
Short-Term Debt	**35,199**	32,030	33,155
Allowance for Borrowed Funds Used During Construction	**(167,868)**	(147,561)	(123,784)
Net Interest Charges	**197,531**	193,331	176,062
Net Income	**389,089**	336,223	277,565
Preferred Stock Dividends	**67,384**	57,600	53,804
Earnings Applicable to Common Stock	**$ 321,705**	$ 278,623	$ 223,761
Average Shares of Common Stock Outstanding (Thousands)	**133,852**	116,480	99,557
Earnings Per Average Common Share (Dollars)	**$2.40**	$2.39	$2.25
Dividends Per Common Share (Dollars)	**$2.12**	$2.06	$1.90

See notes to financial statements.

Consolidated Balance Sheets

	December 31 1983	December 31 1982
	(Thousands of Dollars)	
ASSETS		
Utility Plant, at original cost		
Electric	$4,683,726	$4,519,544
Gas	416,170	394,876
Steam	53,845	53,998
Common, used in all services	128,379	127,304
	5,282,120	5,095,722
Less: Accumulated Depreciation	1,592,009	1,450,149
Net Utility Plant in Service	3,690,111	3,645,573
Construction Work in Progress	3,582,133	2,810,014
Net Utility Plant	7,272,244	6,455,587
Investments	99,445	91,427
Current Assets		
Cash and Temporary Cash Investments	65,221	50,025
Accounts Receivable		
Customers	302,254	284,151
Other	36,354	58,012
Inventories, at average cost		
Fossil Fuel	75,681	97,478
Materials and Supplies	55,403	45,552
Deferred Energy Costs	149,246	(85,379)
Other	7,572	7,721
Total Current Assets	691,731	457,560
Deferred Debits	80,375	24,695
Total	$8,143,795	$7,029,269

See notes to financial statements.

	December 31	
	1983	1982
	(Thousands of Dollars)	
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Shareholders' Equity		
Common Stock	**$2,110,503**	$1,826,198
Other Paid-In Capital	**5,856**	4,641
Retained Earnings	**452,964**	423,596
	2,569,323	2,254,435
Preferred Stock		
Without Mandatory Redemption	**522,472**	372,472
With Mandatory Redemption	**284,863**	292,290
Long-Term Debt	**3,381,805**	3,028,525
Total Capitalization	**6,758,463**	5,947,722
Current Liabilities		
Short-Term Debt		
Bank Loans	**218,000**	32,200
Commercial Paper	**49,500**	32,500
Long-Term Debt due within one year	**—**	21,280
Accounts Payable	**152,687**	164,419
Taxes		
Accrued	**25,841**	65,954
Deferred Income Taxes-Energy	**76,517**	(43,350)
Interest Accrued	**91,787**	99,764
Dividends Declared	**27,211**	24,167
Other	**17,337**	24,734
Total Current Liabilities	**658,880**	421,668
Deferred Credits and Other Liabilities		
Deferred Income Taxes	**346,531**	290,538
Unamortized Investment Tax Credits	**249,658**	296,068
Nuclear Fuel Disposal	**61,843**	24,707
Other	**68,420**	48,566
Total Deferred Credits and Other Liabilities	**726,452**	659,879
Total	**$8,143,795**	$7,029,269

See notes to financial statements.

Consolidated Statements of Retained Earnings

	For the Year Ended December 31		
	1983	1982	1981
		(Thousands of Dollars)	
Balance, January 1	**$ 423,596**	$ 387,251	$ 353,570
Net Income	**389,089**	336,223	277,565
	812,685	723,474	631,135
Cash Dividends Declared			
Preferred Stock (at specified annual rates)	**68,970**	57,982	53,762
Common Stock (per share, $2.12 in 1983, $2.06 in 1982, and $1.90 in 1981)	**283,583**	240,486	189,476
Expenses of Capital Stock Issues	**7,168**	1,410	646
	359,721	299,878	243,884
Balance, December 31	**$ 452,964**	$ 423,596	$ 387,251

Consolidated Statements of Changes in Financial Position

	1983	1982	1981
Sources of Funds			
Funds from Operations			
Net Income	**$ 389,089**	$ 336,223	$ 277,565
Charges (Credits) Not Affecting Funds			
Depreciation and Amortization	**165,327**	143,848	135,393
Nuclear Fuel Disposal Costs	**12,166**	15,820	8,638
Deferred Income Taxes, net	**175,307**	(10,215)	2,011
Investment Tax Credits, net of Amortization	**(46,064)**	101,646	25,049
Allowance for Other Funds Used During Construction	**(108,126)**	(65,699)	(65,013)
Total from Operations	**587,699**	521,623	383,643
Funds from Financings			
Sales of Securities			
Common Stock	**284,305**	253,810	194,925
Preferred Stock	**150,000**	30,000	—
Long-Term Debt	**175,000**	300,000	423,500
Issuance of Other Long-Term Debt	**200,000**	20,000	—
Change in Short-Term Debt	**202,800**	10,475	1,635
Sale of Magnesium Oxide Regeneration Facilities	**37,679**	—	—
Sale of Salem Generating Station Nuclear Fuel	—	—	100,166
Sale of Tax Benefits	—	—	53,743
Total from Financings	**1,049,784**	614,285	773,969
Total Sources	**$1,637,483**	$1,135,908	$1,157,612
Uses of Funds			
Additions to Utility Plant	**1,030,321**	870,715	787,075
Allowance for Other Funds Used During Construction	**(108,126)**	(65,699)	(65,013)
Dividends on Preferred and Common Stock	**352,553**	298,468	243,238
Retirement of Long-Term Debt	**41,573**	50,183	137,470
Change in Deferred Energy Costs	**234,625**	(54,080)	(42,347)
Increase in Nuclear Fuel Escrow Account	**7,113**	8,204	4,339
Change in Other Items of Working Capital	**63,721**	9,498	62,144
Other, net	**15,703**	18,619	30,706
Total Uses	**$1,637,483**	$1,135,908	$1,157,612

See notes to financial statements.

Notes to Financial Statements

1. Significant Accounting Policies

General

All utility subsidiary companies of Philadelphia Electric Company are wholly owned and are included in the consolidated financial statements. Non-utility subsidiaries are included in investments and accounted for by the equity method. Accounting policies are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the Federal Energy Regulatory Commission (FERC) and the Pennsylvania Public Utility Commission (PUC).

Revenues

Revenues are recorded in the accounts upon billing to the customer. Rate increases are billed from dates authorized or permitted to become effective by the regulatory authorities.

Fuel Expenses

Fuel expenses, which are recoverable under energy adjustment clauses, are recognized when the related revenue is billed to customers.

Nuclear fuel used in the Peach Bottom and Salem Generating Stations is leased. The costs of such leased fuel are charged to fuel expense on the unit of production method. The estimated costs of nuclear fuel disposal are charged to fuel expense as permitted for rate-making purposes.

In its November 22, 1983 rate order, the PUC approved the Company's request for full recovery of assessments imposed by the Nuclear Waste Policy Act of 1982 (the Act). Beginning April 7, 1983 such nuclear fuel disposal costs are being charged to fuel expense as the related fuel is burned. Unrecovered assessments imposed by the Act for fuel burned prior to April 7, 1983 are being amortized to fuel expenses over the period ending June 30, 1985.

Depreciation

For financial reporting purposes, depreciation is provided over the estimated service lives of the plant on the straight-line method and, for tax purposes, generally, over shorter lives on accelerated methods. The estimated decommissioning costs of portions of the nuclear plants are being charged to operations as permitted for rate-making purposes. Such amounts, net of deferred income taxes, are deposited in an escrow account and invested for funding of future costs. The Company believes that any additional costs, which may be significant, would be recoverable through adjustments of rates charged to its customers. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, were approximately 3.20% for 1983, 3.00% for 1982 and 3.01% for 1981.

