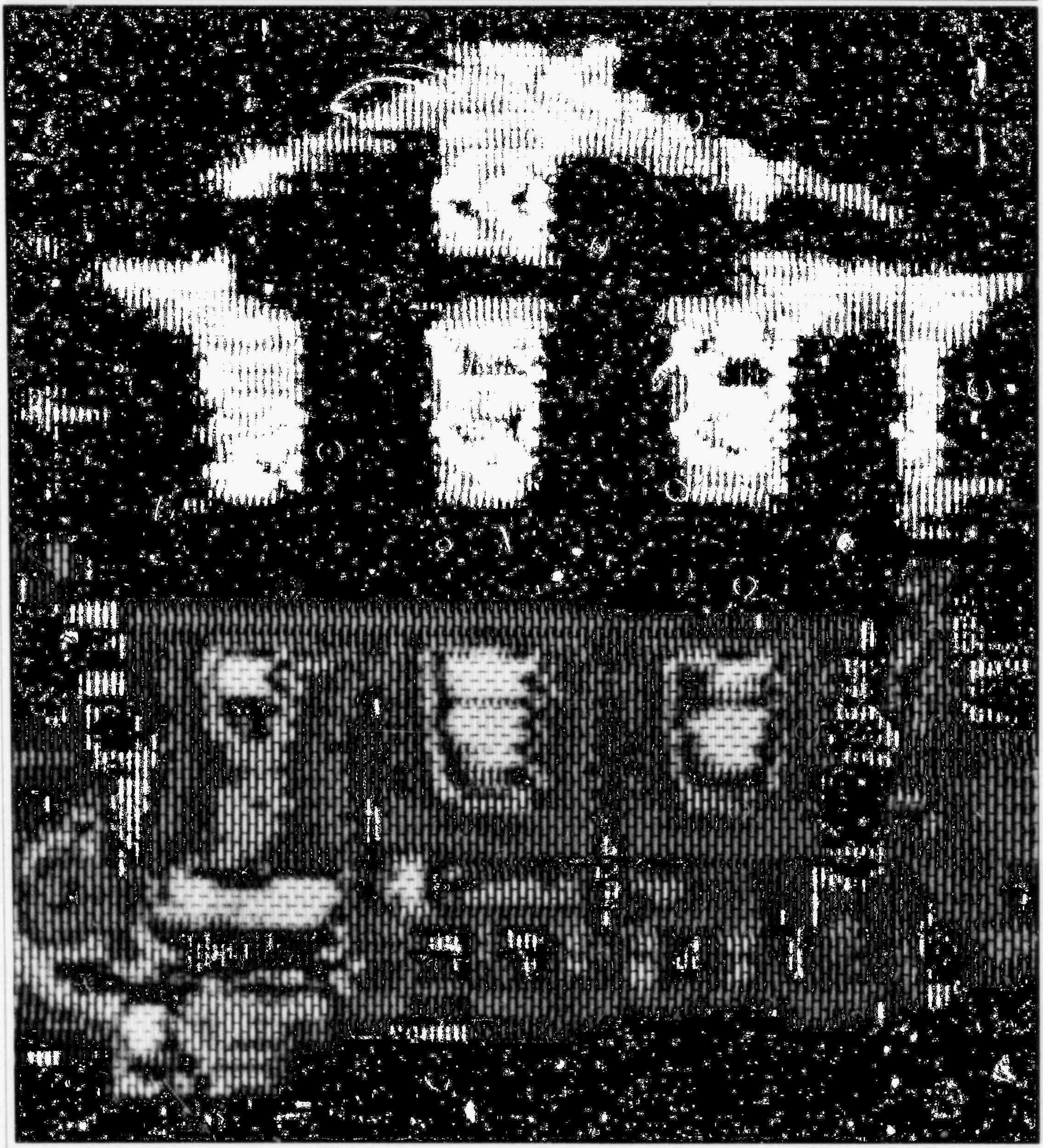
ATLANTIC ELECTRIC ANNUAL REPORT 1984

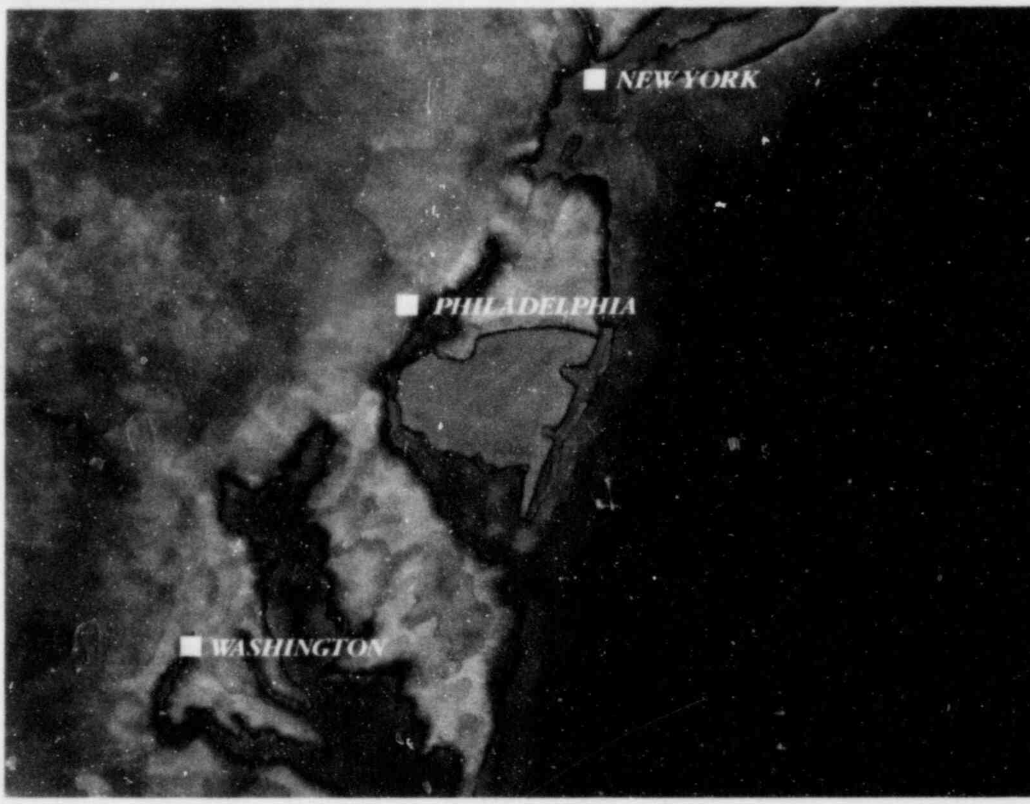


ATLANTIC ELECTRIC:

The Corporate Name and Trade Name—Atlantic City Electric Company is the official name of the Company as it appears in the Articles of Incorporation. The Company also uses the registered trade name Atlantic Electric in various publications to shareholders and customers, and in its daily operations.

OUR SERVICE AREA

Atlantic Electric's 2,700 square mile service territory, representing the southern one-third of the State of New Jersey, is close to such major cities as Philadelphia, New York and Washington. The service area has a relatively high concentration of residential customers. Tourism is a major factor in the economy of the eastern shore area. Commercial and light industrial enterprises are found in the western part of the service area, and farming is a major activity within the central and western regions.



ABOUT THE COVER

The cover picture is a thermographic image of the Crowell House in Hammonton, New Jersey. The various colors indicate different temperatures, with white, red and yellow corresponding to the higher levels of the heat radiated from the structure. This thermogram was made to dramatize the ways by which heat can leave the home. Reducing such heat loss is one of the main objectives of Atlantic Electric's new "Energy Team" conservation programs.

NOTICE OF ANNUAL MEETING

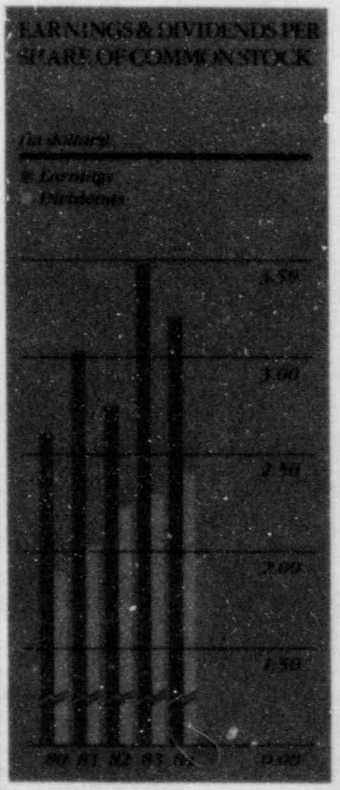
The 1985 Annual Meeting of Shareholders will be held Tuesday, April 23, 1985, at Quail Hill Inn, Smithville, New Jersey. A Notice of Meeting will be mailed in March to those shareholders entitled to vote.

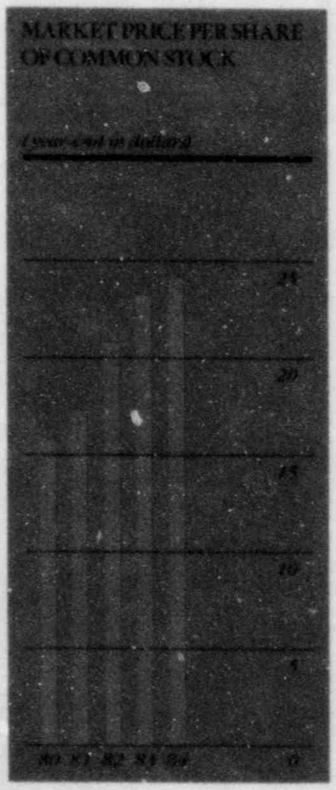
FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS 1984–1982

	1984	% Change 1984–1983	1983	% Change 1983–1982	1982
Electric Operating Revenues (000's)	$ 549,531	6.3	$ 517,142	16.4	$ 444,178*
Operating Expenses (000's)	$ 458,140	8.0	$ 424,040	11.2	$ 381,408
Net Income (000's)	$ 63,277	(4.3)	$ 66,152	34.9	$ 49,055*
Earnings Per Common Share	$ 3.20	(8.0)	$ 3.48	26.1	$ 2.76*
Dividends Paid Per Common Share	$ 2.42	5.2	$ 2.30	4.5	$ 2.20
Total Assets (000's)	$1,220,503	7.1	$1,139,978	5.8	$1,077,969
Cash Construction Expenditures (000's)	$ 84,630	13.7	$ 74,457	(37.1)	$ 118,460
Sales of Electricity (KWH) (000's)	6,053,791	3.5	5,851,434	4.6	5,592,117
Price Paid Per KWH—(All Customers)	8.999¢	7.6	8.360¢	3.3	8.091¢
Total Customer Service Installations (Year-end)	407,277	2.2	398,526	1.7	391,989
Number of Shareholders—Common Stock (Year-end)	47,446	(1.8)	48,299	(1.0)	48,790
Number of Employees (Year-end)	2,012	.9	1,995	(1.3)	2,022
Book Value	$ 24.27	2.9	$ 23.58	5.0	$ 22.45

*Includes effect of change in accounting for revenues.





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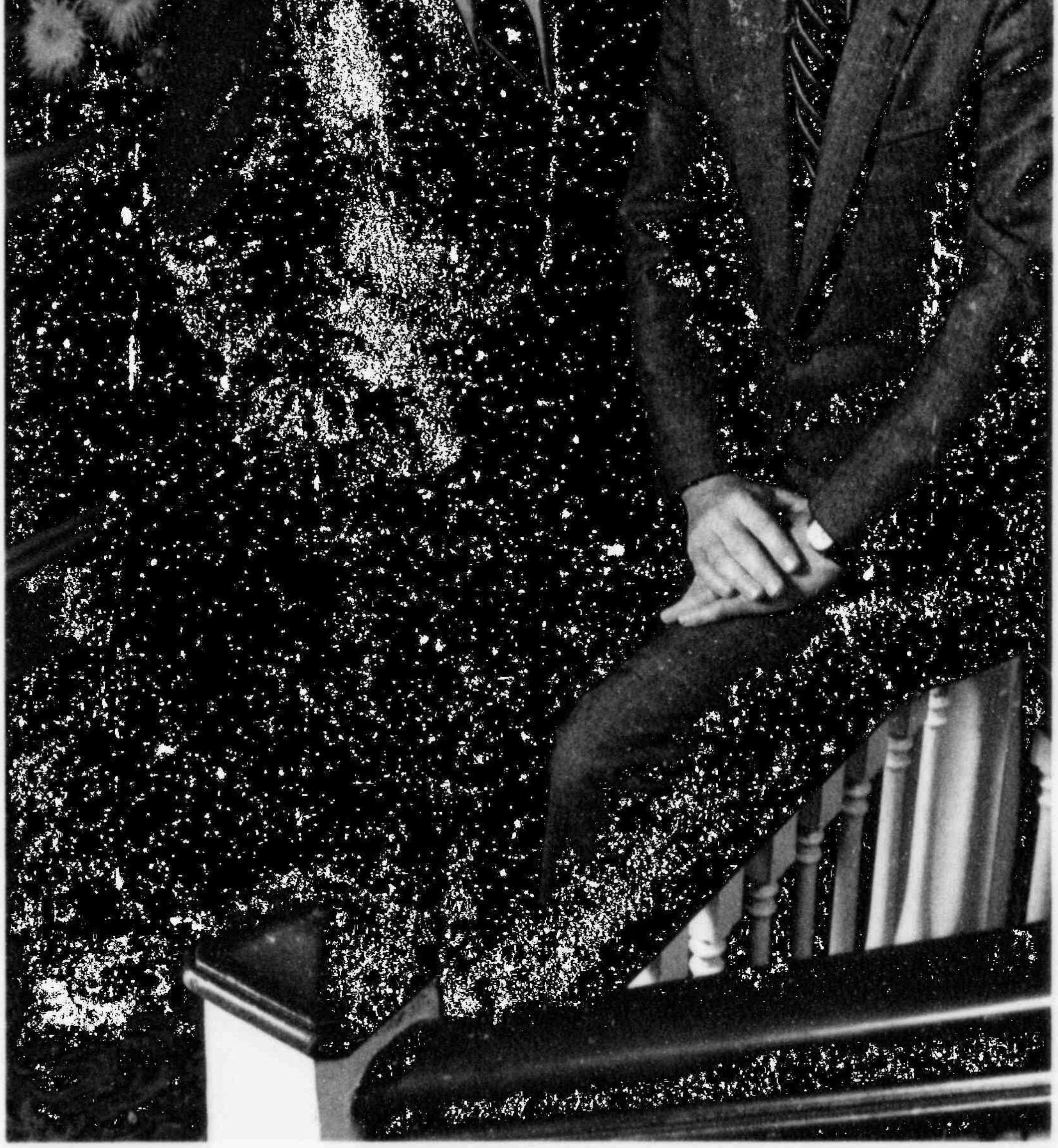


The continuing success of your Company stems, in large part, from our ability to convert a wide-ranging sense of corporate commitment into long-term goals, and then to make steady progress toward achieving those goals. For 1984, our dedication to you, our customers and our employees has been evident in earnings and dividend performance, a further reduction in the cost of energy, and effective new safety and conservation programs. In the years ahead, we're confident that this dedication will continue to reward you for your support and interest in Atlantic Electric.

E. Douglas Huggard, President and Chief Operating Officer with John D. Feehan, Chairman of the Board and Chief Executive Officer.

TO OUR SHAREHOLDERS

In many respects, the past year has been one of Atlantic Electric's best. Achievements of 1984 can be found in many financial and operating areas, measured by new Company records and consistent progress in realizing long-term objectives.

Earnings per share in 1984 totaled $3.20, a level exceeded in corporate history only once, in 1983, when per share earnings amounted to $3.48. In June, we raised the quarterly dividend rate by three cents to $.62. As a result, dividends paid per share in 1984 increased to $2.42, representing the thirty-second consecutive year of growth in dividends paid. Our annual dividend rate is now $2.48 per share.

Kilowatt-hour sales for 1984 increased by 3.5% over the prior year, exceeding the six billion level for the first time. The system load factor improved in 1984, as peak demand declined 3.6%. The energy sales increase reflects improving economic conditions within the service area, and the moderation in peak demand is indicative of milder weather conditions in 1984.

For years, we have employed strategies for fuel mix and power supply designed to stabilize the cost of energy. We're very proud to report that Atlantic Electric set an all-time record for its use of coal and nuclear generation in 1984. These low-cost fuel sources provided 82% of total system requirements last year, compared to 78% in 1983. As a result, our average cost of energy per kilowatt-hour in 1984 was 11.1% less than it was in 1980.

Production by our jointly-owned nuclear units in 1984 was 17% greater than in 1983, although somewhat less than expected. During 1984, electrical generator problems were experienced at the Salem Station, and scheduled piping repairs on Peach Bottom Unit 2 have required an extended outage. The operating companies are working to complete the repair outages of Salem Unit 2 and Peach Bottom Unit 2 by the second quarter of 1985. Additional nuclear generation is available to the Company from the Susquehanna Steam Electric Station, under long-term arrangements with Pennsylvania Power & Light Company. In its first full year of service, Susquehanna Unit 1 produced more energy than budgeted, and it helped us to control energy costs in 1984. The arrangements with PP&L also include the purchase of power from Susquehanna Unit 2, which began commercial operation this month.

Construction expenditures by the Company continue at moderate, and manageable, levels. Our 5% interest in the Hope Creek Generating Station is the only new capacity project underway. Construction of the unit by Public Service Electric and Gas Company, the principal owner, has been proceeding as scheduled, and the unit is

expected to begin operation in late 1986. The Company's power purchase arrangements with PP&L will continue through September 2000, with capacity and energy from Susquehanna through September 1991, and then from various coal-fired units.

In January 1984, the New Jersey Board of Public Utilities granted the Company an increase in energy adjustment charges to recover projected costs of fuel and purchased power during the year. This past January, the BPU authorized increases in our rates to recover energy costs during 1985, including the costs of power purchased from Susquehanna Unit 2. Since its last major base rate increase in 1982, the Company has experienced increases in other costs of providing service, and it filed a request for a rate increase in October 1983. The BPU denied that request last August, and we have appealed that decision in New Jersey Superior Court. We expect that another base rate case will be filed this year.

Last November, the Directors of the Company and Delmarva Power & Light Company decided to explore possible benefits to shareholders and customers from a corporate affiliation. Preliminary studies were completed recently, and it was determined that only modest savings might be realized. The studies had concluded that the potential savings would not justify a formal and complicated affiliation, and that some of those savings may be achieved by other, less structured means. While we have decided not to proceed with the affiliation, the studies have served to enhance the close relationship between the companies, and to suggest areas for future cooperative efforts.

The accomplishments of 1984 have been a source of pride for the management and employees of the Company. But, more than that, they help set a confident perspective for greeting future challenges and opportunities. For the coming year, we pledge our continued dedication to serving your interests and to meeting our customers' needs.

For the Board of Directors,

J D Feehan

J. D. Feehan
Chairman of the Board and
Chief Executive Officer

E D Huggard

E. D. Huggard
President and
Chief Operating Officer

February 12, 1985

DEAR SHAREHOLDERS,

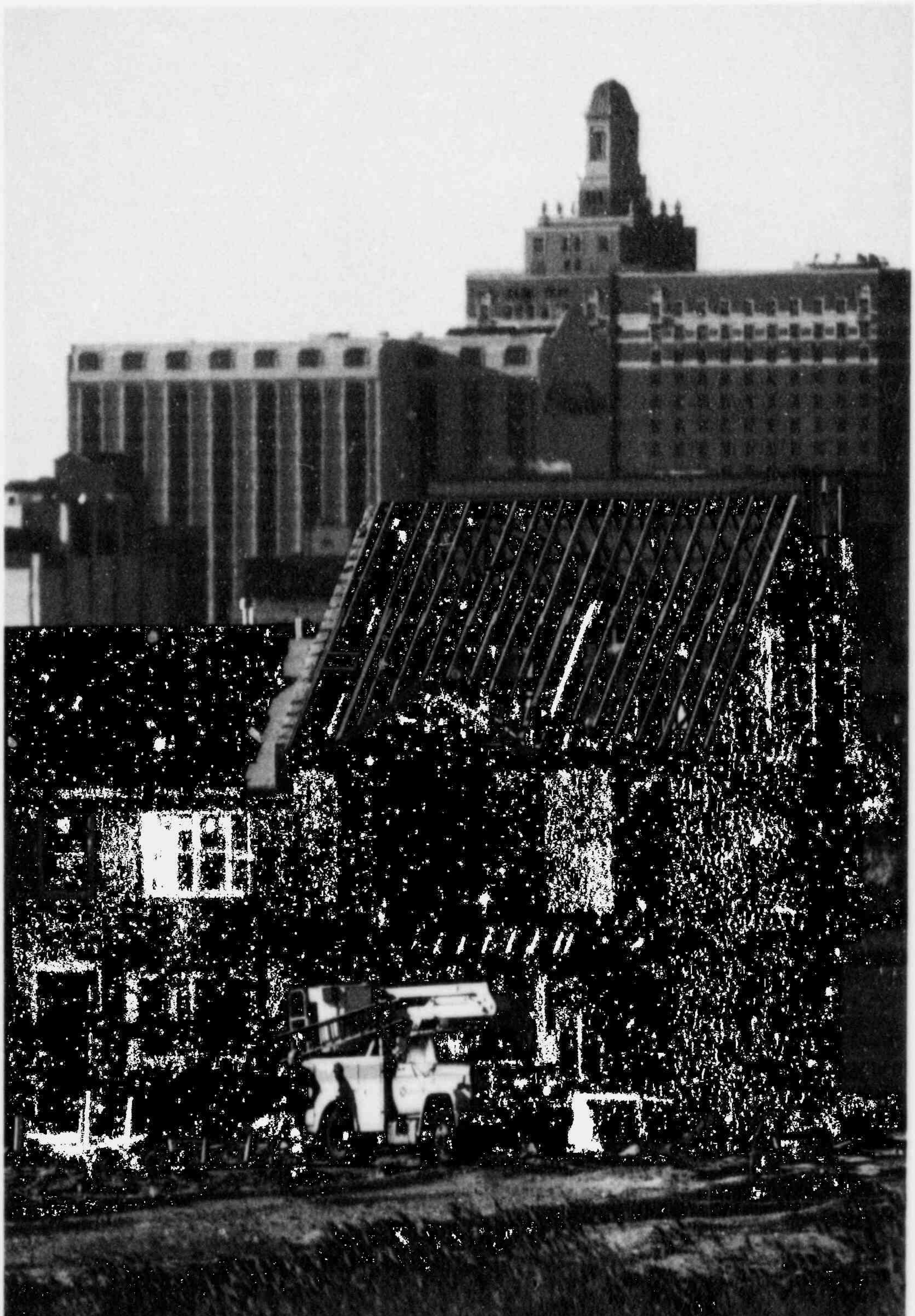
We've had a lot of fun around the office with the executive portrait for this Annual Report, with me perched precariously on that railing, and Doug Huggard just one step behind. Especially since I am pleased to report that the Board of Directors has accepted my recommendation that my employment contract be amended to advance the date when I will retire as an active employee of the Company. The Board approved my retirement as Chief Executive Officer to be effective following this year's Annual Meeting of Shareholders and announced its intention to elect Doug Huggard President and Chief Executive Officer at that time.

This event is the culmination of a very orderly transition process extending over a period of years and is testimony to the fine progress of Doug and the very excellent management team surrounding him. I am proud of this team and my role in developing it. So I feel confident that I can move on to other challenges, knowing that the Company is in very good hands.

Under the terms of my contract, I will continue in an advisory capacity and will serve as a Director and as Chairman of the Board, if elected. I appreciate the tremendous support we have received over the years from the shareholders and am confident you will continue to find your investment in Atlantic Electric rewarding and satisfying.

J. D. Feehan
Chairman of the Board and
Chief Executive Officer

OUR SERVICE AREA



The relatively large proportion of energy sales to residential customers has contributed to revenue stability over the years.

The Atlantic Electric service area is unique for its mix of customers, the variety of business activity and its proximity to major cities of the Northeast. The 2,700 square mile service territory comprises the southern one-third of the State of New Jersey, and the population which we served last year exceeded 1,100,000.

The relatively high proportion of energy sales to residential customers, 44% in 1984, has contributed to general revenue stability and resistance to wide fluctuations in energy sales. Approximately 7,700 new dwelling units were connected to the Company's system in 1984. Over the year, there also was a substantial increase in the number of large commercial accounts, reflecting general economic development within the service territory.

Tourism plays a significant role in the eastern portion of our service area. The shore resorts have long attracted visitors during the summer months, and the development of casino-hotels in Atlantic City has served to increase the number of year-round visitors. Approximately 30 million people visited Atlantic City in 1984, compared with 26 million the year before. Atlantic City's tenth casino-hotel, Harrah's at Trump Plaza, opened in May. Casino-related employment increased by 15% in 1984, to an estimated 37,000.

Agriculture is a significant element of southern New Jersey's economy. There are approximately 400,000 acres of farmland in our service territory. A new agricultural port, opened in Salem last year, enables local area farmers to ship grain and bean crops by barge to major domestic and foreign markets.

Many light industrial and commercial firms seeking room for expansion and access to major transportation links have settled in our service area. Within minutes of Philadelphia and Wilmington, and located along major highway systems, industrial parks in the western part of our territory have become home for such well-known firms as RCA, Thomas Scientific and Mitsubishi.

Economic recovery in some portions of the Company's service area, however, has not kept up with the pace set elsewhere. As a result, the Company has taken renewed steps to support a healthy business climate in the territory. Recognizing that managed growth contributes to the economic vitality of the service area, Atlantic Electric has joined with representatives of other New Jersey utilities and governmental units in the state's Business Retention Program. The Company has recently committed staff resources toward exploring economic development opportunities within its service area, and has compiled for use by others detailed information regarding communities served and commercial properties available for use.

We're mindful of the important role of Atlantic Electric as a corporate citizen. Concerned about public awareness of electrical safety, we intensified our efforts in 1984 to promote better understanding of potential hazards and safe practices in the vicinity of energized equipment. In addition, the Company began its Radio Watch program last year. Employees in all of the Company's radio-equipped vehicles have been trained by state police to report potential danger situations and emergencies to the proper authorities through the Company's radio network. We've also promoted public safety through training in life-saving and emergency-handling procedures. Last year, more than 650 people received instruction in Company-run first aid and CPR courses. Atlantic Electric also continued its sponsorship

Facing page: Substantial construction of new residential facilities has taken place in areas near Atlantic City. Above: Farming continues to play an important role in the Company's service area.

of the Good Neighbor Fund and the "Share the Warmth" campaign in 1984. The Company matches donations to the fund, which is administered by the Salvation Army, to help needy customers meet their energy expenses.

THE ENVIRONMENT

Our fuel mix strategy is accompanied by a commitment to preserve the environmental quality of our service area.

Atlantic Electric's service area provides natural reminders of the benefits of preserving our environment: Approximately 1,700 farms are engaged in raising field crops, vegetables and livestock; more than 30 wildlife preserves and parks are located in southern New Jersey; and the one million acre Pinelands of southern and central New Jersey is the country's first National Reserve, well-known for its abundant high quality water resources and various forms of wildlife.

In producing electricity, the Company's use of natural resources is governed by considerations with respect to the environmental impact of operations, as well as the cost and availability of those resources. The Company's operating plans have been developed to use the more abundant and less costly fuels, while taking steps to assure that air and water quality are preserved. As indicated earlier, Atlantic Electric was able to draw upon coal and nuclear generating sources last year to provide approximately 82% of its total energy requirements. The use of coal and nuclear generation in 1984 displaced the use of almost six million barrels of oil.

Measures which the Company has taken to protect the environment while using coal include the use of particulate control equipment and on-going environmental monitoring activities. Atlantic Electric has directed major efforts to help assure continued coal burning at the B. L. England Generating Station. In late 1983, the Company received authorization from the New Jersey Department of Environmental Protection to continue burning coal in Units 1 and 2 at the station. As part of the compliance program associated with the extended authorization, the Company has installed additional ambient air quality monitors in the vicinity of the station, and has installed special stack monitors on each of the coal-burning units. The Company has also commenced engineering studies to evaluate the benefits of a single, extended chimney for the station, which may serve to help eliminate concentrations of exhaust gases occurring under unique wind conditions which can create a downwash effect.

Conversions to state-of-the-art combustion control systems at three units of the Company's Deepwater Station commenced in 1984. These new systems have been designed to enhance operating efficiency and provide more effective emission control.

Atlantic Electric has made use of tax-exempt financing for the construction of pollution control equipment at various facilities. In April 1984, $18.2 million of pollution control bonds were issued to refund a previous issue relating to pollution control facilities at the Deepwater and Hope Creek Stations. In July, the Company issued two series of pollution control bonds totaling $24.0 million to finance certain facilities at the Hope Creek, Salem and Peach Bottom Stations.

The location of major Company facilities involves considerations with respect to available land, cost-effectiveness and environmental impact. Developments in 1984 relating to plans for a new transmission line illustrate some aspects of the siting process: The proposed Cardiff-New Freedom line was designed to support system reliability and voltage control, and bring

Facing page: Particulate control devices, such as this "bag house," enable the Company to use coal while ensuring the continued protection of the environment. Above: At an environmental monitoring site in Cumberland County, a Company employee collects rainwater samples.

additional power to growth centers within the service area. Although the original route had been carefully planned to minimize environmental impact, various issues regarding the routing were raised by local residents and state environmental agencies. Several hearings were held in the matter, and the Company made special efforts to inform the public about the project, and to respond to the concerns expressed. As a result, representatives of the regulators, the public and the Company have reached agreement on the routing of the line, and plans for this important new addition to the transmission system are going forward.

OUR CUSTOMERS

We believe customer service extends beyond problem-solving, to such concerns as safety, cost control and public awareness of energy issues.

Atlantic Electric served its customers last year with 99.98% reliability. Enhancements to customer service in 1984 were characterized by new, major conservation programs and an intensive public safety campaign. Customer service has also been advanced by corporate programs designed to realize long-run cost savings.

During 1984, the Company sponsored various programs to assist customers in their efforts to conserve electricity. Members of the new "Energy Team" made appearances throughout the service area, providing information about effective energy-saving measures and Company conservation programs. Requests for home energy audits, offered by the Company at no charge in 1984, increased more than six times over the previous year. There were three times as many customers taking advantage of the Company's "Cold Cash Rebates" in 1984 as there were in 1983. These rebates are given to customers as incentives to select more efficient air conditioning units. The increased efficiency of the units purchased in 1984 with the aid of these rebates should result in savings of nearly 800 kilowatts in peak demand, and more than 600,000 kilowatt-hours of energy per year. New programs were begun to install weatherization and seal-up measures in customers' homes, to provide conservation loans and to help low-income customers implement energy-saving techniques.

Last year, Atlantic Electric intensified its efforts to inform the public about electrical safety. At almost 100 schools, Company linemen made presentations to children about electricity, proper care in handling appliances and safe conduct in the vicinity of electrical equipment. Under the Company's leadership, New Jersey electric utilities formed a special committee to deal with public safety matters. This committee sponsored television commercials dealing with the potential hazards of high-voltage contact. The committee also distributed material to approximately 6,000 construction contractors relating to the regulations and procedures to be followed when working in the vicinity of high-voltage equipment.