Income Taxes

Deferred income taxes are provided for differences between book and taxable income to the extent permitted for rate-making purposes. Investment tax credits, other than credits resulting from contributions to an employee stock ownership plan (ESOP), which do not affect income, are deferred and amortized to income over the estimated useful life of the related utility plant.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash item which is defined in the uniform system of accounts prescribed by FERC as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC is recorded as a charge to Construction Work In Progress, and the equivalent credits are to "Interest Charges" for the pre-tax cost of borrowed funds and to "Other Income" for the remainder as the allowance for equity funds. The rate used for capitalizing AFUDC, which averaged 9.30% in 1983, 9.20% in 1982, and 8.65% in 1981, is computed under a method prescribed by the regulatory authorities. The rate is a "net after-tax rate" and the current income tax reductions applicable to the interest charges capitalized are recorded in "Other Income." AFUDC is not included in taxable income and the depreciation of capitalized AFUDC is not a tax-deductible expense.

Retirement Plans

The Company has non-contributory trusteed retirement plans applicable to all regular employees. Pension costs include normal cost for the year and amortization of unfunded prior service costs over ten to twenty-year periods. Approximately 81% of such costs were charged to operating expense and the remainder, associated with construction labor, to the cost of new utility plant.

Gas Exploration and Development Costs

The Company has invested in several joint ventures for exploring and drilling for gas. These costs are capitalized under the full cost method and charged to operations commensurate with the production of gas by these ventures.

2. Investments

At December 31	1983	1982
	(Thousands of Dollars)	
Gas Exploration and Development	**$47,736**	$48,099
Nonutility Property	**14,668**	15,911
Escrowed Funds for Nuclear Fuel Disposal	**19,656**	12,543
Escrowed Funds for Decommissioning Nuclear Plants	**4,927**	3,058
Other	**12,458**	11,816
Total	**$99,445**	$91,427

3. Common Stock

At December 31, 1983 and 1982, Common Stock, without par value, consisted of 240,000,000 and 160,000,000 shares, respectively, authorized and 142,811,434 and 125,766,898 shares, respectively, outstanding. At December 31, 1983, there were 8,463,653 shares reserved for issuance under stock purchase plans.

	(Thousands of Shares)			(Thousands of Dollars)		
Issued and Outstanding	**1983**	1982	1981	**1983**	1982	1981
Balance, January 1	**125,767**	108,507	92,633	**$1,826,198**	$1,572,388	$1,377,463
Public Sales	**11,000**	12,000	12,800	**186,055**	175,620	154,786
Dividend Reinvestment and Stock Purchase Plan	**4,788**	4,020	2,667	**77,196**	60,399	34,809
Employee Stock Purchase Plan	**641**	453	407	**10,527**	6,677	5,330
Tax Reduction Act Stock Ownership Plan (ESOP)	**615**	787	—	**10,527**	11,114	—
Total Issued	**17,044**	17,260	15,874	**284,305**	253,810	194,925
Balance, December 31	**142,811**	125,767	108,507	**$2,110,503**	$1,826,198	$1,572,388

4. Preferred Stock and Other Paid-In Capital

At December 31, 1983 and 1982, Preferred Stock $100 par, cumulative

	Current Redemption Price **(a)**	Refunding Restricted Prior to **(b)**	Shares Authorized	Shares Outstanding **1983**	Shares Outstanding 1982	Amount **1983** (Thousands of Dollars)	Amount 1982 (Thousands of Dollars)
Series (without mandatory redemption)							
13.35% **(c)**	$113.35	2-1-89	750,000	**750,000**	—	**$ 75,000**	$ —
12.8% **(c)**	112.80	5-1-88	750,000	**750,000**	—	**75,000**	—
9.50%	106.50		750,000	**750,000**	750,000	**75,000**	75,000
8.75%	104.00		650,000	**650,000**	650,000	**65,000**	65,000
7.85%	105.00		500,000	**500,000**	500,000	**50,000**	50,000
7.80%	103.00		750,000	**750,000**	750,000	**75,000**	75,000
7.75%	103.00		200,000	**200,000**	200,000	**20,000**	20,000
4.68%	104.00		150,000	**150,000**	150,000	**15,000**	15,000
4.4%	112.50		274,720	**274,720**	274,720	**27,472**	27,472
4.3%	102.00		150,000	**150,000**	150,000	**15,000**	15,000
3.8%	106.00		300,000	**300,000**	300,000	**30,000**	30,000
			5,224,720	**5,224,720**	3,724,720	**522,472**	372,472
Series (with mandatory redemption) **(d)**							
17.125% (Sold 1982)	$117.125	5-1-87	300,000	**300,000**	300,000	**30,000**	30,000
15.25%	115.25	5-1-90	500,000	**500,000**	500,000	**50,000**	50,000
10%	104.44	5-1-90	220,000	**220,000**	220,000	**22,000**	22,000
9.52%	106.25	5-1-86	500,000	**419,660**	446,830	**41,966**	44,683
8.75%	106.18	5-1-88	500,000	**500,000**	500,000	**50,000**	50,000
7.325%	104.39		750,000	**600,000**	630,000	**60,000**	63,000
7%	104.00		400,000	**308,970**	326,070	**30,897**	32,607
			3,170,000	**2,848,630**	2,922,900	**284,863**	292,290
Unclassified			1,605,280	—	—	—	—
Total Preferred Stock			10,000,000	**8,073,350**	6,647,620	**$807,335**	$664,762

(a) Redeemable, at the option of the Company, at the indicated dollar amounts per share, plus accrued dividends.
(b) Prior to the date specified, none of the shares of each series indicated may be redeemed through refunding at an interest cost or dividend rate which is less than the dividend rate of such series.
(c) Ownership of the 13.35% and 12.8% Preferred Stocks is evidenced by Depositary Receipts, each receipt representing 1/10 of a share of Preferred Stock.
(d) Redemption requirements (par value) in the period 1984-1988 are as follows: 1984-$6,330,000; 1985-$8,296,000; 1986-$15,727,000; 1987-$16,030,000; 1988-$17,530,000.

Below is a summary of changes in Preferred Stock and Other Paid-In Capital. (All amounts in thousands.)

	Shares			Preferred Stock (Par)			Other Paid-In Capital		
Issued and Outstanding	**1983**	1982	1981	**1983**	1982	1981	**1983**	1982	1981
Balance, January 1	**6,648**	6,394	6,468	**$664,762**	$639,401	$646,802	**$4,641**	$3,888	$2,581
Public Sales	**1,500**	300	—	**150,000**	30,000	—	—	—	—
Redemptions	**(75)**	(46)	(74)	**(7,427)**	(4,639)	(7,401)	**1,215**	753	1,307
Balance, December 31	**8,073**	6,648	6,394	**$807,335**	$664,762	$639,401	**$5,856**	$4,641	$3,888

5. Long-Term Debt

At December 31, 1983 and 1982

	Series	Due	1983	1982
			(Thousands of Dollars)	
First and Refunding Mortgage Bonds **(a)**				
	3⅛%	1983	**$ —**	$ 20,000
	3⅛%	1985	**50,000**	50,000
	4⅜%	1986	**50,000**	50,000
	4⅝%	1987	**40,000**	40,000
	3¾%	1988	**40,000**	40,000
	5%-13¾%	1989-1993	**235,000**	235,000
	4½%-15¼%	1994-1998	**440,864**	443,429
	7⅜%-11⅝%	1999-2003	**544,930**	549,600
	6%-12½%	2004-2008	**523,500**	523,500
	13⅜%-18¾%	2009-2013	**575,000**	450,000
Total First and Refunding Mortgage Bonds			**2,499,294**	2,401,529
Notes Payable — Banks	**(b)**	1985-1989	**225,000**	225,000
Notes Payable — Other	17%	1986-1987	**20,000**	20,000
Revolving Credit Notes	**(c)**	1985-1987	**200,000**	—
Pollution Control Notes	5½%-13%	1997-2013	**266,830**	229,780
Debentures	4.85%	1986	**21,207**	21,330
Debentures	14⅛%	1990	**50,000**	50,000
Debentures	14¾%	2005	**100,000**	100,000
Sinking Fund Debentures — Philadelphia Electric Power Company, a Subsidiary	4½%	1995	**16,928**	18,193
Unamortized Debt Discount and Premium, Net			**(17,454)**	(16,027)
Total Long-Term Debt			**3,381,805**	3,049,805
Due Within One Year (d)			**—**	(21,280)
Long-Term Debt included in Capitalization			**$3,381,805**	$3,028,525

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

(b) At interest rates ranging from prime rate to 107% of prime rate.

(c) The Company has a $400 million revolving credit and term loan agreement with a group of banks which expires in 1987. Interest on outstanding borrowings is at prime rate through May 1985 and at 105% of prime rate thereafter. There is an annual commitment fee of ⅜% on the unused amount. As a result of the Limerick investigation, the Company does not meet a condition for borrowing. The banks have waived such condition with respect to the $200 million outstanding at December 31, 1983.

(d) Long-term debt maturities in the period of 1985-1988 are as follows: 1985-$204,267,000; 1986-$190,192,000; 1987-$166,850,000; and 1988-$106,850,000.

6. Short-Term Debt	**1983**	1982	1981
		(Thousands of Dollars)	
Average Short-Term Borrowings	**$164,429**	$ 90,180	$146,273
Average Interest Rates, Computed on Daily Basis	**9.06%**	13.13%	17.80%
Maximum Short-Term Borrowings Outstanding	**$340,000**	$168,725	$266,512
Average Interest Rates on Short-Term Borrowings at December 31:			
Bank Loans	**10.53%**	10.37%	16.37%
Commercial Paper — Tax Exempt	**5.61%**	4.92%	—
Commercial Paper — Taxable	**10.64%**	9.62%	—

As of December 31, 1983 the Company had borrowed $218 million under informal lines of credit with banks aggregating approximately $412 million. The Company generally does not have formal compensating balance arrangements with these banks.

7. Jointly-Owned Electric Utility Plant

The Company's ownership interests in jointly-owned utility plant at December 31, 1983 were as follows:

	Production Plants				Transmission Plant
	Peach Bottom	Salem	Keystone	Conemaugh	
Operator	Philadelphia Electric 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%
Company's share of:		(Thousands of Dollars)			
Utility Plant	$414,429	$863,167	$50,927	$59,103	$68,865
Accumulated Depreciation	94,371	103,398	21,474	22,217	10,724
Construction Work In Progress	32,619	12,480	5,514	761	—

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.

8. Income Taxes

	1983	1982	1981
		(Thousands of Dollars)	
Included in operating expenses:			
Current federal	**$ 54,495**	$ 71,987	$ 75,558
Current state	**16,288**	44,251	26,866
Total	**70,783**	116,238	102,424
Deferred federal	**151,259**	(8,390)	6,007
Deferred state	**24,048**	(1,825)	(3,996)
Total	**175,307**	(10,215)	2,011
Investment tax credits, net of amortization-federal	**(46,064)**	101,646	25,049
Total federal	**159,690**	165,243	106,614
Total state	**40,336**	42,426	22,870
Total	**$200,026**	$207,669	$129,484
Included in other income:			
Current federal	**(70,902)**	(60,506)	(50,299)
Current state	**(17,010)**	(15,339)	(12,865)
Total	**$(87,912)**	$(75,845)	$(63,164)
Total income tax provisions:			
Federal	**88,788**	104,737	56,315
State	**23,326**	27,087	10,005
Total	**$112,114**	$131,824	$ 66,320

As a result of the recognition of certain expenses for federal income tax purposes in 1983, principally deferred energy costs and nuclear fuel disposal costs, the Company incurred a loss for federal income tax purposes of about $115 million. This loss will be carried back to offset taxes paid in prior years and will result in a refund of about $15 million of federal income taxes paid in 1980 and 1981. Investment tax credits of $37 million have been reversed to the extent they are no longer utilized as a result of the loss carryback. On this basis, available investment tax credits which have not been utilized totaled approximately $140 million at December 31, 1983, and may be carried forward to reduce federal income tax liabilities in future years through 1997 and 1998.

Investment tax credits consist of the basic credits allowable of 10% plus an additional credit resulting from contributions to the ESOP plan for employees. The additional credits are equal to 0.5% of employee compensation in 1983 and 1½% of the investment tax credit base in 1982 and 1981. Contributions to the plan are in the form of Philadelphia Electric Company Common Stock and have no effect on net income.

Applicable state income tax laws do not permit the carryback of tax losses to prior years. At December 31, 1983, the Company had a tax loss carryforward of approximately $118 million which may be used to reduce its Pennsylvania income tax liabilities through 1986.

In December 1981, the Company sold the tax benefits attributable to its ownership interest in the Salem Generating Station Unit No. 2. This transaction was structured under the safe harbor lease provisions of the Economic Recovery Tax Act of 1981. The proceeds from the sale, $53,743,000, were credited to Deferred Income Taxes ($24,759,000), Deferred Investment Tax Credits ($21,863,000) and Other Deferred Credits ($7,121,000) and are being amortized to income over the estimated useful life of the plant.

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

	1983	1982	1981
		(Thousands of Dollars)	
Depreciation and amortization	**$ 38,792**	$ 30,042	$ 25,452
Nuclear fuel disposal costs	**24,281**	(7,865)	(4,299)
Deferred energy costs	**119,867**	(27,264)	(21,804)
Other	**(7,633)**	(5,128)	2,662
Total	**$175,307**	$(10,215)	$ 2,011

The total income tax provisions differ from amounts computed by applying the federal statutory tax rate to income and adjusted income before income taxes for the following reasons:

	1983	1982	1981
Net Income	**$389,089**	$336,223	$277,565
Total income tax provisions	**112,114**	131,824	66,320
Income before income taxes	**501,203**	468,047	343,885
Deduct — allowance for funds used during construction (non-taxable)	**275,994**	213,260	188,797
Adjusted income before income taxes	**$225,209**	$254,787	$155,088
Income taxes on above at federal statutory rate of 46%	**103,596**	117,202	71,340
Increase (decrease) due to:			
Depreciation timing differences not normalized	**7,941**	10,672	(551)
State income taxes, net of federal income tax benefits	**12,597**	14,627	5,436
Taxes and pension costs capitalized but expensed for tax purposes	**(673)**	(396)	(3,226)
Amortization of investment tax credits previously deferred	**(6,210)**	(7,214)	(4,769)
Other, net	**(5,137)**	(3,067)	(1,910)
Total income tax provisions	**$112,114**	$131,824	$ 66,320
Provision for income taxes as a percent of:			
Income before income taxes	**22.4%**	28.2%	19.3%
Adjusted income before income taxes	**49.8%**	51.7%	42.8%

9. Other Taxes

	1983	1982	1981
		(Thousands of Dollars)	
Gross receipts	**$108,211**	$106,090	$100,912
Capital stock	**19,198**	18,928	19,600
Realty	**30,975**	22,505	9,555
Other	**20,231**	16,988	15,245
Total	**$178,615**	$164,511	$145,312

10. Retirement Plans

Retirement plan costs, which are funded as accrued, aggregated $41,000,000 in 1983, $37,800,000 in 1982, and $31,700,000 in 1981. Plan data as of the dates of the most recent actuarial reports is as follows:

	January 1	
	1983	1982
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits (7.0% assumed rate of return)		
Vested	**$404,673**	$360,835
Nonvested	**48,545**	45,080
	$453,218	$405,915
Net assets available for benefits	**$477,748**	$359,406