The Company's use of diverse energy sources and fuel supplies has helped to contain the cost of electricity. Although low-cost generation from the Company's jointly-owned nuclear units was less than expected in 1984, the cost impact was moderated by the fact that low-cost energy available from other nuclear and coal generating sources was greater than anticipated. The Company's generating mix emphasizes the use of lower-cost coal and nuclear fuels, and seeks to minimize the use of more expensive oil. In 1984 alone, the ability to use coal and nuclear generating sources resulted in fuel savings for customers of $126 million.

Another cost-effective strategy employed by Atlantic Electric involves maximizing the benefits of current generating capacity. Customized programs are developed to replace major generating unit components, with the result that operating efficiencies are enhanced and service lives are extended.

Atlantic Electric has also found ways to increase customer awareness of general energy issues and various aspects of utility operations. Energy Roundtables, led by corporate officers, provide customers an informal setting for discussing energy matters. The Company's Speakers' Bureau made a record number of appearances in 1984, dealing with energy-related issues of interest to members of civic and community organizations. "Energy Minutes," radio spots featuring tips on energy conservation and safety, were aired over local stations throughout the year. The Company's second Executive Phone-In, held in May, provided senior management with helpful insight on customer attitudes and ways in which service might be improved.

Facing page: A contractor and an Atlantic Electric Commercial Representative discuss construction progress at a new high-rise condominium in Atlantic City. Above: At the new RCA Broadcast Systems facility in Gibbsboro, a technician completes final testing of a studio television camera.

OUR EMPLOYEES

Our focus on performance and the recognition of employee excellence characterize several new programs of the Company begun last year.

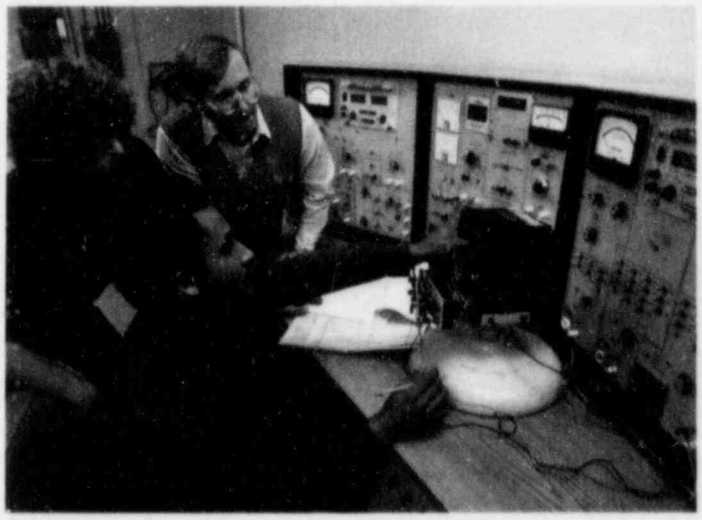
The continuing success of the Company would not be possible without its family of highly dedicated employees. Matching their dedication are the corporate determination to make safety paramount, and the commitment to recognize and develop the full potential of each member of the Atlantic Electric team.

The Corporate Safety and Health Committee, which includes all corporate officers, represents the top-level commitment of Atlantic Electric to the maintenance of safe conditions in the workplace. The Committee is responsible for the development of safety policy, establishing corporate safety goals and reviewing safety performance. Monthly meetings are held at Company operations and administrative centers throughout the system, and afford senior management the opportunity to review and discuss safety matters directly with field workers and supervision. Maintenance of safe working conditions is a responsibility shared by all, involving thoughtful worker cooperation, sufficient resources and support by management of proper work procedures. The commitment to "take the time and make the effort" recognizes the vital necessity of proper job planning when dealing with complex work situations.

Special recognition and training have served to maintain heightened safety awareness. Last year, the Committee established its Award for Safety Performance, which is presented quarterly to employees who have made special contributions to safety activities, both on and off the job. Corporate and departmental safety incentive programs have helped emphasize safe working practices by both physical workers and office staff. The expansion of formalized driver training and promotion of a Safe Driver Program, designed to encourage alert practices and courtesy on the road, have helped contribute to a significant improvement in driver and vehicle safety performance.

During 1984, the Company established a new performance appraisal system for its non-union employees. This system has provided a more comprehensive means of clarifying job responsibilities and assessing performance. A revised plan of compensation was also established which complements the orientation toward performance. In 1985, the performance appraisal system is being expanded even further to establish individual work-related objectives and plans for skill development. On a broader level, the Corporate Performance Department has become involved in helping identify appropriate departmental and group performance measures and suitable frames of reference for assessing results.

The development of human resources is the focus of many corporate programs. Activities in training programs for union personnel have increased recently, reflecting expanding workload and the early retirement of some of our employees. These training programs involve specialized instruction by Company personnel, sometimes combined with formal course study. Training programs administered by the Human Resource Development



Facing page: Supervisors make a point of conducting "Tailboard Safety Meetings" to detail safe working procedures before daily work begins. Above: Special classroom training supplements the field experience of an apprentice relay technician.

Department have dealt with such matters as writing skills, time management and problem-solving. Over the past five years, the Company's Educational Assistance Program has helped more than 300 employees finance formal education relating to their work responsibilities. Employee Roundtables and Managers' Teach-Ins provide informal opportunities for the exchange of ideas and information, and also serve to enhance coordination and effectiveness between different departments.

The President's Award was presented for the first time in 1984 to recognize outstanding achievement by employees. Senior corporate officers nominate individuals or groups of employees who by their accomplishments have brought substantial benefit or recognition to the Company. The first President's Award was presented to three employees for their dedicated involvement in the development and installation of the Company's new Energy Management System.

THE FUTURE

The wise use of energy in the future will depend upon the values attached to efficiency and conservation which are learned today.

The ability to turn the challenges and opportunities of tomorrow into positive results requires a sense of mission, a good planning perspective and sensitivity to trends in the marketplace. During the past year, Atlantic Electric has taken further steps to enhance its ability to realize future success.

Last year, the Company held a strategic planning conference to review a statement of corporate mission developed several years earlier. In 1980, senior management had met to consider the strategic implications of unmanaged growth, increasing costs of labor, material and capital, and changing emphases in regulation. Since then, management has developed a formalized strategic planning process to assist it in formulating long-term corporate objectives and in developing action plans to support those goals. The 1984 review of the strategic plan involved assessment of emerging trends and the internal capabilities necessary to respond to those changing circumstances. With the recent review, management determined that Atlantic Electric's primary business will continue to be to provide electricity to customers through a regulated franchise system, emphasizing the management of peak demand and promoting the efficient use of energy. In addition, the Company will also explore the development of related products and services which would use existing capabilities, support its basic business and enhance customer relations.

Continuing developments in regulation, energy sources and technology, as well as increases in the cost of providing service, have contributed to a more uncertain business environment for electric utilities. As a result, the needs for effective operational and strategic planning have increased substantially. It is vitally important to evaluate changing external circumstances which can alter plans for plant construction and operation. In 1984, the Company installed a new long-range strategic planning model to complement its detailed operational model. The new model provides an efficient method of evaluating different types of capacity plans, the effectiveness of various conservation and load management efforts and the potential benefits of new business opportunities.

The Company's modeling systems are at their best when they complement the vision and judgment of an alert management team. The Environmental Scanning Task Force was formed in 1984 to help identify issues and trends which could have long-term implications for the utility industry and Atlantic Electric's business. The Task Force is composed of representatives from many operational and administrative areas of the Company, and is charged with researching issues and reporting its findings to senior management for consideration and further action. To date, it has examined such issues as decentralized generation, franchise "bypass" and operating unit performance.

The complexities of corporate mission, strategic planning and issues management all center about a simple business concept: Consistent and effective customer service is fundamental to long-term success. The business of providing service tomorrow will be shaped by many external factors, including public attitudes toward energy usage and the value placed upon electricity. These attitudes are being shaped today, and Atlantic Electric is committed to inform present and future customers about the resources required to meet their energy needs. With such resolve, prospects for the wise use of energy and greater cooperative efforts with customers will be considerably enhanced. Therein lies the future success of Atlantic Electric.

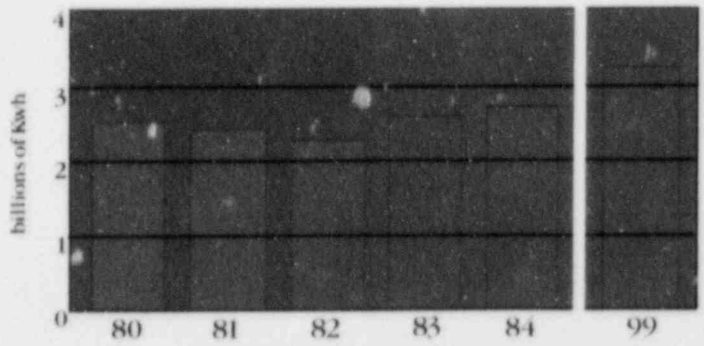
Facing page: A member of the Company's Energy Team teaches energy conservation techniques to some of "tomorrow's customers." Above: A supervisor utilizes the new Energy Management System to monitor the operations of the Company's power system.

CUSTOMERS AT-A-GLANCE

RESIDENTIAL

The Company's average number of residential customers increased approximately 2% to 336,468 in 1984. During the year, over 7,700 new dwelling units were connected, of which more than 46% were total electric. The largest growth increases in new residential customers occurred in the coastal portion of the service area.

	1984	Est. 1999	Est. 1984–1999 Annual Growth Rate
Energy (billion Kwh)	2.647	3.343	2.57%
Peak (Mw)	616	720	0.98%

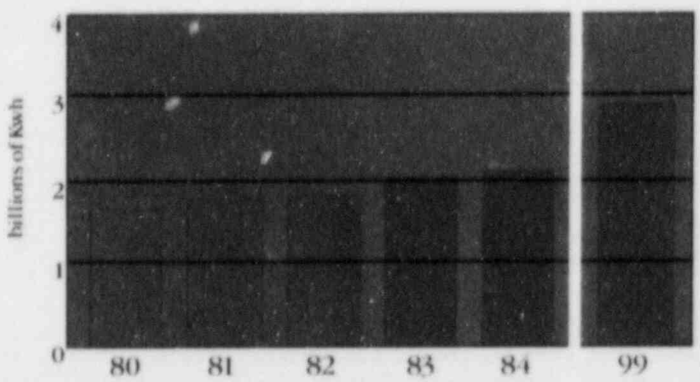


	80	81	82	83	84	99
average customer use (000 Kwh)	80	78	74	77	79	78
% of total sales	45	44	43	43	44	43

COMMERCIAL

Commercial growth and activity in 1984 were highlighted by a 6.5% increase in kilowatt-hour sales. Approximately 1,700 of the 43,615 customers were involved in farming and related activities in 1984. Sales to the Company's ten casino-hotel customers represented 14% of 1984 commercial sales and 5% of total energy sales. Three additional casino-hotels are expected to be completed by 1988.

	1984	Est. 1999	Est. 1984–1999 Annual Growth Rate
Energy (billion Kwh)	2.150	2.940	2.11%
Peak (Mw)	487	671	2.16%

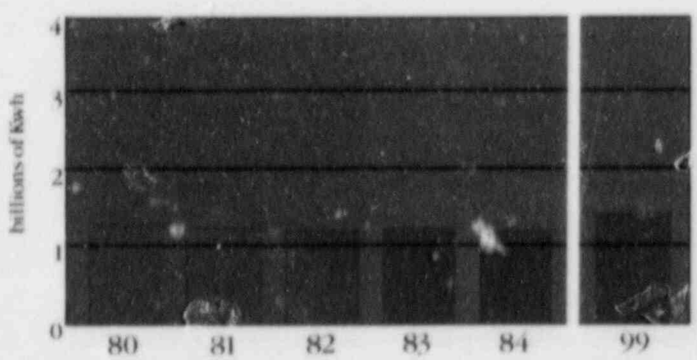


	80	81	82	83	84	99
average customer use (000 Kwh)	40.8	42.8	[illegible]	45.8	49.3	60.8
% of total sales	[illegible]	33	34	35	35	38

INDUSTRIAL & OTHER

Kilowatt-hour sales to Atlantic Electric's 1,015 industrial customers, located primarily in the inland and western portions of the service area, declined slightly in 1984. Principal industries are chemicals, glass, plastic and food processing. Other industrial activities involve building materials, rubber, stone, sand and clay products.

	1984	Est. 1999	Est. 1984–1999 Annual Growth Rate
Energy (billion Kwh)	1.257	1.459	1.00%
Peak (Mw)	202	218	0.51%



	80	81	82	83	84	99
average customer use (000 Kwh)*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% of total sales	24	23	23	22	21	19

*Industrial customers only

The above forecasts include estimates of the effects of the Company's current and proposed Conservation and Load Management Programs, customer-owned generation and cogeneration. By 1999, associated reductions in peak demand for the residential, commercial and industrial classes are estimated to total 82, 11 and 14 megawatts, respectively.

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SUMMARY OF FINANCIAL RESULTS

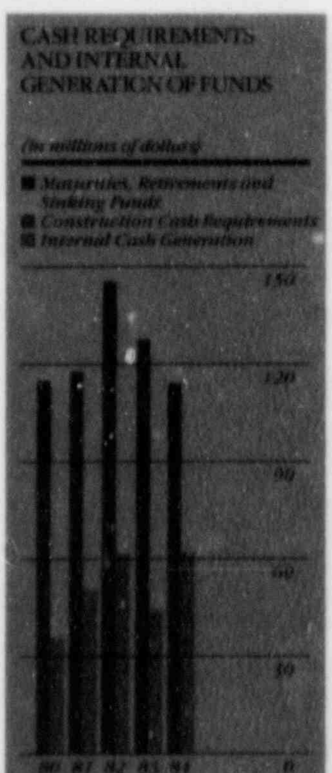
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

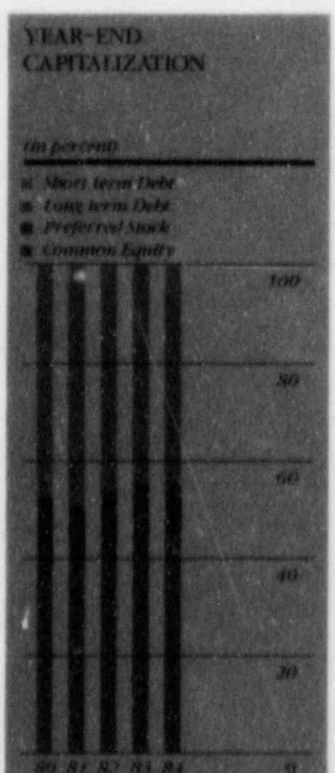
GENERAL

The Company has a gross investment in property and plant of over $1.3 billion, which is employed to provide electric ener?y service to our customers. The Company's ability to finance its construction program, maintain service reliability, meet its working capital requirements and provide a fair rate of return on investment to its shareholders is dependent upon adequate rate relief.

LIQUIDITY AND CAPITAL RESOURCES

Construction Program—During 1984, cash construction expenditures aggregated $85 million, which is a 15% increase from the $74 million expenditure level experienced in 1983 and a 28% decrease from the $118 million level in 1982. The five year (1985-1989) cash construction expenditures are currently projected to be $412 million. This level of projected construction expenditures reflects the Company's revised capacity plan, based on a forecast of peak load growth for the period 1985-1989 of 1.7% per year. This forecast reflects the expected results of an aggressive program for promoting conservation, implementing effective load management techniques and promoting economic alternative energy sources. The construction program has been developed in response to the need to improve or replace existing production plant, upgrade our transmission and distribution system and provide for projected growth.