11. Segment Information

	Electric	Gas	Steam	Total
		(Thousands of Dollars)		
1983				
Operating revenues	$2,107,897	$417,042	$71,111	$2,596,050
Operating expenses, excluding depreciation	1,592,027	377,624	67,365	2,037,016
Depreciation	150,898	12,694	1,735	165,327
Total operating expenses	1,742,925	390,318	69,100	2,202,343
Operating income	$ 364,972	$ 26,724	$ 2,011	$ 393,707
Utility plant additions	$1,004,219	$ 26,020	$ 82	$1,030,321
December 31:				
Allocable assets				
Net utility plant (*)	6,898,758	349,326	24,160	7,272,244
Inventories	98,391	32,350	343	131,084
Deferred Energy Costs	116,661	29,359	3,226	149,246
	$7,113,810	$411,035	$27,729	7,552,574
Nonallocable assets				591,221
Total assets				$8,143,795
1982				
Operating revenues	$2,180,960	$390,427	$73,366	$2,644,753
Operating expenses, excluding depreciation	1,688,365	354,093	69,720	2,112,178
Depreciation	130,225	11,916	1,707	143,848
Total operating expenses	1,818,590	366,009	71,427	2,256,026
Operating income	$ 362,370	$ 24,418	$ 1,939	$ 388,727
Utility plant additions	$ 843,371	$ 27,125	$ 219	$ 870,715
December 31:				
Allocable assets				
Net utility plant (*)	6,097,411	332,437	25,739	6,455,587
Inventories	105,035	37,645	350	143,030
	$6,202,446	$370,082	$26,089	6,598,617
Nonallocable assets				430,652
Total assets				$7,029,269
1981				
Operating revenues	$2,002,063	$356,431	$74,931	$2,433,425
Operating expenses, excluding depreciation	1,586,506	322,008	71,635	1,980,149
Depreciation	117,270	11,294	1,719	130,283
Total operating expenses	1,703,776	333,302	73,354	2,110,432
Operating income	$ 298,287	$ 23,129	$ 1,577	$ 322,993
Utility plant additions	$ 746,535	$ 40,432	$ 108	$ 787,075
December 31:				
Allocable assets				
Net utility plant (*)	5,372,240	314,652	27,194	5,714,086
Inventories	101,956	29,986	251	132,193
	$5,474,196	$344,638	$27,445	5,846,279
Nonallocable assets				457,916
Total assets				$6,304,195

(*) Includes construction work in progress and allocated common utility property.

12. Leases

Certain leases, including the nuclear fuel contracts for the Peach Bottom and Salem Generating Stations, meet the criteria of a capital lease as defined by financial accounting standards, but are accounted for as operating leases in accordance with the rate-making process. If these leases were capitalized they would not have a material effect on assets, liabilities, or related expenses.

On December 30, 1983 the Company sold magnesium oxide regeneration facilities for approximately their net book value of $37.7 million. These facilities have been leased back to the Company.

The minimum rental commitments under all noncancelable agreements aggregated $565 million at December 31, 1983. The annual rental commitments are estimated to be $105 million for 1984; $112 million for 1985; $121 million for 1986; $70 million for 1987; and $51 million for 1988.

Rental payments charged to operating expenses were as follows:

	1983	1982	1981
	(Thousands of Dollars)		
Nuclear fuel	**$38,268**	$61,538	$26,709
Othe.	**28,849**	24,356	24,782
Total	**$67,117**	$85,894	$51,491

The Company's proportionate share of the contractual obligations to purchase nuclear fuel under lease agreements for the Peach Bottom and Salem Generating Stations as of December 31, 1983 was $288 million. Independent fuel companies have been authorized to ac‚uire and own up to a maximum of $550 million of nuclear fuel at any one time and have contracted to sell the energy therefrom to the Company.

13. Nuclear Fuel Disposal

The Nuclear Waste Policy Act of 1982 requires the United States Department of Energy (DOE) to assess utilities one mill for each kilowatthour of electricity generated by a nuclear generating station after April 6, 1983 and to make an equivalent assessment for such generation prior to April 7, 1983. These assessments will provide for the shipment and permanent disposal of fuel discharged. Since May, 1981 the Company has been charging operations for such costs as permitted for rat. ·aking purposes and such amounts, net of estimated unrea. 1 income tax benefits, have been deposited in an escrow account and are invested for the funding of the pre-April 7, 1983 liability. The Company's pre-April 7, 1983 liability for its share of generation by the Peach Bottom and Salem Generating Stations is approximately $62 million, of which approximately $37 million has been recovered through rates charged to customers. This liability is expected to be paid to DOE in 1985. The liability for current generation is paid to DOE quarterly.

14. Limerick Generating Station

The Company has under construction two nuclear units at Limerick, Pennsylvania. In the latter part of 1980, the PUC began an investigation into various matters concerning the Limerick Generating Station (Limerick). On August 27, 1982, the PUC issued an order stating that continued construction of Unit No. 2 simultaneously with Unit No. 1 is not in the public interest and directing the Company to cancel or suspend construction of Unit No. 2. The Company appealed the order to the Commonwealth Court and on December 15, 1982, the Commonwealth Court reversed the PUC order. On January 14, 1983, the PUC petitioned the Pennsylvania Supreme Court to allow an appeal of the Commonwealth Court's decision.

On May 27, 1983, the Pennsylvania Supreme Court upheld the authority of the PUC to deny the registration, pending completion of Unit No. 1, of any new securities issuances, the proceeds of which would be used, in whole or in part, for construction of Unit No. 2. On June 10, 1983, the PUC issued another order, which was clarified on December 16, 1983, directing the Company to suspend construction of Unit No. 2 pending commercial operation of Unit No. 1, to cancel construction of Unit No. 2, or to continue construction of Unit No. 2 with internally generated funds.

On January 24, 1984 the Company responded to the PUC order, electing to suspend construction of Unit No. 2 until Unit No. 1 is in commercial operation. The PUC has not yet issued an order accepting or rejecting this response. Unit No. 1 is scheduled for commercial operation in 1985 and Unit No. 2 in 1990.

Operation of Limerick will require an adequate supply of cooling water. To assure an adequate supply, the Company has contracted to obtain supplementary cooling water from the Delaware River. Several parties are attempting to delay or terminate construction of pumping stations, reservoirs and related facilities to transport the water. The Company expects to protect its interests in the facilities, but any delays in obtaining an adequate supply of supplementary cooling water could delay the scheduled dates of commercial operation, restrict the operating capacity and increase the cost of Limerick.

At December 31, 1983, engineering studies indicated Unit No. 1 and common plant were approximately 91% complete and Unit No. 2 approximately 31% complete. The Company's investment in Limerick was $3.25 billion at December 31, 1983 of which $1.76 billion was allocated to Unit No. 1, $667 million to Unit No. 2 and $827 million to common facilities. The Company is accruing AFUDC on its entire investment in Limerick.

15. Commitments and Contingencies

The Company has incurred substantial commitments in connection with its construction program. Construction expenditures are estimated to be $857 million for 1984 and $2.3 billion for 1985-1987. These estimates are reviewed and revised periodically to reflect changes in economic conditions, revised load forecasts and other appropriate factors. Plant facilities under construction, particularly the Limerick Generating Station, require numerous permits and licenses, which the Company cannot be assured will be issued at completion of the facilities.

The Price-Anderson Act places a "Limit of Liability" of $580 million on each licensed nuclear facility for claims that could arise from an incident involving any licensed nuclear facility in the nation. The Company has

insured for this exposure through a combination of private insurance and indemnity agreements with the Nuclear Regulatory Commission. In the event of such a nuclear incident the Company could be assessed up to $8.5 million per incident with a maximum amount of $17 million in any one year.

The Company maintains insurance coverage against loss or damage to its nuclear facilities by fire or other casualty. Altho[illegible] impossible to determine the total amount of the loss that may result from an occurrence at these facilities, the Company maintains the maximum amount of nuclear insurance presently available, being $1 billion for each station. Under the terms of the various insurance agreements, the Company could be assessed up to $33 million for losses incurred at plants insured by the insurance companies.

The Company is a member of an industry mutual insurance company to provide replacement power cost insurance coverage in the event of a major outage at a nuclear station. The premium for this coverage is subject to an assessment for adverse loss experience. The Company's maximum share of any assessment is $13 million.

The PUC is conducting an investigation into the outages that started in February 1983 at Salem Generating Station Unit No. 1, operated by Public Service Electric and Gas Company. The PUC has ordered the Company to show cause why it should be permitted to recover the incremental costs, if any, of replacing Unit No. 1 generation during the outages. The Company believes that it should not be precluded from recovering such incremental costs and that the ultimate resolution of this matter will not have a material adverse affect on the financial position or results of operations of the Company.

16. Quarterly Data (Unaudited)

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

Quarter Ended	Operating Revenues 1983	Operating Revenues 1982	Operating Income 1983	Operating Income 1982	Net Income 1983	Net Income 1982
	(Thousands of Dollars)					
March 31	**$723,216**	$757,077	**$105,871**	$102,480	**$103,975**	$ 90,951
June 30	**572,153**	592,573	**79,374**	78,253	**76,071**	63,240
September 30	**668,259**	661,594	**121,703**	115,633	**122,003**	100,402
December 31	**632,42?**	633,509	**86,759**	92,361	**87,040**	81,630

Quarter Ended	Earnings Applicable to Common Stock 1983	Earnings Applicable to Common Stock 1982	Average Shares Outstanding 1983	Average Shares Outstanding 1982	Earnings Per Average Share 1983	Earnings Per Average Share 1982
	(Thousands of Dollars)		(Thousands)		(Dollars)	
March 31	**$88,248**	$77,138	**126,064**	108,593	**$.70**	$.71
June 30	**59,186**	48,622	**133,021**	115,289	**.44**	.42
September 30	**105,146**	85,816	**134,909**	117,478	**.78**	.73
December 31	**69,125**	67,047	**141,235**	124,378	**.48**	.54

1983 fourth quarter results include the write-off of approximately $9.5 million (net of $10.1 million of related incomes taxes) of operating, maintenance, and depreciation costs of certain pollution control facilities which had been deferred during the first three quarters of 1983 pending a final determination by the PUC as to their recovery. Recovery was denied on November 22, 1983 at the conclusion of the Company's retail electric rate case.

17. Supplementary Information to Disclose the Estimated Effects of Inflation for the Year Ended December 31, 1983 (Unaudited)

The following supplementary information is supplied to show the estimated effects of inflation because the Company is required to do so, according to the Statement of Financial Accounting Standards No. 33. The methods required to develop this information are approximate and complex, and may not necessarily reflect the true effects of inflation on the Company. Under existing regulatory law, the Company is permitted to recover actual operating and capital costs incurred to serve customers and a reasonable return on investment, and the Company believes it will be allowed to recover cost increases caused by inflation as such increases are actually incurred.

Effect of Inflation on Reported Income. In adjusting the Consolidated Statements of Income, as shown below, only depreciation expense was adjusted for the effect of inflation. The "constant dollar" and "current cost" depreciation expenses were determined by applying the Company's depreciation rates to restated 1983 average depreciable plant in service. Other Operating Expenses were not required to be adjusted.

If the Company had to replace its entire utility plant at this time, the costs to do so would greatly exceed the original costs incurred when the facilities were built because of the cumulative effect of inflation. These plant replacement costs, net of accumulated depreciation, are estimated at $12.1 billion as restated for "constant dollars" and $12.7 billion as restated for "current costs". Under the "constant dollar" method, the Company is required to restate the original costs in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers. The "current costs" method uses Handy-Whitman Indices of Public Utility Construction Costs. Results from the two methods differ because construction costs have increased more rapidly than consumer prices in general. Under the "current cost" method, the effect ($441 million) of general inflation in 1983 on net utility plant was greater than the increase ($294 million) in specific prices by $147 million while the effect of general inflation was less than specific prices by $9 million in 1982 and greater than specific prices by $205 million, $225 million, and $93 million in 1981, 1980, and 1979, respectively, expressed in average 1983 dollars. In the Company's opinion, the "current costs" method is more appropriate for estimating the effect of inflation on utility plant.

Consolidated Statements of Income Adjusted for Inflation for the Year Ended December 31, 1983
(Thousands of Dollars, except per share amounts)

		As Adjusted For	
		Constant Dollars	Current Cost
	As Reported	(Average 1983 Dollars)	(Average 1983 Dollars)
Operating Revenues	$2,596,050	$2,596,050	$2,596,050
Depreciation	165,327	384,817	435,983
Other Operating Expenses	2,037,016	2,037,016	2,037,016
Operating Income	393,707	174,217	123,051
Other Income	192,913	192,913	192,913
Income Before Interest Charges & Preferred Stock Dividends	586,620	367,130	315,964
Interest Charges and Preferred Stock Dividends	264,915	264,915	264,915
Earnings Applicable to Common Stock*	$ 321,705	$ 102,215	$ 51,049
Earnings Per Average Share**	$ 2.40	$ 0.76	$ 0.38

*Earnings applicable to Common Stock for 1982, 1981, 1980, and 1979, restated in average 1983 dollars, amounted to $91 million, $67 million, $60 million, and $51 million, respectively, for Constant Dollars, and $50 million and $25 million for 1982 and 1981 and losses of $3 million, and $9 million for 1980 and 1979 for Current Costs.

**Earnings per average share for 1982, 1981, 1980, and 1979, based on the restated earnings, were $0.78, $0.67, $0.69 and $0.63, respectively, for Constant Dollars, and $0.43 and $0.25 for 1982 and 1981 and losses of $0.03 and $0.11 for 1980 and 1979 for Current Costs.

Effects of Inflation on Shareholders' Equity.
The effect of inflation on the Company's actual original cost of net utility plant amounted to $250 million for 1983, ($230 million for 1982, $502 million for 1981, $688 million for 1980 and $766 million for 1979 expressed in average 1983 dollars). These inflationary effects were not recovered because rates are based on depreciation of original cost plant. If the Company were required to charge these amounts against income in 1983 and 1982, earnings applicable to common stock would have been reduced to $72 million and $57 million, respectively, while in 1981, 1980 and 1979, earnings applicable to common stock would have become losses of $255 million, $477 million, and $561 million, respectively. The effect of inflation (3.8% for 1983 3.9% for 1982, 8.9% for 1981, 12.4% for 1980 and 13.3% for 1979) on the value of the Company's debt and preferred stock approximated $165 million for 1983, $153 million for 1982, $339 million for 1981, $468 million for 1980 and $526 million for 1979 (1982, 1981, 1980 and 1979 expressed in average 1983 dollars) and would totally or partially offset the effect of inflation on utility plant.

If the Company had earned at the rate of inflation (3.8%) on its common shareholders' equity in 1983, earnings would have been approximately $92 million compared with reported earnings of $322 million. Thus, reported earnings applicable to common stock in 1983 were about $230 million above the level necessary to offset the impact of inflation on shareholders' equity.

Adjustment of Selected Five Year Financial Information.
In order to reflect the impact of general inflation on selected financial information for each of the years 1979 through 1983, the following table shows actual data compared with data adjusted to 1983 dollars.