Financing Program—A total of $225 million was obtained during 1982 through 1984 via the capital markets from the sales of four series of First Mortgage Bonds, including three pollution control series, intermediate-term borrowings, nuclear fuel financing and sales of Common Stock, including the issuance of Common Stock through the Company's Dividend Reinvestment and Stock Purchase Plan and Employee Stock Ownership Plan. Interim financing of our construction program and working capital needs was provided by the issuance of short term debt.

Approximately 40% of the cash requirements for construction, debt maturities and sinking fund requirements during the period 1982-1984 was generated from operations after deductions for dividends and working capital needs, but exclusive of changes in temporary cash investments. The Company estimates that with adequate rate relief, approximately 70% of its total cash construction requirements, debt maturities and sinking fund requirements will be generated internally during the five year period from 1985-1989. Additional cash requirements will be satisfied through external financing. Capitalization ratios at December 31, 1984 are 44% long term debt, 46% common and 10% preferred stock. The Company will continue to use short term debt financing on an interim basis and currently maintains aggregate lines of credit of $115 million.

During 1983, ratings of our First Mortgage Bonds, Debentures and Preferred Stock were raised by both Standard & Poor's Corporation and Duff and Phelps, Inc. These upgraded security ratings are an indication of an improved external evaluation of the Company's financial position.

RESULTS OF OPERATIONS

The tabulation on page 38 includes key historical indicators which we believe are helpful in evaluating the performance of the Company over the past five years.

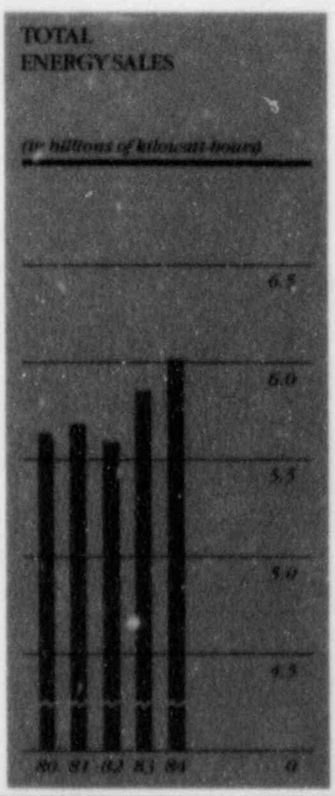
Earnings—Earnings per share of common stock, based on the weighted average number of shares outstanding, were $3.20 in 1984, compared to $3.48 in 1983 and $2.76 in 1982. Earnings per share for 1982 included the cumulative effect

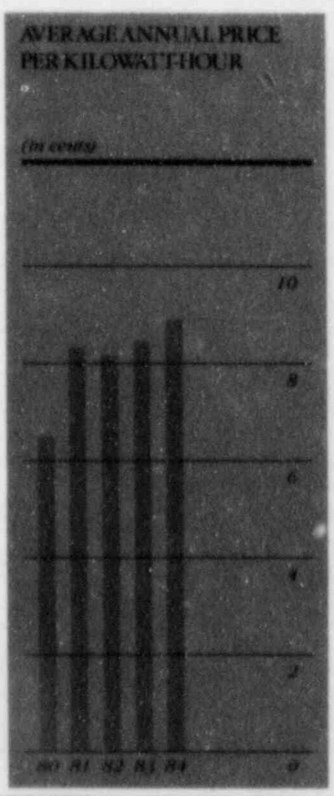
of a change in accounting method of $.92 per share. The decrease in earnings per share in 1984 compared to 1983 is attributable to increases in operating expenses without corresponding rate relief. In August 1984 the Company was denied an October 1983 request for a base rate increase. The primary reasons for the increase in per share earnings between 1982 and 1983 are the effect of a 4.6% increase in kilowatt-hour sales experienced during 1983, and the $74 million base revenue rate increase granted in December 1982.

Revenues—Operating revenues increased by 6.3% in 1984 to $549.5 million compared to $517.1 million in 1983. The 1983 level of revenues represented a 16.4% increase compared to 1982. These overall increases reflect the net results of base revenue increases, reductions in Levelized Energy Clause revenues, changes in kilowatt-hour sales, and a change in accounting method in 1982 to record unbilled revenues. The effect of unbilled revenues is included in base revenues. The effect of the above factors on 1984 and 1983 revenues is shown below:

(Thousands of Dollars)	1984		1983	
Base Revenues	$ 12,971	2.4%	$ 92,643	20.8%
Levelized Energy Clause	1,972	.4	(40,592)	(9.0)
Kilowatt-hour Sales	17,446	3.5	20,913	4.6
INCREASE	$ 32,389	6.3%	$ 72,964	16.4%

Future changes in operating revenues will reflect the timeliness and adequacy of rate relief, general economic conditions in our service area and the results of load management and conservation programs.





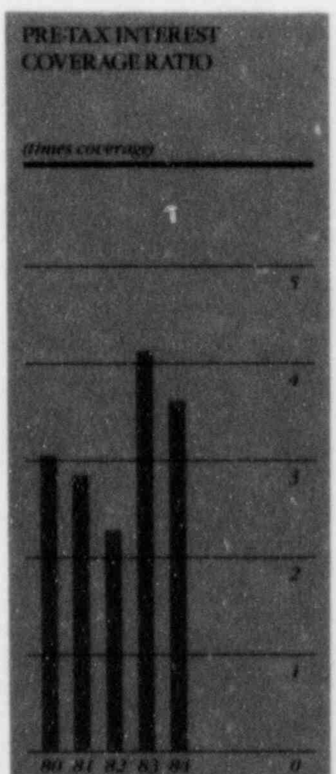
Sales—Changes in kilowatt-hour sales are generally due to changes in the average number of customers and average customer use, which is also affected by weather conditions. Energy sales statistics, stated as percentage changes from prior years, are shown below:

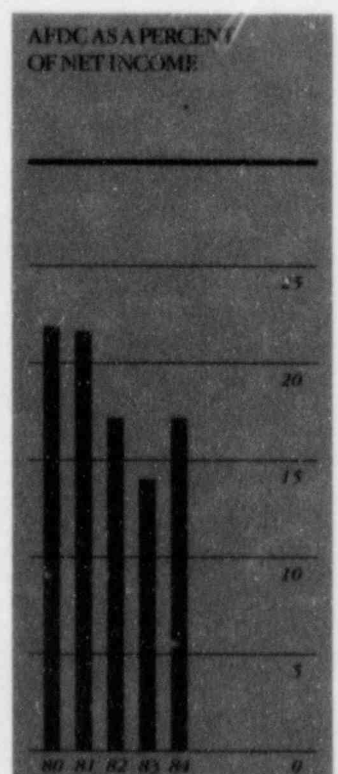
Customer Class	1984 Sales	1984 Average Use	1984 Average Cust.	1983 Sales	1983 Average Use	1983 Average Cust.
Residential	**4.0%**	**2.0%**	**2.0%**	5.4%	3.6%	1.7%
Commercial	**6.5**	**5.4**	**1.1**	6.6	5.9	.6
Industrial	**(2.3)**	**(1.8)**	**(.5)**	.6	.4	.3
Other	**(3.0)**	**(2.2)**	**(1.1)**	(4.4)	9.2	(12.4)
Total	**3.5**	**1.6**	**1.9**	4.6	3.1	1.5

Increase (Decrease) from Prior Year

The decreases in 1982 kilowatt-hour sales are primarily the result of weak economic conditions within certain segments of the Company's service area and increased customer conservation. The increases in 1983 are attributed to higher weather-related consumption levels and improving economic conditions for the residential and commercial segments of the service area. The combined effects of the changes in customer sales and rates resulted in an increase in revenues per kilowatt-hour of 4.2% in 1984 compared to 1983 and 8.5% in 1983 compared to 1982.

Costs and Expenses—Total operating expenses increased 8.0% in 1984 compared to 1983. The 1983 operating expenses represented an increase of 11.2% compared to





1982. Excluding depreciation and taxes, operating expenses rose to $311.2 million in 1984, an increase of 13% over 1983, which had decreased 1% from 1982.

During 1984, Net Energy Costs were reduced by Deferred Energy Costs of $6,969,000 representing fuel costs not currently recovered under the energy clause. In 1983 Net Energy Costs were reduced by $15,055,000. These deferrals are in contrast to 1982, when all previously unrecovered LEC costs were recovered. At December 31, 1984 the amount shown on the balance sheet as deferred energy costs is $17.7 million.

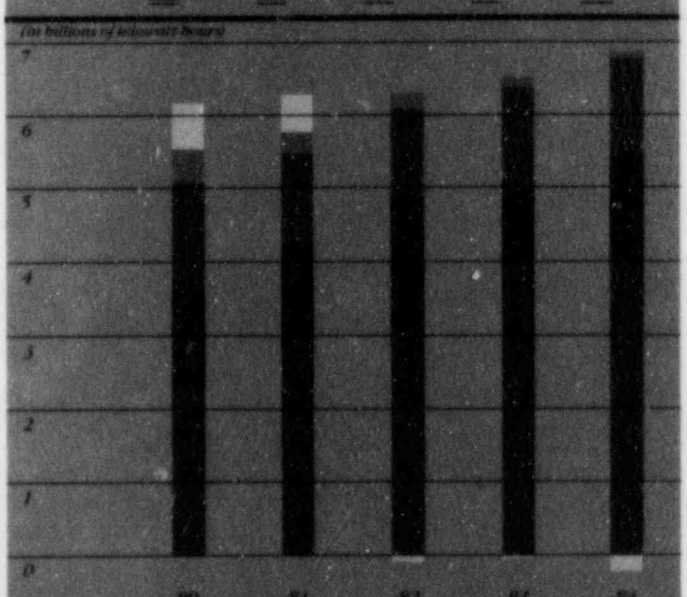
The Company's annual fuel, interchange and purchased power costs reflect changes in availability of low-cost generation from Company-owned and purchased sources, as well as changes in the needs of other utilities participating in energy interchange. Certain costs associated with power purchased are deferred on the balance sheet since rates are levelized to collect these costs over the 17-year life of the PP&L Agreements.

Reference is made to the table and chart on energy sources and costs for comparative information with respect to generation, interchange and cost per kilowatt-hour.

Power production operation and maintenance costs have increased, reflecting the higher cost of maintenance of both

THE SOURCES AND COSTS OF ENERGY

	1980		1981		1982		1983		1984	
	%	¢/kwh	%	¢/kwh	%	¢/kwh	%	¢/kwh	%	¢/kwh
Coal	37	1.5	45	2.1	48	2.3	62	2.0	60	2.0
Nuclear	21	.4	22	.5	31	.6	16	.7	22	1.0
Oil	24	4.6	20	5.8	20	5.2	21	5.0	20	5.6
Natural Gas	8	4.4	4	5.2	3	5.1	2	6.6	2	6.9
Interchange	10	—	9	—	(2)	—	(1)	—	(4)	—
	100	2.7	100	3.1	100	2.4	100	2.5	100	2.4



wholly and jointly owned generating units. In addition, the Company has embarked on an aggressive program to upgrade our production and other facilities to insure efficiency and extend service life. Other operation and maintenance costs have increased, reflecting increases in the price of materials, supplies and services, as well as increases in wages and employee benefits.

Changes in depreciation expense generally represent changes in the amounts of electric utility plant in service and the respective in-service dates.

The components of taxes other than federal income taxes and federal income taxes are detailed in the notes to the financial statements.

Interest charges before the allowance for borrowed funds used during construction rose to $40.3 million in 1984 compared to $37.0 million and $39.6 million in 1983 and 1982, respectively. The decrease of $2.6 million in interest expense in 1983 from the 1982 level reflects the retirement and maturities of certain First Mortgage Bonds and the lower cost of short term borrowings, offset by the issuance of $50 million principal amount of First Mortgage Bonds, 11 7/8% Series due 1993 (the 11 7/8% Bonds) in November 1983, and by higher average short term borrowings outstanding. The increase of $3.3 million in interest expense in 1984 from the 1983 level reflects the full-year effect of interest on the 11 7/8% Bonds, the issuance in 1984 of an aggregate $42.2 million principal amount of several pollution control series of First Mortgage Bonds and the higher cost of short term borrowings, offset by the retirement and maturities of First Mortgage Bonds and by lower average short term borrowings outstanding. Pollution control financing and intermediate term variable rate debt have been used to moderate general upward pressures on the embedded cost of debt. The embedded cost of long term debt has risen from 8.9% in 1982 to 9.2% in 1984.

The Allowance for Funds Used During Construction (AFDC) including both the Borrowed Funds portion, which is used to reduce interest charges, and the Equity Funds portion, shown under Other Income, was $10.8 million in 1984 compared to $9.2 million in 1983 and $8.4 million in 1982. The increases are due to increases in the average balances of construction work in progress. AFDC as a percent of net income for 1984, 1983 and 1982 was 17.0%, 13.9% and 17.2% respectively.

Inflation—Supplementary unaudited financial information showing the estimated effects of inflation on the Company's operations is shown on pages 36 through 38. These data, which should be viewed as estimates of the approximate effects of inflation, rather than as precise measures, demonstrate the need to control costs and the responsibility for regulatory agencies to provide timely and adequate rate relief.

REPORT OF MANAGEMENT

The management of Atlantic City Electric Company is responsible for the financial statements presented herein. These financial statements were prepared by management in conformity with generally accepted accounting principles applicable to public utilities which are consistent in all material respects with the accounting prescribed by the State of New Jersey, Board of Public Utilities and the Federal Energy Regulatory Commission. In preparing the financial statements, management made informed judgments and estimates relating to events and transactions being reported.

The Company has established a system of internal accounting and financial controls and procedures designed to insure that the financial records reflect the transactions of the Company and that assets are safeguarded. This system is examined by management on a continuing basis for effectiveness and efficiency and is reviewed on a regular basis by an internal audit staff that reports directly to the Audit Committee of the Board of Directors.

The financial statements have been examined by Deloitte Haskins & Sells, Certified Public Accountants. The auditors provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. Their examination includes procedures believed by them to provide reasonable assurance that the financial statements are not misleading and includes a review of the Company's system of internal accounting and financial controls and a test of transactions.

The Board of Directors has oversight responsibility for determining that management has fulfilled its obligation in the preparation of financial statements and the ongoing examination of the Company's system of internal accounting controls. The Audit Committee, which is composed solely of outside directors, meets regularly with management, Deloitte Haskins & Sells and the internal audit staff to discuss accounting, auditing and financial reporting matters. The Audit Committee reviews the program of audit work performed by the internal audit staff. To insure auditor independence, both Deloitte Haskins & Sells and the internal audit staff have complete and free access to the Audit Committee.

AUDITORS' OPINION

Deloitte Haskins & Sells
Certified Public Accountants

One World Trade Center
New York, New York 10048

To the Shareholders and the Board of Directors
of Atlantic City Electric Company:

We have examined the balance sheets of Atlantic City Electric Company as of December 31, 1984 and 1983 and the related statements of income and retained earnings and of changes in financial position for each of the three years in the period ended December 31, 1984. 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 accompanying financial statements present fairly the financial position of the Company at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made January 1, 1982, in the method of accounting for unbilled revenues, as described in Note 1 to the financial statements.