Five Year Summary of Selected Financial Information Showing Adjustments to Reflect Inflation

	1983	1982	1981	1980	1979
Development of Adjustment Factors					
Consumer Price Index					
Average During Year	**298.4**	289.1	272.4	246.8	217.4
Year End	**303.5**	292.4	281.5	258.4	229.9
Consumer Price Index Multiplier					
A = Average (298.4 ÷ Index)	**1.00**	1.03	1.10	1.21	1.37
B = Year End (303.5 ÷ Index)	**1.00**	1.04	1.08	1.17	1.32
Actual and Adjusted Financial Information					
Dividends Per Common Share					
Actual Paid	**$2.12**	$2.06	$1.90	$1.80	$1.80
Adjusted (Actual x A)	**$2.12**	$2.12	$2.09	$2.18	$2.47
Market Price Per Common Share					
Actual Year End	**$14.38**	$17.00	$13.63	$12.50	$13.75
Adjusted (Actual x B)	**$14.38**	$17.68	$14.72	$14.63	$18.15
Operating Revenues (thousands of dollars)					
Actual	**$2,596,050**	$2,64[illegible],753	$2,433,425	$2,123,394	$1,578,505
Adjusted (Actual x A)	**$2,596,050**	$2,724,096	$2,676,768	$2,569,307	$2,162,552
Common Shareholders' Equity (thousands of dollars)					
Actual Year End	**$2,569,323**	$2,254,435	$1,963,527	$1,733,614	$1,580,004
Adjusted (Actual x B)	**$2,569,323**	$2,344,612	$2,120,609	$2,028,328	$2,085,605

Financial Statistics

Summary of Earnings (Millions of Dollars)

For the Year Ended	1983	1982	1981	1980	1979	1978	1973
Operating Revenues (for details see pages 38 and 39)	**$2,596.0**	$2,644.8	$2,433.4	$2,123.4	$1,578.5	$1,456.8	$766.6
Operating Expenses							
Fuel and Energy Interchange	**986.6**	1,128.5	1,187.6	1,090.5	661.7	573.9	260.3
Labor	**317.2**	291.1	256.8	232.1	209.3	195.0	125.6
Other Materials, Supplies and Services	**354.6**	320.5	260.9	184.5	155.4	135.0	65.5
Total Operation and Maintenance	**1658.4**	1,740.1	1,705.3	1,507.1	1,026.4	903.9	451.4
Depreciation	**165.3**	143.8	130.3	122.9	120.6	116.5	64.3
Taxes	**378.6**	372.2	274.8	227.4	185.7	194.7	102.5
Total Operating Expenses	**2,202.3**	2,256.1	2,110.4	1,857.4	1,332.7	1,215.1	618.2
Operating Income	**393.7**	388.7	323.0	266.0	245.8	241.7	148.4
Other Income							
Allowance for Other Funds Used During Construction	**108.1**	65.7	65.0	50.5	46.0	37.6	58.7
Income Tax Credits, net	**87.9**	75.8	63.2	49.0	33.9	26.3	3.4
Other, net	**(3.1)**	(0.7)	2.5	3.4	1.7	4.6	2.7
Total Other Income	**192.9**	140.8	130.7	102.9	81.6	68.5	64.8
Income Before Interest Charges	**586.6**	529.5	453.7	368.9	327.4	310.2	213.2
Interest Charges							
Long-Term Debt	**330.2**	308.9	266.7	225.0	193.0	176.3	84.8
Short-Term Debt	**35.2**	32.0	33.2	13.9	7.3	2.5	5.5
Allowance for Borrowed Funds Used During Construction	**(167.9)**	(147.6)	(123.8)	(97.1)	(67.4)	(53.4)	—
Net Interest Charges	**197.5**	193.3	176.1	141.8	132.9	125.4	90.3
Net Income	**389.1**	336.2	277.6	227.1	194.5	184.8	122.9
Preferred Stock Dividends	**67.4**	57.6	53.8	52.2	44.8	43.5	27.6
Earnings Applicable to Common Stock	**321.7**	278.6	223.8	174.9	149.7	141.3	95.3
Dividends on Common Stock	**283.6**	240.5	189.5	157.4	145.0	135.7	78.4
Earnings Retained	**$ 38.1**	$ 38.1	$ 34.3	$ 17.5	$ 4.7	$ 5.6	$ 16.9
Earnings Per Average Common Share (Dollars)	**$ 2.40**	$ 2.39	$ 2.25	$ 2.00	$ 1.86	$ 1.87	$ 1.99
Dividends per Common Share (Dollars)	**$ 2.12**	$ 2.06	$ 1.90	$ 1.80	$ 1.80	$ 1.80	$ 1.64
Common Stock Equity (Per Share)	**$ 17.99**	$ 17.93	$ 18.10	$ 18.72	$ 19.06	$ 19.28	$20.22
Average Shares of Common Stock Outstanding (Millions)	**133.9**	116.5	99.6	87.3	80.5	75.4	47.8

See Page 21 for Management's Discussion and Analysis of Financial Condition and Results of Operations.

Ratings on Philadelphia Electric Company's Securities

	Mortgage Bonds		Debentures		Preferred Stock	
Agency	Rating	Date Established	Rating	Date Established	Rating	Date Established
Duff and Phelps, Inc.	9	3/80	10	3/80	11	2/83
Fitch Investors Service	BBB	9/82	BBB–	9/82	BB+	9/82
Moody's Investors Service	Baa3	1/83	Bal	1/83	bal	1/83
Standard and Poor's Corporation	BBB–	9/82	BB+	9/82	BB	9/82

Summary of Financial Condition

December 31 (Millions of Dollars)	1983	1982	1981	1980	1979	1978	1973
Assets							
Utility Plant, at original cost	**$8,864.2**	$7,905.7	$7,044.7	$6,415.7	$5,885.5	$5,502.5	$3,672.1
Less: Accumulated Depreciation	**1,592.0**	1,450.1	1,330.6	1,235.7	1,144.1	1,053.3	665.4
Net Utility Plant	**7,272.2**	6,455.6	5,714.1	5,180.0	4,741.4	4,449.2	3,006.7
Investments	**99.4**	91.4	77.8	58.7	47.4	30.0	11.5
Current Assets							
Cash and Temporary Cash Investments	**65.2**	50.0	30.7	6.7	10.6	38.6	26.1
Accounts Receivable	**338.6**	342.2	342.4	300.3	230.9	223.5	75.6
Inventories	**131.1**	143.0	132.2	121.1	110.0	93.3	40.2
Deferred Energy Costs	**149.3**	(85.4)	(31.3)	11.0	83.5	4.2	—
Other	**7.6**	7.7	6.8	6.2	4.6	4.3	6.1
Deferred Debits	**80.4**	24.7	31.5	18.5	12.9	7.5	9.9
Total	**$8,143.8**	$7,029.2	$6,304.2	$5,702.5	$5,241.3	$4,850.6	$3,176.1
Capitalization and Liabilities							
Common Stock	**$2,110.5**	$1,826.2	$1,572.4	$1,377.4	$1,239.6	$1,139.7	$ 771.8
Other Paid-In Capital	**5.9**	4.6	3.9	2.6	2.2	2.0	1.3
Retained Earnings	**452.9**	423.6	387.2	353.6	338.2	333.6	286.2
Common Shareholders' Equity	**2,569.3**	2,254.4	1,963.5	1,733.6	1,580.0	1,475.3	1,059.3
Preferred Stock:							
Without Mandatory Redemption	**522.5**	372.5	372.5	372.5	372.5	372.5	297.5
With Mandatory Redemption	**284.9**	292.3	266.9	274.3	206.8	210.9	114.5
Long-Term Debt	**3,381.8**	3,028.5	2,745.7	2,371.9	2,241.9	2,173.2	1,319.1
Total Capitalization	**6,758.5**	5,947.7	5,348.6	4,752.3	4,401.2	4,231.9	2,790.4
Current Liabilities							
Short-Term Debt	**267.5**	64.7	54.2	52.6	85.2	16.2	147.7
Long-Term Debt due within one year	**—**	21.3	36.1	130.8	127.8	52.9	67.4
Accounts Payable and Dividends Declared	**179.9**	188.5	188.9	187.6	133.5	120.3	67.4
Taxes Accrued and Deferred	**102.3**	22.6	51.4	77.8	65.1	44.5	18.1
Interest Accrued	**91.8**	99.8	82.3	64.9	58.1	51.0	21.9
Other	**17.3**	24.7	18.1	17.4	13.9	7.9	5.4
Deferred Credits and Other Liabilities	**726.5**	659.9	524.6	419.1	356.5	325.9	57.8
Total	**$8,143.8**	$7,029.2	$6,304.2	$5,702.5	$5,241.3	$4,850.6	$3,176.1