Deloitte Haskins & Sells

February 1, 1985

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Years Ended December 31 (Thousands of Dollars Except Per Share Amounts)	1984	1983	1982
Operating Revenues-Electric	**$549,531**	$517,142	$444,178
Operating Expenses:			
Energy:			
Fuel	178,681	167,988	153,986
Interchange	(15,558)	(1,697)	(7,459)
Deferred Costs	(6,969)	(15,055)	23,273
Net Energy	156,154	151,236	169,800
Purchased Power—Exclusive of Fuel	28,905	12,435	7,482
Power Production—Operation and Maintenance	56,124	48,794	44,650
Other Operation and Maintenance	69,989	62,800	55,648
Depreciation and Amortization	38,318	38,383	30,216
Taxes Other Than Federal Income Taxes	67,423	61,604	60,548
Federal Income Tax Expense	41,227	48,728	13,064
Total Operating Expenses	458,140	424,040	381,408
Operating Income	91,391	93,102	62,770
Other Income:			
Allowance for Equity Funds Used During Construction	4,821	4,320	3,354
Miscellaneous Income—Net	1,424	833	3,571
Total Other Income	6,245	5,153	6,925
Income Before Interest Charges	97,636	98,255	69,695
Interest Charges:			
Interest on Long Term Debt	38,231	33,795	36,650
Interest on Short Term Debt	1,861	2,669	2,362
Other Interest Expense	204	535	633
Total Interest Charges	40,296	36,999	39,645
Allowance for Borrowed Funds Used During Construction	(5,937)	(4,896)	(5,079)
Net Interest Charges	34,359	32,103	34,566
Income Before Cumulative Effect Of Change In Accounting Method	63,277	66,152	35,129
Cumulative Effect of Change in Accounting Method, Net of Income Tax	—	—	13,926
Net Income	63,277	66,152	49,055
Retained Earnings At Beginning Of Year	148,454	128,825	121,078
	211,731	194,977	170,133
Dividends Declared:			
Cumulative Preferred Stock	6,949	7,171	7,353
Common Stock	43,153	39,352	33,955
Total Dividends Declared	50,102	46,523	41,308
Retained Earnings At End Of Year	$161,629	$148,454	$128,825
Earnings For Common Stock:			
Net Income	$ 63,277	$ 66,152	$ 49,055
Less Preferred Dividend Requirements	6,968	7,201	7,368
Balance Available for Common Stock	$ 56,309	$ 58,951	$ 41,687
Average Number Of Shares Of Common Stock Outstanding (in thousands)	17,581	16,923	15,116
Per Common Share:			
Earnings Before Cumulative Effect of Change in Accounting Method	$ 3.20	$ 3.48	$ 1.84
Cumulative Effect of Change in Accounting Method	—	—	.92
Total Earnings	$ 3.20	$ 3.48	$ 2.76
Dividends Declared	$ 2.45	$ 2.32	$ 2.24
Dividends Paid	$ 2.42	$ 2.30	$ 2.20

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31 (Thousands of Dollars)	1984	1983	1982
Source Of Funds:			
Funds from Operations:			
Income Before Cumulative Effect of Change in Accounting Method	$ 63,277	$ 66,152	$ 35,129
Principal Non-Cash Charges (Credits) to Income:			
Depreciation and Amortization	38,318	38,383	30,216
Amortization of Nuclear Fuel	—	—	4,863
Allowance for Funds Used During Construction	(10,758)	(9,216)	(8,433)
Deferred Federal Income Taxes—Net	20,304	18,359	11,427
Investment Tax Credit Adjustments—Net	2,765	6,114	12,547
Other—Net	264	1,353	396
Total Funds from Operations	114,170	121,145	86,145
Cumulative Effect of Change in Accounting Method	—	—	13,926
Funds from Outside Sources:			
Long Term Debt	42,200	50,000	45,000
Pollution Control Proceeds (Held) Released by Trustees	(5,539)	7,885	15,098
Subtotal	36,661	57,885	60,098
Sale of Common Stock	12,487	15,060	41,166
Sale of Nuclear Fuel	—	—	21,140
Total Funds from Outside Sources	49,148	72,945	122,404
Other—Net	(2,517)	(1,978)	2,024
Total Source of Funds	$160,801	$192,112	$224,499
Application Of Funds:			
Gross Additions to Utility Plant	$ 95,388	$ 83,673	$126,893
Allowance for Funds Used During Construction	(10,758)	(9,216)	(8,433)
Net	84,630	74,457	118,460
Dividends on Preferred Stock	6,949	7,171	7,353
Dividends on Common Stock	43,153	39,352	33,955
Retirement and Maturity of Long Term Debt	26,000	50,300	28,996
Unrecovered Purchased Power Costs	6,530	11,450	—
Conversion of Preferred Stock	267	711	847
Redemption of Preferred Stock	2,100	2,100	800
Decrease in Short Term Debt	—	—	25,825
Increase (Decrease) in Working Capital*	(8,828)	6,571	8,263
Total Application of Funds	$160,801	$192,112	$224,499
Increase (Decrease) In Working Capital*			
Cash and Cash Items	$ (751)	$(11,616)	$ 13,286
Accounts Receivable	6,576	6,858	(8,538)
Unbilled Revenue	(1,340)	5,671	18,994
Fuel	10,657	(5,146)	(2,645)
Materials and Supplies	597	974	(420)
Nuclear Fuel Disposal Costs	(8,481)	—	—
Deferred Energy Costs and Revenues	6,967	26,626	(39,046)
Accounts Payable	(5,261)	(1,647)	3,923
Taxes Accrued	(3,923)	(3,831)	8,512
Deferred Taxes	(2,589)	(7,557)	7,508
Other	(11,280)	(3,761)	6,689
Increase (Decrease) in Working Capital	$ (8,828)	$ 6,571	$ 8,263

*Excludes Short Term Debt, Notes and Current Maturities of Long Term Debt and Cumulative Preferred Stock Subject to Mandatory Redemption.

The accompanying Notes to Financial Statements are an integral part of these statements.

BALANCE SHEET

December 31 (Thousands of Dollars)	1984	1983
Assets		
Electric Utility Plant:		
In Service:		
Production	$ 515,637	$ 509,192
Transmission	190,969	184,184
Distribution	326,466	308,352
General	52,987	44,243
Total	1,086,059	1,045,971
Less Accumulated Depreciation	300,037	274,362
Net	786,022	771,609
Construction Work in Progress	216,026	179,046
Land Held for Future Use	6,957	591
Nuclear Fuel	628	557
Electric Utility Plant—Net	1,009,633	951,803
Non Utility Property And Investments	5,901	7,506
Pollution Control Construction Funds	11,076	8,145
Current Assets:		
Cash and Working Funds	5,234	3,285
Temporary Cash Investments	4,400	7,100
Accounts Receivable:		
Utility Service	36,276	33,950
Miscellaneous	8,662	4,412
Allowance for Doubtful Accounts	(2,500)	(1,500)
Unbilled Revenues	23,325	24,665
Fuel (at average cost)	32,442	21,785
Materials and Supplies (at average cost)	17,792	17,195
Prepayments	5,066	10,944
Unrecovered Nuclear Fuel Disposal Costs	2,407	—
Deferred Energy Costs	17,724	10,757
Total Current Assets	151,828	132,593
Deferred Debits:		
Property Abandonment Costs	17,029	18,352
Unrecovered Purchased Power Costs	17,980	11,450
Unrecovered Nuclear Fuel Disposal Costs	—	4,802
Unamortized Debt Expense	4,343	3,163
Other	2,713	2,164
Total Deferred Debits	42,065	39,931
Total Assets	**$1,220,503**	**$1,139,978**

The accompanying Notes to Financial Statements are an integral part of these statements.

December 31 (Thousands of Dollars)	1984	1983
Liabilities and Capitalization		
Capitalization:		
Common Shareholders' Equity:		
Common Stock	$ 53,464	$ 51,753
Premium on Capital Stock	219,078	208,279
Capital Stock Purchase Plan	—	72
Capital Stock Expense	(1,660)	(1,637)
Retained Earnings	161,629	148,454
Total Common Shareholders' Equity	432,511	406,921
Cumulative Preferred Stock Not Subject to Mandatory Redemption	41,706	41,973
Cumulative Preferred Stock Subject to Mandatory Redemption	49,550	52,050
Long Term Debt	412,462	380,266
Total Capitalization	936,229	881,210
Current Liabilities:		
Current Portion:		
Cumulative Preferred Stock Subject to Mandatory Redemption	1,450	1,050
Long Term Debt	10,000	26,000
Accounts Payable	29,385	24,124
Taxes Accrued	12,222	8,299
Interest Accrued	11,721	10,658
Dividends Declared	12,757	11,940
Customer Deposits	2,737	2,618
Deferred Taxes	18,883	16,294
Nuclear Fuel Disposal Costs	10,888	—
Other	7,482	4,079
Total Current Liabilities	117,525	105,062
Deferred Credits:		
Deferred Investment Tax Credits	58,151	55,386
Deferred Income Taxes	103,599	83,295
Nuclear Fuel Disposal Costs	—	10,888
Other	4,999	4,137
Total Deferred Credits	166,749	153,706
Commitments And Contingent Liabilities (Note 11)		
Total Liabilities and Capitalization	$1,220,503	$1,139,978

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Regulation—The accounting policies and rates of the Company are subject to the regulations of the State of New Jersey, Board of Public Utilities (BPU) and in certain respects to the Federal Energy Regulatory Commission (FERC). All significant accounting policies and practices used in the determination of rates are also used for financial reporting purposes. The financial statements are prepared on the basis of the Uniform System of Accounts prescribed by FERC.

Operating Revenues—Prior to 1982, revenues were recognized when electric energy service bills were rendered to customers. As of January 1, 1982 the Company changed its method of accounting, as directed by the BPU, to recognize revenues for services rendered subsequent to the last billing cycle and prior to the end of the period.

Electric Utility Plant—Property is stated at original cost. Generally the plant is subject to a first mortgage lien. The cost of property additions, including replacement of units of property and betterments, is capitalized. Included in certain additions is an Allowance for Funds Used During Construction (AFDC) which is defined in the applicable regulatory systems of accounts as the cost during the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. AFDC has been calculated using a rate of 8.5% and was semi-annually compounded on Hope Creek Unit No. 1 expenditures beginning in 1984. Such rates are less than the maximum allowed by FERC.

Deferred Energy Costs and Revenues—The Company has a Levelized Energy Clause which is based on projected energy costs and includes a provision for prior period under or over recoveries. The recovery of energy costs is made through levelized monthly charges over the period of projection. Any under or over recoveries are deferred in balance sheet accounts as a current asset or current liability as appropriate. Such deferrals are recognized in the Statement of Income during the period in which they are subsequently recovered through the clause.

Depreciation—The Company provides for straight-line depreciation based on the estimated remaining life of transmission and distribution property and, based on the estimated average service life, for all other depreciable property. Depreciation applicable to nuclear plant includes amounts provided for decommissioning. The overall composite rate of depreciation was approximately 3.6% for 1984, 3.7% for 1983 and 3.3% for 1982. Accumulated depreciation is charged with the cost of depreciable property retired together with removal costs less salvage and other recoveries.

Nuclear Fuel—Fuel costs associated with the Company's participation in jointly-owned nuclear generating stations, including a provision for estimated spent fuel disposal costs, are charged to Fuel Expense based on the units of thermal energy produced.

Federal Income Taxes—The Company provides deferred Federal Income Taxes on all significant current transactions for which the timing of reporting differs for book and tax purposes. Investment tax credits, which are used to reduce current federal income taxes, are deferred on the balance sheet and are recognized in book income over the life of the related property.

Retirement Plan—The Company has a noncontributory defined benefit retirement plan covering all regular employees. The Company's policy is to fund pension costs as accrued. Costs of the plan are determined actuarially under the aggregate cost method.

Property Abandonment Costs—These costs consist principally of the Company's unamortized investment in Hope Creek Unit No. 2, a nuclear generating unit which was cancelled in December, 1981, and offshore nuclear units which were cancelled in 1978.

The Hope Creek Unit No. 2 investment is being amortized over a 15 year period that began in 1983 and the investment in the offshore nuclear units is being amortized over a 20 year period that began in 1979. The unamortized amounts for these projects are $13,800,000 and $2,950,000, respectively, as of December 31, 1984.

Unrecovered Purchased Power Costs—These represent purchased capacity costs, relating to a specific purchased power agreement, which are not being recovered currently, but for which recovery has been specifically provided in a levelized component of future rates.

Other—Debt premium, discount and expenses are amortized over the life of the related debt. Gains and losses relating to reacquired debt are recognized currently.

Certain 1983 and 1982 amounts have been reclassified to conform with 1984 presentations.

NOTE 2. FEDERAL INCOME TAXES

Federal income tax expense is less than the amount computed by applying the statutory rate on book income subject to tax for the following reasons:

YEARS ENDED DECEMBER 31	1984	1983	1982
(Thousands of Dollars)			
Net Income	**$ 63,277**	$ 66,152	$ 49,055
Federal Income Tax Expense (as below)	**41,876**	49,061	27,004
Book Income Subject to Tax	**$105,153**	$115,213	$ 76,059
Income Tax Computed at the Statutory Rate	**$ 48,370**	$ 52,998	$ 34,987
Items for which deferred taxes are not provided:			
Difference between Tax and Book Depreciation	**(250)**	1,896	808
Allowance for Funds Used During Construction	**(4,832)**	(4,211)	(3,879)
Capitalized Overheads	**(1,221)**	(1,245)	(1,301)
Investment Tax Credits	**(1,842)**	(1,775)	(1,485)
Other	**1,651**	1,398	(2,126)
Total Federal Income Tax Expense	**$ 41,876**	$ 49,061	$ 27,004
Components of Federal Income Tax Expense:			
Federal Income Taxes Currently Payable	**$ 15,512**	$ 15,072	$ (1,672)
Deferred Federal Income Taxes:			
Liberalized Depreciation	**18,335**	10,438	9,325
Unbilled Revenues	**(616)**	2,609	8,737
Unrecovered Purchased Power Costs	**3,004**	5,267	—
Unrecovered Nuclear Fuel Disposal Costs	**(1,102)**	2,209	—
Deferred Energy Costs and Revenues	**3,205**	4,948	(5,904)
Gains on Reacquired Debt and Purchased Tax Benefits	**176**	713	2,319
Other	**(108)**	(268)	(217)
Deferred Investment Tax Credits	**2,765**	6,114	12,547
Employee Stock Ownership Plan Credits	**705**	1,959	1,869
Total Deferred Federal Income Tax Expense	**26,364**	33,989	28,676
Total Federal Income Tax Expense	**41,876**	49,061	27,004
Less: Federal Income Taxes—Other Income	**649**	333	2,077
Deferred Federal Income Taxes on the Cumulative Effect of Change in Accounting Method	**—**	—	11,863
Federal Income Taxes Included in Operating Expenses	**$ 41,227**	$ 48,728	$ 13,064

In 1984, the Company filed amended federal income tax returns for 1981 and 1982 reflecting the election of the Asset Guideline Repair Allowance. The effect of this election is included in Deferred Federal Income Taxes—Liberalized Depreciation and Deferred Investment Tax Credits.

The Company has purchased tax benefits on equipment having an aggregate tax basis of approximately $10,400,000 and $2,900,000 in 1983 and 1982, respectively. These tax benefits include 6% investment tax credit and an ACRS life of 3 years.

The Company's federal income tax returns for 1979 and prior years have been examined by the Internal Revenue Service (IRS) and the Company's federal income tax liabilities for all years through 1976 have been determined and settled. The IRS has proposed certain deficiencies in tax for the years 1977 through 1979. The Company's federal income tax returns for 1980 and 1981 are currently being examined and the Company expects the IRS to raise issues similar to those of prior years. The Company has protested the proposed deficiencies and is of the opinion that the final settlement of its federal income tax liabilities for these years will not have a material adverse effect on its results of operations or financial position.