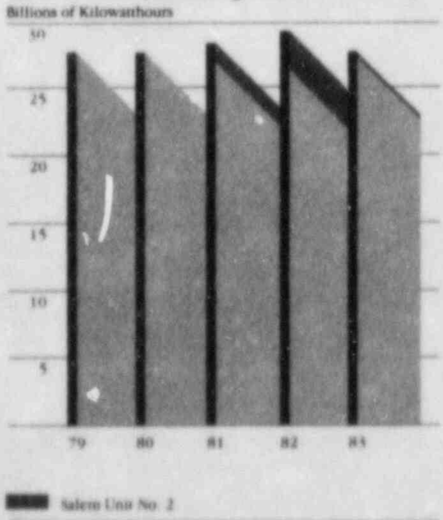
Operating Statistics

ELECTRIC OPERATIONS	1983	1982	1981	1980	1979	1978	1973
Output (millions of kilowatthours)							
Steam	**10,457**	8,598	9,931	11,234	11,279	13,160	18,536
Nuclear	**5,520**	10,743	7,464	7,333	7,104	7,769	176
Hydraulic	**1,739**	1,581	1,397	1,240	2,155	1,700	2,132
Pumped Storage Output	**979**	1,126	1,101	1,050	1,270	1,109	1,318
Pumped Storage Input	**(1,427)**	(1,665)	(1,624)	(1,526)	(1,847)	(1,606)	(1,876)
Purchase and Net Interchange	**12,181**	11,120	11,173	9,973	9,180	6,651	7,094
Internal Combustion	**491**	178	283	442	454	704	688
Other	**—**	—	528	—	—	—	27
Total Electric Output	**29,940**	31,681	30,253	29,746	29,595	29,487	28,095
Sales (millions of kilowatthours)							
Residential	**8,467**	7,877	8,014	8,341	7,968	7,875	7,495
Small Commercial and Industrial	**3,284**	3,142	3,115	3,065	2,928	2,888	2,663
Large Commercial and Industrial	**14,478**	14,178	14,916	15,056	15,428	15,302	14,953
All Other	**1,003**	1,012	1,005	1,159	1,277	1,329	1,192
Service Territory	**27,232**	26,209	27,050	27,621	27,601	27,394	26,301
Jersey Central Power and Light (Salem #2)	**346**	3,352	1,218	—	—	—	—
Total Electric Sales	**27,578**	29,561	28,268	27,621	27,601	27,394	26,301
Number of Customers, December 31							
Residential	**1,217,635**	1,206,944	1,200,238	1,190,312	1,173,514	1,158,853	1,103,163
Small Commercial and Industrial	**119,292**	118,407	117,016	116,808	115,724	115,945	118,009
Large Commercial and Industrial	**5,437**	5,616	5,790	5,820	5,798	5,780	5,663
All Other	**751**	762	746	736	1,919	2,413	2,207
Total Electric Customers	**1,343,115**	1,331,729	1,323,790	1,313,676	1,296,955	1,282,991	1,229,042
Operating Revenues (millions of dollars)							
Residential	**$ 744.0**	$ 694.4	$ 643.7	$ 607.8	$ 461.0	$ 430.8	$254.4
Small Commercial and Industrial	**316.6**	310.6	285.9	249.8	189.0	176.5	97.5
Large Commercial and Industrial	**877.4**	922.3	917.1	813.9	587.4	544.0	257.5
All Other	**139.4**	118.3	109.5	95.4	74.5	73.1	37.4
Service Territory	**2,077.4**	2,045.6	1,956.2	1,766.9	1,311.9	1,224.4	646.8
Jersey Central Power & Light (Salem #2)	**30.5**	135.4	45.9	—	—	—	—
Total Electric Revenues	**$2,107.9**	$2,181.0	$2,002.1	$1,766.9	$1,311.9	$1,224.4	$646.8
Operating Expenses (millions of dollars)							
Operating expenses excluding depreciation	**$1,592.0**	$1,688.4	$1,586.5	$1,414.0	$ 975.4	$ 896.3	$458.9
Depreciation	**150.9**	130.2	117.3	111.1	110.0	106.3	57.5
Total Operating Expenses	**$1,742.9**	$1,818.6	$1,703.8	$1,525.1	$1,085.4	$1,002.6	$516.4
Electric Operating Income (millions of dollars)	**$ 365.0**	$ 362.4	$ 298.3	$ 241.8	$ 226.5	$ 221.8	$130.4
Average Use per Residential Customer (kilowatthours)							
Without Electric Heating	**6,319**	5,875	6,022	6,411	6,227	6,290	6,581
With Electric Heating	**16,523**	16,813	18,054	19,482	20,760	21,884	24,097
Total	**6,990**	6,544	6,699	7,058	6,829	6,833	6,829
Electric Peak Load, Demand (thous kw)	**5,879**	5,691	5,731	6,095	5,641	5,667	5,760
Net Electric Generating Capacity — Year End Summer rating (thous kw)	**7,974**	8,006	8,006	7,698	7,727	7,727	6,650
Cost of Fuel per Million Btu	**$ 2.25**	$ 1.57	$ 2.10	$ 1.90	$ 1.55	$ 1.29	$ .71
Btu per Net Kilowatthour Generated	**10,906**	10,918	10,930	10,787	10,810	10,773	10,523

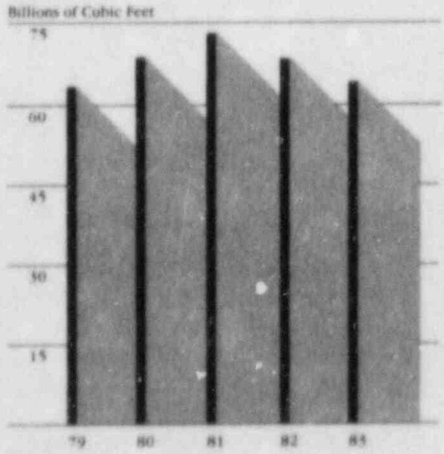
GAS OPERATIONS	1983	1982	1981	1980	1979	1978	1973
Sales (millions of cubic feet)							
Residential	**2,168**	[illegible]442	2,446	2,461	2,327	2,316	2,317
House Heating	**22,981**	2[illegible]7	24,675	23,671	23,593	24,974	24,125
Commercial and Industrial	**39,043**	4[illegible]	45,670	42,890	37,452	32,784	37,868
All Other	**672**	[illegible]4	127	92	93	94	90
Total Gas Sales	**64,864**	68,7[illegible]	72,918	69,114	63,465	60,168	64,400
Number of Customers, December 31							
Residential	**72,501**	76,6[illegible]	78,426	81,346	85,315	87,715	91,682
House Heating	**206,443**	198,9[illegible]	193,038	182,246	168,905	163,469	163,096
Commercial and Industrial	**22,810**	22,32[illegible]	21,578	20,197	19,065	19,207	20,518
Total Gas Customers	**301,754**	297,872	293,042	283,789	273,285	270,391	275,296
Operating Revenues (millions of dollars)							
Residential	**$ 19.1**	$ 18.1	$ 15.4	$ 14.0	$ 10.7	$ 9.9	$ 6.7
House Heating	**165.8**	147.1	128.5	108.5	91.2	86.6	51.3
Commercial and Industrial	**227.3**	221.1	209.7	166.7	118.4	92.2	39.8
All Other	**3.0**	1.8	0.5	0.3	0.2	0.2	2.3
Subtotal	**415.2**	$388.1	$354.1	$289.5	$220.5	$188.9	$100.1
Other Revenues	**1.8**	2.3	2.3	1.2	0.6	0.6	.4
Total Gas Revenues	**$417.0**	$390.4	$356.4	$290.7	$221.1	$189.5	$100.5
Operating Expenses (millions of dollars)							
Operating expenses excluding depreciation	**$377.6**	$354.1	$322.0	$258.0	$194.4	$163.0	$ 77.9
Depreciation	**12.7**	11.9	11.3	10.2	8.9	8.6	5.7
Total Operating Expenses	**$390.3**	$366.0	$333.3	$268.2	$203.3	$171.6	$ 83.6
Gas Operating Income (millions of dollars)	**$ 26.7**	$ 24.4	$ 23.1	$ 22.5	$ 17.8	$ 17.9	$ 16.9

STEAM OPERATIONS							
Sales (millions of pounds)	**4,552**	5,086	5,484	6,044	6,581	7,336	7,762
Number of Customers, December 31	**545**	571	593	618	638	660	723
Operating Revenues (millions of dollars)	**$ 71.1**	$ 73.4	$ 74.9	$ 65.8	$ 45.5	$ 42.9	$ 19.4
Operating Expenses (millions of dollars)							
Operating expenses excluding depreciation	**$ 67.4**	$ 69.8	$ 71.6	$ 62.4	$ 42.3	$ 39.3	$ 17.2
Depreciation	**1.7**	1.7	1.7	1.7	1.7	1.6	1.1
Total Operating Expenses	**$ 69.1**	$ 71.5	$ 73.3	$ 64.1	$ 44.0	$ 40.9	$ 18.3
Steam Operating Income (millions of dollars)	**$ 2.0**	$ 1.9	$ 1.6	$ 1.7	$ 1.5	$ 2.0	$ 1.1

Electric Sales (including Salem Unit No. 2)
Billions of Kilowatthours



Gas Sales
Billions of Cubic Feet



Shareholder Information

Stock Exchange Listings

Most PE Securities are listed on the New York Stock Exchange and the Philadelphia Stock Exchange. Philadelphia Electric Power Company Debentures are listed on the Philadelphia Stock Exchange.

Dividends

The Company has paid dividends on its common stock continually since 1902. The Board of Directors normally considers common stock dividends for payment in March, June, September and December.

The Company estimates that 100% of the $2.12 per share dividend paid to common shareholders in 1983 represents a return of capital which is not taxable as dividend income for federal income tax purposes. In addition, for 1983, 93% of preferred dividends are not taxable.

Dividend Reinvestment and Stock Purchase Plan

Shareholders may use their dividends to purchase additional shares of common stock through the Company's Dividend Reinvestment and Stock Purchase Plan. The Company pays all brokerage and service fees.

All common and preferred shareholders have the opportunity to invest additional funds in common stock of the Company, whether or not they have their dividends reinvested — also with all fees borne by the Company.

The Plan has been amended to enable eligible individual participants in the Plan to elect to defer federal income tax on up to $1,500 of reinvested dividends per year as provided by the Economic Recovery Tax Act of 1981.

Over 30% of the common shareholders are participants. In 1983, they invested more than $77 million through the Plan, including cash payments. Information concerning this Plan may be obtained from M. W. Rimerman, Treasurer, Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101.

Comments Welcomed

The Company always is pleased to answer questions and provide information. Please address your comments to Mrs. L. S. Binder, Secretary, Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101.

Inquiries relating to shareholder accounting records, stock transfer and change of address should be directed to Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101, Attn: Stock Transfer Section.

Toll-Free Telephone Line

Toll-free telephone lines are available to the Company's shareholders for inquiries concerning their stock ownership. When calling from outside of Pennsylvania, dial 1-800-223-7326. From within Pennsylvania, dial 1-800-242-7326. Local Philadelphia calls should be made to 841-5795.

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on April 11, 1984, at 10:30 A.M. at the Franklin Plaza Hotel, 17th & Race Streets, Philadelphia, PA.

Common stock shareholders of record at the close of business on March 2, 1984 are entitled to vote at this meeting.

Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

Form 10-K

Form 10-K, the annual report filed with the Securities and Exchange Commission, is available, without charge, to shareholders upon written request to Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101, Attn: Financial Division.

Shareholders

The Company has 300,257 shareholders of record of common stock, a 24% increase in 5 years.

Transfer Agents and Registrars

PHILADELPHIA ELECTRIC COMPANY — Preferred and Common Stocks

Registrars:	Girard Bank, One Girard Plaza, Phila., PA 19101
	Morgan Guaranty Trust Co. of NY, 30 W. Broadway, NY, NY 10015
Transfer Agents:	Philadelphia Electric Company, 2301 Market St., Phila., PA 19101
	Morgan Guaranty Trust Co. of NY, 30 W. Broadway, NY, NY 10015

PHILADELPHIA ELECTRIC COMPANY — First and Refunding Mortgage Bonds

Trustee:	The Fidelity Bank, Broad & Walnut Sts., Phila., PA 19109
New York Agent:	Morgan Guaranty Trust Co. of NY, 30 W. Broadway, NY, NY 10015

PHILADELPHIA ELECTRIC COMPANY — Debentures
PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary) — Debentures

Trustee:	The Philadelphia National Bank, Broad & Chestnut Sts., Phila., PA 19101
New York Agent:	Irving Trust Co., One Wall Street, NY, NY 10015

General Office

2301 Market Street, P.O. Box 8699, Phila., PA 19101. (215) 841-4000.

NYSE — Composite Common Stock Prices, Earnings and Dividends by Quarters (Per Share)

	1983				1982			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High Price	**$18⅜**	**$17¼**	**$18¼**	**$18**	$17½	$16⅝	$15¼	$14⅛
Low Price	**$13½**	**$15¾**	**$16¼**	**$16¾**	$15⅛	$13½	$13	$13⅛
Earnings	**48¢**	**78¢**	**44¢**	**70¢**	54¢	73¢	42¢	71¢
Dividends	**53¢**	**53¢**	**53¢**	**53¢**	53¢	53¢	50¢	50¢

Directors

- John H. Austin, Jr.
  President and Chief Operating Officer of the Company

William T. Coleman, Jr., Esq.
Senior Partner of the law firm of O'Melveny & Myers

M. Walter D'Alessio
President and Chief Executive Officer
Latimer & Buck, Inc.
(Mortgage Banking and Real Estate Development)

- James L. Everett
  Chairman of the Board and Chief Executive Officer of the Company

William S. Fishman
Chairman and Chief Executive Officer
ARA Services, Inc. (Service Management)

- Robert F. Gilkeson
  Chairman of the Executive Committee

- William W. Hagerty
  President, Drexel University

- Robert D. Harrison
  Vice Chairman
  John Wanamaker, Philadelphia
  (Merchandising)

Paul R. Kaiser
Chairman Emeritus
Tasty Baking Company
(Diversified Manufacturing)

Joseph C. Ladd
President and Chief Executive Officer
Fidelity Mutual Life Insurance Company

Edithe J. Levit, M.D.
President and Director
National Board of Medical Examiners

- Joseph J. McLaughlin
  President and Chief Executive Officer
  Beneficial Mutual Savings Bank

- Member of the Executive Committee

Officers

James L. Everett
Chairman of the Board and Chief Executive Officer

John H. Austin, Jr.
President and Chief Operating Officer

Vincent S. Boyer
Senior Vice President
Nuclear Power

Edward G. Bauer, Jr.
Vice President and General Counsel

Clifford Brenner
Vice President
Corporate Communications

Thomas W. Coppock
Vice President
Electric Transmission and Distribution

Shields L. Daltroff
Vice President
Electric Production

Charles L. Fritz
Vice President
Personnel and Industrial Relations

Raymond F. Holman
Vice President
General Administration

John S. Kemper
Vice President
Engineering and Research

William B. Morlok
Vice President
Commercial Operations

Philip G. Mulligan
Vice President
Gas Operations

Clair V. Myers
Vice President
Purchasing and General Services

Joseph F. Paquette, Jr.
Vice President
Finance and Accounting

Lucy S. Binder
Secretary

Morton W. Rimerman
Treasurer

James D. Lynch
Assistant Secretary

J. Robert Causton
Assistant Treasurer

Jon A. Katherine
Assistant Treasurer

William M. Lennox, Jr.
Assistant Treasurer

Philadelphia Electric Company
2301 Market Street
PO Box 8699
Philadelphia PA 19101

BULK RATE
U.S. POSTAGE PAID
Philadelphia PA
Permit No. 378

Limerick Substation

In the foreground are circuit breakers and associated equipment in the Limerick Generating Station 500 kV Substation yard. This substation was placed in service in 1983 and will help provide the outlet for generation at Limerick.