At December 31, 1984 the cumulative amount of deferred income taxes which have not been provided on timing differences, principally depreciation, amounted to approximately $80,000,000 computed at the current statutory rate of 46%.

NOTES (continued)

NOTE 3. RATE MATTERS

Base rate case decisions of the New Jersey Board of Public Utilities during the three year period ended December 31, 1984 are shown below:

Date of Petition	Amount Requested (Millions)	Date Effective	Amount Approved (Millions)	Increase In Revenue	Test Year
August 1981	$ 14.4	Jan. 29, 1982	$11.3	2.4%	June 30, 1980
February 1982	172.4	Dec. 14, 1982	73.7	16.3	Sept. 30, 1982
January 1983	30.8	Oct. 7, 1983	24.5	4.5	Sept. 30, 1982
October 1983	25.3	Aug. 17, 1984	—	—	Dec. 31, 1983

The January 1982 increase recognizes the cost of the Company's share of Salem Unit 2.

In the December 1982 increase, the New Jersey Board of Public Utilities (BPU) computed the Company's revenue requirement as if the Company recorded unbilled revenues on its books.

The October 1983 increase relates to the first half of the purchase of 125 megawatts of capacity and related energy from Pennsylvania Power & Light Company (PP&L) under two Capacity and Energy Sales Agreements (the PP&L Agreements), which commenced with the start of commercial operation of PP&L's Susquehanna Unit 1 in 1983. The PP&L Agreements provide for the purchase by the Company of capacity and energy from the Susquehanna Units through September 30, 1991, and then from certain PP&L coal-fired units through September 30, 2000. Through September 30, 1991, the estimated costs to be incurred by the Company for purchases of capacity and associated energy from the Susquehanna Units will exceed the levelized costs to be recovered by the Company from its customers. Such unrecovered costs will be accumulated and deferred. Such costs are included in the balance sheet as Unrecovered Purchased Power Costs along with the related provision for deferred taxes. The level of rates approved by the BPU is designed to enable the Company to recover these deferred costs and associated carrying charges during the balance of the 17-year period. The stipulation provided that any difference between actual costs incurred by the Company under the agreements and the estimated costs on which the increased rates were based will be recognized in future base rate proceedings if such costs are found to be reasonable. The BPU order prescribes a revenue reduction formula in the event that both Susquehanna Units fail to meet a combined minimum performance standard established by the stipulation which could subject the Company, under the most adverse circumstances, to a revenue reduction not to exceed $15,000,000 per unit per year.

In October 1983 the Company filed a request with the BPU for a $53,400,000 increase in total revenues. The request consisted of a net $28,100,000 increase in energy clause revenues to become effective January 1, 1984, and a $25,300,000 increase in base revenues to become effective by mid-1984. The BPU, effective January 20, 1984 approved the $28,100,000 increase in energy clause revenues which included the recovery, over a two-year period, of unrecovered nuclear fuel disposal costs.

In August 1984 the BPU denied the Company's request for the $25,300,000 increase in base rates. The BPU, in denying rate relief, made several adjustments to the Company's requested rate base, test year operating income and rate of return, providing for an overall rate of return of 11.35% and a return on common equity of 14.30%. Prior to the BPU decision, the Company had been authorized to earn an overall rate of return of 11.7% and a return on common equity of 15.0%. On September 21, 1984, the Company filed a Notice of Appeal with the New Jersey Superior Court, Appellate Division. The items of appeal relate to certain legal, factual and evidential issues arising from the BPU decision. The Company cannot predict the final outcome of the proceedings or the ultimate effect upon the Company.

In October 1984 the Company filed a request with the BPU for a $49,500,000 increase in total revenues. The Company's request consisted of a $38,400,000 increase in energy clause revenues to become effective January 1, 1985 and a net increase of $11,100,000 associated with Susquehanna Unit 2 and the Company's purchase of power under the PP&L Agreements. The $11,100,000 net increase consisted of a $24,000,000 increase in base revenues and a $12,900,000 decrease in energy clause revenues based on the purchase of 62,500 kilowatts from Susquehanna Unit 2 and from coal generation under the PP&L Agreements. The Company requested that the increase become effective upon the commercial operation of Susquehanna Unit 2. In an effort to settle these requests, the Company signed three joint stipulations with the other parties to the proceedings, which would provide

the Company with a net increase of $17,710,000 in energy clause revenues, net of a decrease of $1,960,000 relating to a portion of the outage of Salem Unit 1 during 1983, and a net increase of $11,042,000 relating to the PP&L Agreements. As part of these stipulations, the Company agreed to reclassify $4,298,000 of Deferred Energy Costs to Unrecovered Purchased Power Costs. The Company also agreed to defer from this filing $7,500,000 related to the unscheduled outages of the Salem units in 1984. Recovery of such deferred costs is subject to review in further proceedings before the BPU. In January 1985 the BPU approved the stipulations, with rates effective in February 1985.

NOTE 4. RETIREMENT BENEFITS

The cost to the Company in providing a retirement plan for its employees was $7,555,000, $6,563,000 and $5,908,000 in 1984, 1983 and 1982, respectively. Approximately 80% of these costs were charged to operating expense and the remaining 20%, which was associated with construction labor, was charged to the cost of new utility plant.

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for 1984 and 1983. The Company's Plan is in compliance with the Employee Retirement Income Security Act of 1974.

A comparison of accumulated plan benefits and plan net assets (including purchased annuity contract amounts) for the Company's Plan, as of the most recent actuarial valuation dates, is as follows:

January 1	1984	1983
(Thousands of Dollars)		
Actuarial present value of accumulated plan benefits:		
Vested	$86,758	$79,111
Nonvested	3,846	1,124
Total	$90,604	$80,235
Net Assets available for benefits	$115,442	$99,100

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. Those and similar benefits for active employees are provided through insurance companies and other plan providers whose premiums and related plan costs are based on the benefits paid during the year. The Company recognizes the cost of providing those benefits by expensing the annual insurance premiums and related plan costs. The cost of providing those benefits for retirees totalled $845,000 for 1984.

NOTE 5. JOINTLY-OWNED GENERATING STATIONS

The Company participates with other utilities in the construction and operation of several electric production facilities.

The amounts shown represent the Company's share of each plant at December 31, and includes an allowance for funds used during construction.

Station	Energy Source	Company's Share	Electric Plant in Service 1984	Electric Plant in Service 1983	Construction Work in Progress 1984	Construction Work in Progress 1983	Generation 1984	Generation 1983
			(Thousands of Dollars)				(MWH)	
Keystone	Coal	2.47%	$ 6,893	$ 6,313	$ 798	$ 590	237,233	244,672
Conemaugh	Coal	3.83	11,684	11,600	332	127	423,653	400,441
Peach Bottom	Nuclear	7.51	77,292	74,055	8,8[illegible]3	6,358	738,447	513,629
Salem	Nuclear	7.41	154,806	152,639	[illegible],751	3,111	395,037	452,691
Hope Creek	Nuclear	5.00	—	—	162,676	130,390	—	—

The operators of the Salem and Peach Bottom Nuclear Generating Stations entered into contracts with the United States Department of Energy for spent nuclear fuel disposal. These contracts require the payment of a one-time fee related to the Company's ownership interest in the Salem and Peach Bottom Stations through April 6, 1983, as well as quarterly charges after April 6, 1983.

At December 31, 1984 the Company's liability for its share of the one-time fee related to nuclear fuel disposal costs is $10,888,000, of which $2,407,000 remains to be recovered from customers. The Company has approval in its current energy clause for recovery of unrecovered nuclear fuel disposal costs during 1985. Current rates are adequate to recover costs since April 6, 1983.

The Company provides its own financing during the construction period for its share of the jointly-owned plants and includes its share of direct operations and maintenance expenses in its Statement of Income.

NOTE 6. INVESTMENT IN OPERATING SUBSIDIARY

The Company's investment in Deepwater Operating Company (Deepwater), a wholly-owned subsidiary which operates generating and process steam units owned by the Company, was $3,291,000 at December 31, 1984 and 1983. The principal asset of Deepwater is working capital in which the equity of the Company is fairly represented by its investment. The net production costs of Deepwater, after deducting contract charges, are charged to the Company. These costs are included in the Company's accounts classified as to operation, maintenance and taxes.

NOTE 7. COMMON STOCK

As of December 31, 1984 and 1983, the Company's Common Stock included 25,000,000 authorized shares of Common Stock ($3 par value).

Shares Issued and Outstanding:	1984	1983	1982
Beginning of Year	**17,250,882**	16,574,021	14,427,990
Sale of Common Stock	—	—	1,500,000
Dividend Reinvestment and Stock Purchase Plan	**525,118**	535,614	487,601
Employee Stock Ownership Plan	**36,009**	116,347	128,797
Conversion of Preferred Stock	**9,337**	24,900	29,633
End of year	**17,821,346**	17,250,882	16,574,021
At $3 Par Value	**$53,464,038**	$51,752,646	$49,722,063

Premium on Capital Stock was credited in 1984 and 1983 with $10,799,000 and $12,986,000, respectively, representing the excess of proceeds over the par value of shares of Common Stock issued, sold and converted. At December 31, 1984 there were 692,436 and 71,485 shares of Common Stock authorized for issuance pursuant to the Dividend Reinvestment and Stock Purchase Plan and the Employee Stock Ownership Plan, respectively. At December 31, 1984, 59,733 shares of Common Stock were reserved for the conversion of 5⅞% Convertible Series of Preferred Stock.

NOTE 8. CUMULATIVE PREFERRED STOCK

The Company has authorized 799,979 shares of Cumulative Preferred Stock, $100 Par Value, 2,000,000 shares of No Par Preferred Stock, and 3,000,000 shares of Preference Stock, No Par Value. Unissued shares may, or may not, possess mandatory redemption characteristics upon issuance. In certain circumstances, if dividends on issued Preferred Stock are in arrears, voting rights for the election of a majority of the Board of Directors becomes operative.

NOTE 8(A).

Cumulative Preferred Stock Not Subject To Mandatory Redemption:

$100 Par Value Shares Issued and Outstanding:	December 31 1984 (Thousands of Dollars)	December 31 1983 (Thousands of Dollars)	Current Redemption Price Per Share
Series:			
4% 77,000 Shares	**$ 7,700**	$ 7,700	$105.50
4.10% 72,000 Shares	**7,200**	7,200	101.00
4.35% 15,000 Shares	**1,500**	1,500	101.00
4.35% 36,000 Shares	**3,600**	3,600	101.00
4.75% 50,000 Shares	**5,000**	5,000	101.00
5% 50,000 Shares	**5,000**	5,000	100.00
5⅞% Convertible Series:			
17,061 Shares (1984)	**1,706**	—	101.50
19,729 Shares (1983)	**—**	1,973	
7.52% 100,000 Shares	**10,000**	10,000	104.89
Total	**$41,706**	$41,973	

Cumulative Preferred Stock Not Subject to Mandatory Redemption is redeemable solely at the option of the Company upon payment of the redemption price plus accumulated and unpaid dividends to the date fixed for redemption. Premium on such Preferred Stock was $93,000 at December 31, 1984 and 1983.

The 5⅞% Convertible Series, of which 2,668 and 7,115 shares were converted in 1984 and 1983, respectively is convertible, subject to adjustment in certain events, into Common Stock at the rate of 3.5 shares of Common Stock for each share of Preferred.

NOTE 8(B).

Cumulative Preferred Stock Subject To Mandatory Redemption:

Shares Issued and Outstanding:	Par Value	December 31 1984 (Thousands of Dollars)	1983	Current Redemption Price Per Share	Refunding Restricted Prior to
Series:					
8.40% 100,000 Shares	$100	**$10,000**	$10,000	$105.60	
9.96% 120,000 Shares (1984)	100	**12,000**	—	106.42	
136,000 Shares (1983)		—	13,600		
$8.25 90,000 Shares (1984)	None	**9,000**	—	106.77	November 1, 1987
95,000 Shares (1983)		—	9,500		
$9.45 200,000 Shares	None	**20,000**	20,000		November 1, 1989
		51,000	53,100		
Less Portion due within one year		**1,450**	1,050		
Total		**$49,550**	$52,050		

On February 1, 1985, and annually thereafter, 4,000 shares of the 8.40% Series must be redeemed through the operation of a sinking fund at a redemption price of $100 per share. At the option of the Company, an additional 4,000 shares may be redeemed on any sinking fund date without premium, up to 32,000 shares in the aggregate.

On August 1 of each year 8,000 shares of the 9.96% Series must be redeemed through the operation of a sinking fund at a redemption price of $100 per share. At the option of the Company, an additional 8,000 shares may be redeemed on any sinking fund date, without premium, up to 40,000 shares in the aggregate. The Company redeemed 16,000 shares at par in each of the years 1984 and 1983.

On November 1 of each year, 2,500 shares of the $8.25 No Par Preferred Stock Series must be redeemed through the operation of a sinking fund at a redemption price of $100 per share. At the option of the Company, an additional 2,500 may be redeemed on any sinking fund date without premium. The Company redeemed 5,000 shares at par in each of the years 1984 and 1983.

On November 1, 1986, and annually thereafter, 40,000 shares of the $9.45 No Par Preferred Stock Series must be redeemed through the operation of a sinking fund at a redemption price of $100 per share. At the option of the Company, an additional 40,000 shares may be redeemed on any sinking fund date, without premium, up to 50,000 shares in the aggregate.

The minimum sinking fund provisions of the above series aggregate $1,450,000 in 1985, and $5,450,000 in 1986, 1987, 1988 and 1989.

NOTES (continued)

NOTE 9. LONG TERM DEBT

December 31 (Thousands of Dollars)	1984	1983
First Mortgage Bonds:		
3% Series due (March 1) 1984	$ —	$ 5,000
9% Pollution Control Series due (May 1) 1984	—	21,000
3¼% Series due (March 1) 1985	10,000	10,000
4½% Series due (January 1) 1987	10,000	10,000
3⅞% Series due (April 1) 1988	10,000	10,000
4½% Series due (April 1) 1989	2,775	2,775
4½% Series due (March 1) 1991	10,000	10,000
4½% Series due (July 1) 1992	10,350	10,350
4⅜% Series due (March 1) 1993	9,540	9,540
11⅞% Series due (November 1) 1993	50,000	50,000
[illegible]% Series due (February 1) 1996	9,980	9,980
8⅞% Series due (September 1) 2000	19,000	19,000
8% Series due (May 1) 2001	27,000	27,000
7½% Series due (April 1) 2002	20,000	20,000
7¾% Series due (June 1) 2003	29,976	29,976
7⅝% Pollution Control Series due (January 1) 2005	6,500	6,500
6⅜% Pollution Control Series due (December 1) 2006	2,500	2,500
12⅝% Series due (January 1) 2010	63,750	63,750
11⅝% Pollution Control Series due (May 1) 2011	39,000	39,000
10½% Pollution Control Series B due (July 15) 2012	850	—
Adjustable Rate Pollution Control Series A due (April 15) 2014 (7¼% Until 4-15-87)	18,200	—
10½% Pollution Control Series C due (July 15) 2014	23,150	—
Total	372,571	356,371
Debentures:		
5¼% Sinking Fund Debentures due (February 1) 1996	2,267	2,267
7¼% Sinking Fund Debentures due (May 1) 1998	2,619	2,619
Total	4,886	4,886
Notes—Variable Rate Notes due (April 30) 1986	45,000	45,000
Unamortized Premium and Discount—Net	5	9
Total	422,462	406,266
Deduct Long Term Debt due within one year	10,000	26,000
Total	$412,462	$380,266

Deposits in sinking funds for retirement of debentures are required on February 1 of each year through 1995 for the 5¼% debentures, and on May 1 of each year through 1997 for the 7¼% debentures in amounts in each case sufficient to redeem $100,000 principal amount plus, at the election of the Company, up to an additional $100,000 principal amount in each year. At December 31, 1984 the Company had reacquired and cancelled $1,333,000 and $1,181,000 principal amount of the 5¼% and 7¼% debentures, respectively, toward its requirements for 1985 and subsequent periods.

A sinking fund requirement of $3,000,000 each year relative to the 12⅝% First Mortgage Bonds begins in 1986 and continues through 2009. At December 31, 1984 the Company had reacquired and cancelled $11,250,000 principal amount of the 12⅝% Series toward its requirements for 1986 and subsequent periods. Current sinking fund requirements of $850,000 in connection with certain First Mortgage Bonds outstanding, are being satisfied by certification of property additions as provided for in the related mortgage indentures.

During 1983 and 1982 the Company reacquired, at amounts at or below par value, $11,250,000 and $9,209,000 respectively, principal amount of First Mortgage Bonds. These reacquisitions resulted in a loss in 1983, and a gain in 1982, both net of federal income taxes and expenses, of $8,000 and $1,816,000, respectively.

The aggregate amount of debt maturities in addition to sinking fund requirements of all long term debt outstanding at December 31, 1984 are $10,000,000 in 1985, $45,000,000 in 1986, $10,000,000 in 1987 and 1988 and $2,775,000 in 1989.

NOTE 10. SHORT TERM DEBT AND COMPENSATING BALANCES

As of December 31, 1984, the Company had bank lines of credit available for use of $115,000,000. The Company is required, with respect to $18,000,000 of these credit lines, to maintain average compensating balances of $650,000. These compensating balances are maintained in demand deposits which are not legally restricted. The Company is in compliance with such compensating balance arrangements. With respect to the remaining available credit lines, the Company pays commitment fees (currently 1/4%) which aggregated $242,000 for 1984, $269,000 for 1983 and $390,000 for 1982. The Company had no outstanding short term debt at December 31, 1984, 1983 or 1982. Additional information regarding short term debt follows:

(Thousands of Dollars)	**1984**	1983	1982
For the year ended—			
Maximum amount of total short term debt at any month-end:			
Commercial Paper	**$35,000**	$50,000	$22,000
Notes Payable to Banks	**$ —**	$ 7,000	$ 3,000
Average amount of short term debt (based on daily outstanding balances):			
Commercial Paper	**$17,519**	$23,954	$10,550
Notes Payable to Banks	**$ 301**	$ 2,567	$ 4,497
Weighted daily average interest rates on short term debt:			
Commercial Paper	**10.6%**	9.0%	12.8%
Notes Payable to Banks	**9.2%**	9.3%	13.7%

NOTE 11. COMMITMENTS AND CONTINGENCIES

Construction Program—Total construction expenditures for 1985 are estimated at approximately $92,000,000, which includes $30,000,000 for jointly-owned facilities. Current commitments for the construction of major production and transmission facilities amount to approximately $24,000,000 of which it is estimated approximately $13,000,000 will be expended in 1985. These amounts exclude allowance for funds used during construction.

Nuclear Insurance Programs—The Company is a member of certain insurance programs which provide coverage for property damage to members' nuclear generating plants. Facilities at the Peach Bottom and Salem Stations are insured against property damage losses up to $1.0 billion per site under these programs.

The Company is also a member of an insurance program which provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specific conditions. Under the property and replacement power insurance programs, the Company could be assessed retrospective premiums in the event the insurers' losses exceed their reserves. As of December 31, 1984, the maximum amount of retrospective premiums the Company could be assessed for losses during the current policy year was $6.6 million under these programs.

In the event of a nuclear incident at any of the facilities covered by the federal government's third-party liability indemnification program, the Company could be assessed up to $1.5 million per incident, but not more than $3.0 million in a calendar year, in the event more than one incident is experienced.

Purchase Power Agreements—The Company has a five-year agreement expiring May 31, 1985, with Delmarva Power & Light Company for the purchase of 50 MW of power from coal-fired Indian River Unit No. 4. The Company also has an arrangement for a limited term purchase of energy and capacity from Allegheny Power System which is effective for 1985 and subject to annual extensions. The Company also has agreements to purchase certain capacity and energy output from units of Pennsylvania Power & Light Company.

Hope Creek Cost Containment—In July 1983 the BPU approved an Agreement between the Company, Public Service Electric & Gas Company, the New Jersey Department

of Energy (DOE) and the New Jersey Department of the Public Advocate (PA) which establishes an incentive program to contain the continuing construction costs of Hope Creek Unit No. 1, which is currently 92% complete and scheduled for completion in 1986. Under the Agreement, if the final cost of the facility is less than $3.55 billion, the Company's shareholders will share in the savings. On the other hand, if the final cost of the unit exceeds $3.7952 billion, the Company will be penalized by not being able to earn a return on the entire amount of the cost overrun. As a part of this Agreement, the DOE and the PA have agreed not to challenge the need for the unit in which the Company has a 5% ownership interest.

Nuclear Plant Outages—Salem Units 1 and 2, which are operated by Public Service Electric & Gas Company, experienced outages in 1984 which are subject to review and have contributed to the Company's Deferred Energy Costs. The Company cannot predict what action, if any, may be ultimately taken by the BPU with respect to the Company's replacement energy costs associated with these outages. The Company does not expect the final outcome to have a material adverse effect on its results of operations or financial position.

Due to generic problems with certain boiling water reactors, Philadelphia Electric Company (PE), the operator, found it necessary in 1983 to make temporary piping repairs to both Peach Bottom units. In late April 1984, Peach Bottom Unit 2 was removed from service for refueling and piping system replacement. PE has advised the Company that Unit 2 will not return to service until May 1985. The Company has also been advised by PE that Peach Bottom 3 is scheduled for a similar refueling and possible piping repair outage in 1987.

Nuclear Fuel—The Company's contractual liability to purchase nuclear fuel from Pearl Fuel Corporation for Salem and Hope Creek Generating Stations as of December 31, 1984 was approximately $32,000,000. Under certain conditions of termination, the Company will be required to purchase all nuclear fuel then existing at a price which will allow Pearl Fuel Corporation to recover its net investment costs. Nuclear fuel requirements for Peach Bottom Generating Station are being provided by the operating company through a fuel purchase contract. The Company is responsible for payment of its share of fuel consumed and related operating costs and interest expense. These costs are included in fuel expense.

NOTE 12. LEASES

The Company has certain obligations which, in accordance with criteria established by the Financial Accounting Standards Board (FASB), are capital leases, but are accounted for as operating leases in accordance with the ratemaking treatment. An accounting standard issued by the FASB in December 1982 requires that the Company record such leases on its balance sheet by 1987. Recording capital leases would not have a material effect on assets or liabilities, and would not affect income, since the total amortization of the leased assets and the interest on the lease obligation would equal the rental expense currently allowed for ratemaking purposes.

Rentals charged to operating expenses were as follows:

(Thousands of Dollars)	1984	1983	1982
Fuel	$ 8,457	$ 6,364	$ 6,090
Other	4,759	5,268	5,940
Total	$13,216	$11,632	$12,030

The future minimum rental commitments under all noncancelable lease agreements are not significant.

NOTE 13. SUPPLEMENTARY INCOME STATEMENT INFORMATION

Operating expenses include taxes and other items not separately identified in the Statement of Income as follows:

Year Ended December 31 (Thousands of Dollars)	1984	1983	1982
Taxes Other Than Federal Income Taxes:			
State Gross Receipts and Franchise Taxes	$60,769	$55,324	$58,064
Real and Personal Property Taxes	1,698	1,947	1,633
Payroll Taxes—Federal and State	3,209	2,755	2,455
Miscellaneous State and Local Taxes	1,747	1,638	(1,604)
Total	$67,423	$61,664	$60,548
Maintenance Expense	$39,247	$35,066	$30,313

Charges to income for royalties and advertising are less than 1% of gross revenue.

NOTE 14. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

Quarterly financial data which reflect all adjustments, which consist of only normal recurring accruals, necessary in the opinion of the Company for a fair presentation of such amounts are as follows:

Quarter	Operating Revenues	Operating Income	Income	Earnings For Common Stock	Earnings Per Share
	Thousands of Dollars				
1984					
1st	$133,649	$21,527	$15,360	$13,588	$ .78
2nd	125,073	18,448	11,431	9,660	.55
3rd	163,929	36,275	28,330	26,586	1.51
4th	126,880	15,141	8,156	6,475	.36
	$549,531	$91,391	$63,277	$56,309	$3.20
1983					
1st	$121,977	$21,469	$14,526	$12,705	$ .76
2nd	119,476	18,640	11,874	10,057	.60
3rd	157,450	37,356	30,597	28,808	1.70
4th	118,239	15,637	9,155	7,381	.43
	$517,142	$93,102	$66,152	$58,951	$3.48(1)
1982					
1st	$128,259	$13,875	$ 7,191(2)	$ 5,337(2)	$ .37(2)
2nd	103,044	14,464	8,521	6,668	.46
3rd	115,794	22,080	13,788	11,938	.81
4th	97,081	12,351	5,629	3,818	.23
	$444,178	$62,770	$35,129(2)	$27,761(2)	$1.84(1)(2)

(1) The individual quarters may not add to the total due to the increasing average number of Common shares outstanding at the end of each quarter.

(2) Results for 1982 do not include the cumulative effect on net income and earnings for common stock of $13,926,000 (net of tax) or on earnings per share of $.92 ($.96 based on average shares outstanding in the first quarter) of a 1982 accounting change to record unbilled revenues.

The revenues of the Company are subject to seasonal fluctuations due to increased sales and higher residential rates during the summer months.

SUPPLEMENTARY INFORMATION CONCERNING THE EFFECTS OF CHANGING PRICES (Unaudited)

The following supplementary information about the effects of changing prices is calculated by adjusting the financial data for changes in specific prices of the components of the Company's utility plant by applying the Handy-Whitman Index of Public Utility Construction Costs to historical cost by vintage years, reflecting the current cost of replacing resources actually used in the Company's operations.

STATEMENT OF INCOME FROM CONTINUING OPERATIONS ADJUSTED FOR CHANGING PRICES

Year Ended December 31, 1984

(In Average 1984 Dollars)

Results of Operations: (Thousands of Dollars)	Historical	At Current Cost
Operating Revenues	$549,531	$549,531
Operating Expenses:		
Operation and Maintenance Expenses	378,595	378,595
Depreciation and Amortization Expense	38,318	83,613
Federal Income Tax Expense	41,227	41,227
Other	28,114	28,114
Income from Continuing Operations	$ 63,277	$ 17,982

Depreciation and amortization expense expressed in current cost amounts were determined using the rates and methods used for computing book depreciation and amortization applied to utility plant balances re-expressed in terms of current costs.

Operating revenues and expenses, other than depreciation and amortization, were incurred ratably during the year and are, in effect, stated in average 1984 dollars. Income taxes were not adjusted because the present tax laws do not allow a deduction for depreciation and amortization adjusted for the impact of inflation. Therefore, the Company's effective tax rate rises from 39.8% under the historical cost basis to 74.6% under current cost basis.

This supplementary information should not be used to assess the probability of future cash flows when existing utility plant is replaced. The estimates do not reflect the effects of the regulatory process nor the specific plans of the Company for the replacement or modernization of utility plant. A meaningful estimate of the estimated level of future capital expenditures is set forth on page 18 of the annual report.

Current Year Effect of Increased Price Levels:

Thousands of Dollars	
Increase in General Price Levels on Utility Plant Held	$70,606
Increases in Specific Prices on Utility Plant Held	13,721
Excess of Increase in General Price Levels Over Increases in Specific Prices	$56,885

At December 31, 1984 the cost of utility plant, net of accumulated depreciation was $1,789,709,000 on a current cost basis, while historical cost was $1,009,633,000. The accumulated provisions for depreciation and amortization under the current cost method was estimated for each major class of utility plant (production, transmission, distribution and general plant) by multiplying the respective cost data by a percentage representing the expired life of existing facilities of each class at December 31, 1984.

Fuel inventories, the cost of fossil fuels used in generation, have not been restated from their historical cost. New Jersey regulation controls fuel costs, through the operation of a levelized energy clause, such that recovery is ultimately limited to actual cost. For this reason fuel inventories are effectively monetary assets.

Net Utility Plant Costs Recoverable:

Under rate making prescribed by the regulatory commissions to which the Company is subject, only the historical cost of utility plant is recoverable in revenues as depreciation. Therefore, the excess of the cost of utility plant stated in terms of current cost over the historical cost of plant is not presently recoverable. Due to this feature, the value of utility plant and its effect on income from continuing operation adjusted for changing prices must be considered in terms of its net recoverable cost which is historical cost. While the rate making process gives no recognition to the current cost of replacing utility plant, based on past practices the Company believes it will be allowed to earn on the increased cost of its net investment when replacement of facilities actually occurs.

Current Year Decline in Purchasing Power of Net Amounts Owed:

The current year decline in purchasing power of net amounts owed was $30,612,000. During a period of inflation, holders of monetary assets such as cash and receivables suffer a loss of general purchasing power while holders of monetary liabilities, generally long term debt, experience a gain because debt will be repaid in dollars having less purchasing power. The Company's gain from the decline in purchasing power of its net amounts owed is primarily attributable to the substantial amount of debt and cumulative preferred stock subject to mandatory redemption which has been used to finance utility plant. This gain, however, should not be considered as providing funds to the Company, since the Company is limited under rate making procedure to the recovery only of its embedded cost of debt.

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA INCLUDING UNAUDITED SUPPLEMENTARY DATA ADJUSTED FOR CHANGING PRICES

Thousands of Dollars Except Per Share Amounts—Current Cost Amounts Expressed in 1980 Dollars

Years Ended December 31	1984	1983	1982	1981	1980
Operating Revenue					
—historical	$ 549,531	$ 517,142	$ 444,178	$ 469,683	$ 358,391
—trended in 1980 dollars	435,811	427,573	378,925	425,542	358,391
Income from Continuing Operations					
—historical	$ 63,277	$ 66,152	$ 49,055	$ 46,988	$ 38,538
—at current cost(a)	14,261	17,981	3,447	6,929	5,544
Income from Continuing Operations per Share of Common Stock(b)					
—historical	$ 3.20	$ 3.48	$ 2.76	$ 3.03	$ 2.62
—at current cost	1.13	.72	(.19)	.01	(.03)
Effective Income Tax Rate					
—historical	39.8%	42.6%	35.5%	36.8%	33.8%
—current cost basis	74.6	85.8	102.1	92.7	90.9
Excess of Increases in General Price Levels Over Increases in Specific Prices(a)	$ 45,113	$ 263	$ (6,092)	$ (22,835)	$ 43,557
Decline in Purchasing Power of Amount Owed(a)	$ 24,277	$ 15,355	$ 18,484	$ 35,853	$ 45,017
Net Assets at Year End					
—historical	$ 474,217	$ 448,894	$ 414,834	$ 338,846	$ 324,127
—trended in average 1980 dollars	369,901	365,031	350,140	297,077	309,576
Net Income as a Percent of Operating Revenue(b)					
—historical	11.51%	12.79%	11.04%	10.00%	10.75%
—trended in 1980 dollars	9.13	10.58	9.42	9.06	10.75
Earned Rate of Return on Shareholders' Equity					
—historical	13.02%	14.49%	11.20%	12.21%	11.62%
—trended in 1980 dollars	10.33	11.98	9.55	11.07	11.62
Total Assets at Year End					
—historical	$1,220,503	$1,139,978	$1,077,969	$1,013,789	$ 879,795
Long Term Debt and Cumulative Preferred Stock Subject to Mandatory Redemption					
—historical	$ 473,462	$ 459,366	$ 462,470	$ 447,389	$ 394,288
Dividends Declared per Share of Common Stock					
—historical	$ 2.45	$ 2.32	$ 2.24	$ 2.08	$ 1.93
—trended in 1980 dollars	1.94	1.92	1.91	1.88	1.93
Market Price per Common Share at Year End					
—historical	$ 24.13	$ 23.25	$ 20.75	$ 17.25	$ 15.75
—trended in 1980 dollars	19.13	19.22	17.71	15.62	15.75
Average Consumer Price Index	311.2	298.5	289.3	272.4	246.8
Certain comparative per share data trended in average 1984 dollars (without adjustment of earnings for the pro forma effects of inflation on depreciation amounts) are as follows:					
Earnings(b)	$ 3.20	$ 3.62	$ 2.97	$ 3.46	$ 3.30
Dividends Declared	2.45	2.42	2.41	2.38	2.43
Market Price (Year End)	24.13	24.24	22.32	19.70	19.86

(a) These amounts will differ from those shown in Statement of Income From Continuing Operations Adjusted for Changing Prices because a different base year has been used in the data presented above (1980) and in the changing price information (1984) in order to illustrate the impact of changing prices in alternative forms.

(b) Income from Continuing Operations, Net Income and Earnings Per Share data for 1982 include the cumulative effect of change in accounting method.

Where should I send inquiries concerning my investment in Atlantic City Electric Company?

The Company staffs an Investor Records Department which serves as recordkeeping agent and dividend disbursing agent for Common and Preferred Stocks and also as Transfer Agent for Common Stock. Correspondence concerning such matters as the replacement of dividend checks, address changes, transfer of Common Stock certificates, Dividend Reinvestment and Stock Purchase Plan inquiries or any general information about the Company should be addressed to:

Atlantic City Electric Company
Investor Records Department
P.O. Box 1334, 1199 Black Horse Pike
Pleasantville, New Jersey 08232
Telephone (609) 645-4506 or (609) 645-4507

Mr. M. R. Meyer, Secretary, is the Corporate Officer responsible for all investor services—Mr. R. E. Moeller is Manager of Investor Services and Mrs. M. T. Lindsay is Supervisor of Shareholder Recordkeeping.

Morgan Guaranty Trust Company of New York also serves as Transfer Agent for Common Stock and Preferred Stock. Transfer requests and requests to replace lost or stolen stock certificates should be addressed to:

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

Does the Company have a Dividend Reinvestment and Stock Purchase Plan?

Yes. The Plan allows shareholders and employees to automatically invest their cash dividends and/or optional cash payments in shares of the Company's Common Stock. Holders of record of Common Stock interested in enrolling in the Plan should contact the Investor Records Department. See our address above.

Where is the Company's stock listed?

Common Stock and 5⅞% Cumulative Convertible Preferred Stock are listed on the New York Stock Exchange. The Company's Common Stock is also listed on the Pacific and Philadelphia Stock Exchanges. The trading symbol of the Company's Common Stock is ATE; however, newspaper listings generally use AtCyEl.

The high and low sales prices of the Common Stock as reported in the Wall Street Journal as New York Stock Exchange—Composite Transactions for the periods indicated were as follows:

	1984		1983	
	High	Low	High	Low
First Quarter	23½	20¼	23½	20⅜
Second Quarter	21⅜	19⅞	23⅜	20¾
Third Quarter	23	20⅜	23	20⅜
Fourth Quarter	25	22½	25⅞	22⅝

Is additional information about the Company available?

The annual report to the Securities and Exchange Commission on Form 10-K and other reports containing financial data are available to shareholders. Specific requests should be addressed to Mr. M. R. Meyer, Secretary, or the Investor Records Department, at the address shown above.

Who is the trustee and interest paying agent for the Company's Bonds and Debentures?

First Mortgage Bond recordkeeping and interest disbursing are performed by Irving Trust Company, One Wall Street, New York, New York 10015. Debenture services are performed by First Fidelity Bank, N.A., 765 Broad Street, Newark, New Jersey 07101.

When are dividends paid?

The proposed record dates and payable dates for upcoming dividends on Common Stock are as follows:

Record Dates	Payable Dates
March 21, 1985	April 15, 1985
June 20, 1985	July 15, 1985
September 19, 1985	October 15, 1985
December 19, 1985	January 15, 1986

The following table indicates dividends paid in 1984 and 1983 on Common Stock:

	Dividends Paid Per Share	
	1984	1983
First Quarter	$ .59	$ .57
Second Quarter	$ .59	$ .57
Third Quarter	$ .62	$ .57
Fourth Quarter	$ .62	$ .59
Annual Total	$2.42	$2.30

Dividends paid on Common Stock in 1984 were fully taxable.

STATISTICAL REVIEW 1984-1974

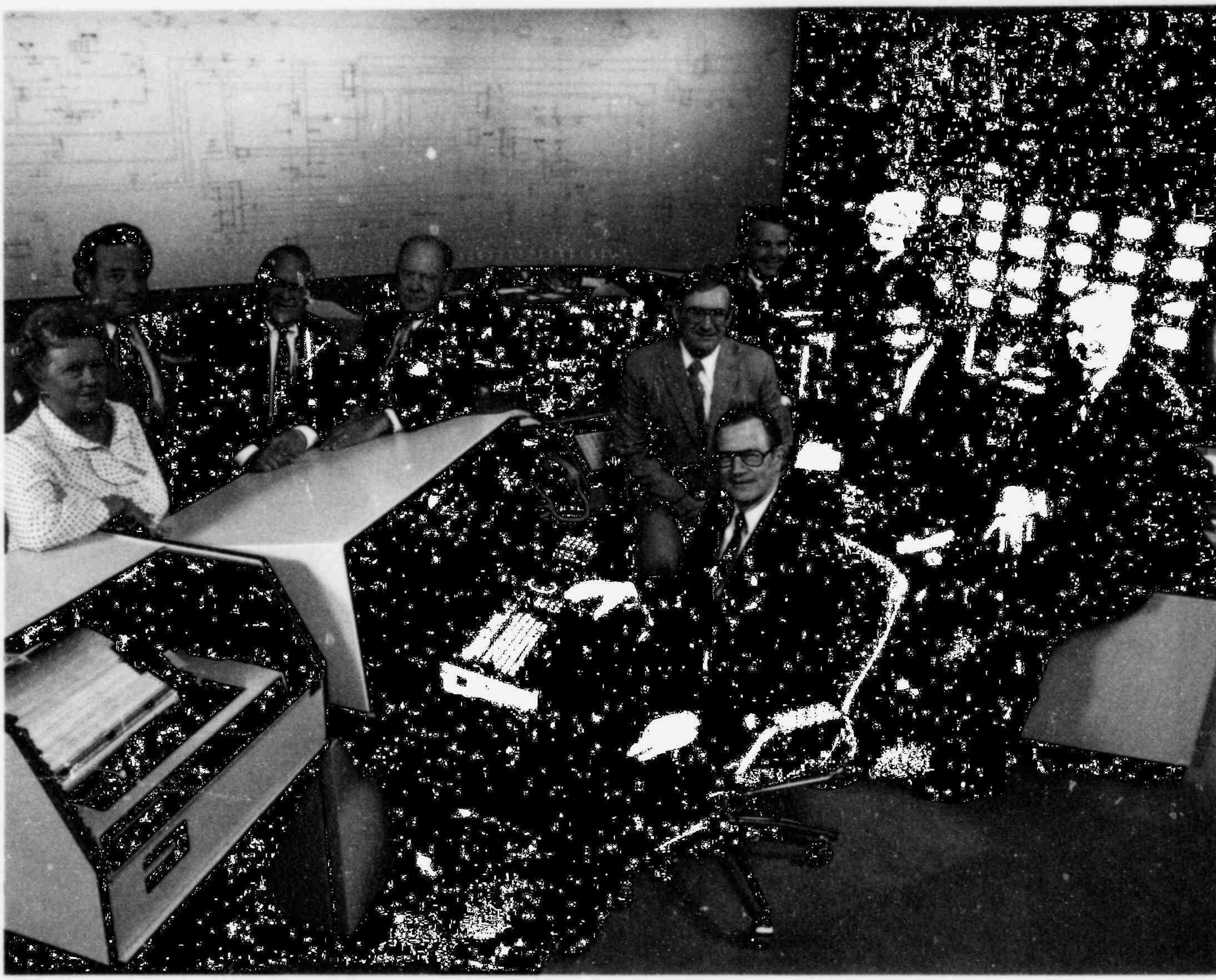
	1984	1983	1982	1981
Facilities for Service				
Total Utility Plant (Thousands)	$1,309,670	$1,226,165	$1,153,321	$1,064,928
Gross Additions to Utility Plant (Thousands)	$ 95,388	$ 83,673	$ 126,893	$ 123,318
Pole Miles of Transmission and Distribution Lines	6,958	6,925	6,918	6,910
Generating Capacity (Kilowatts) (a) (b)	1,594,200	1,594,200	1,531,200	1,524,600
Maximum Utility System Demand-Kw	1,298,800	1,346,700	1,264,200	1,263,800
Capacity Reserve at Time of Peak (% of Instal. Gen.)	18.5%	15.5%	17.4%	17.1%
Energy Supply (Thousands of Kwh):				
Net Generation	6,237,724	5,913,196	5,676,118	5,302,023
Purchased and Interchanged—Net	393,175	579,488	466,667	946,241
Total System Load	6,630,899	6,492,684	6,142,785	6,248,264
Electric Sales (Thousands of Kwh)				
Residential	2,646,813	2,545,351	2,415,292	2,480,225
Commercial	2,150,464	2,019,468	1,894,535	1,849,863
Industrial	1,197,392	1,225,637	1,218,520	1,279,724
All Others	59,122	60,978	63,770	65,555
Total	6,053,791	5,851,434	5,592,117	5,675,367
Residential Electric Service (Average per Customer)				
Amount of Electricity used during the year (Kwh)	7,866	7,715	7,444	7,751
Amount paid for a year's service	$ 783.47	$ 735.66	$ 644.77	$ 670.66
Price per Kilowatt-hour	9.96¢	9.54¢	8.66¢	8.65¢
Customer Data (Average)				
Residential With Electric Heating	65,261	62,272	59,319	56,100
Residential Without Electric Heating	271,207	267,642	265,124	263,904
Total Residential	336,468	329,914	324,443	320,004
Commercial	43,615	43,152	42,885	43,219
Industrial	1,015	1,021	1,018	1,032
Other	544	549	627	634
Total Customers	381,642	374,636	368,973	364,889
Total Service Locations	407,277	398,526	391,989	386,046
Population Served	1,112,000	1,092,000	1,069,000	1,056,000
Financial Data (Thousands of Dollars)				
Energy Sales:				
Residential	$ 263,612	$ 242,705	$ 20[illegible],191	$ 214,614
Commercial	190,435	175,520	1[illegible]4,792	156,624
Industrial	79,123	76,109	71,255	82,908
All Others	10,405	10,133	9,255	9,700
Total Energy Sales	543,575	504,467	444,493	463,846
Unbilled Revenues—Net	(1,340)	5,671	(6,795)	
Other Electric Revenue	7,296	7,004	6,480	5,837
Total	$ 549,531	$ 517,142	$ 444,178	$ 469,683
Investor Information				
Earnings per Average Common Share	$ 3.20	$ 3.48	$ 2.76(c)	$ 3.03
Average Number of Shares Outstanding (In Thousands)	17,581	16,923	15,116	13,034
Dividends Paid on Common Stock	$ 2.42	$ 2.30	$ 2.20	$ 2.04
Dividend Payout Ratio	76%	66%	80%	67%
Book Value Per Share (Year End)	$ 24.27	$ 23.58	$ 22.45	$ 22.40
Price Earnings Ratio (Year End)	8	7	8	6
Times Fixed Charges Earned (before income taxes)	3.61	4.11	2.27(c)	2.84
Shareholders and Employees (Year End)				
Common Shareholders	47,446	48,299	48,790	48,424
Employees	2,012	1,995	2,022	2,035

(a) Excludes capacity allocated to a large industrial customer.
(b) Includes unit purchase of capacity under contracts with Delmarva Power & Light Company and Pennsylvania Power & Light Company, commencing in 1980 and 1983, respectively.
(c) Earnings calculation includes the cumulative effect of an accounting change. Financial ratio is computed excluding the cumulative effect.

1980	1979	1978	1977	1976	1975	1974
$ 962,052	$ 870,075	$ 802,473	$ 753,269	$ 710,343	$ 675,617	$ 637,250
$ 97,330	$ 72,773	$ 58,073	$ 48,733	$ 41,702	$ 46,745	$ 71,200
6,879	6,831	6,786	6,735	6,696	6,645	6,580
1,434,700	1,384,700	1,414,700	1,414,700	1,334,700	1,334,700	1,278,700
1,261,700	1,192,600	1,177,400	1,176,000	1,030,300	1,069,400	1,004,400
12.1%	13.9%	16.7%	16.9%	22.8%	19.9%	21.5%
5,533,178	5,397,338	5,625,988	5,293,019	4,918,906	4,715,357	4,651,334
643,106	464,143	130,037	224,169	324,196	190,852	229,197
6,176,284	5,861,481	5,756,025	5,517,188	5,243,102	4,906,209	4,880,531
2,514,738	2,411,732	2,377,202	2,221,250	2,070,766	1,938,724	1,882,560
1,769,208	1,580,384	1,586,097	1,478,559	1,392,029	1,346,216	1,298,858
1,286,205	1,255,304	1,250,636	1,220,260	1,143,170	1,036,755	1,136,935
63,753	60,799	60,705	58,866	57,667	56,465	57,477
5,633,904	5,308,219	5,274,640	4,978,935	4,663,632	4,378,160	4,375,830
8,003	7,849	7,951	7,653	7,320	7,018	6,982
$ 536.99	$ 439.92	$ 406.18	$ 378.36	$ 349.64	$ 329.25	$ 291.21
6.71¢	5.61¢	5.11¢	4.94¢	4.78¢	4.69¢	4.17¢
52,225	48,339	44,387	40,318	37,581	35,235	32,215
261,988	258,941	254,592	249,927	245,296	241,019	237,397
314,213	307,280	298,979	290,245	282,877	276,254	269,612
43,267	43,219	42,672	42,033	41,170	40,608	40,351
1,041	1,048	1,034	1,047	1,071	1,100	1,080
654	667	673	676	681	684	679
359,175	352,214	343,358	334,001	325,799	318,646	311,722
379,242	371,362	362,131	352,205	343,147	336,105	330,758
1,037,000	1,015,000	990,000	961,000	937,000	915,000	894,000
$ 168,733	$ 135,178	$ 121,440	$ 109,818	$ 98,904	$ 90,956	$ 78,512
115,973	88,819	80,539	73,354	66,354	63,544	55,713
60,512	47,590	42,185	40,885	36,438	34,974	33,565
7,836	6,624	5,973	5,630	5,406	4,881	4,207
353,054	278,211	250,137	229,687	207,102	194,355	171,997
5,337	4,895	4,921	5,308	4,925	4,724	4,614
$ 358,391	$ 283,106	$ 255,058	$ 234,995	$ 212,027	$ 199,079	$ 176,611
$ 2.62	$ 2.36	$ 2.21	$ 2.06	$ 2.60	$ 2.41	$ 2.54
12,372	11,980	10,791	10,630	9,747	9,490	8,973
$ 1.90	$ 1.765	$ 1.67	$ 1.62	$ 1.56	$ 1.51	$ 1.50
73%	75%	76%	79%	60%	63%	59%
$ 22.22	$ 21.63	$ 21.27	$ 20.71	$ 20.25	$ 19.34	$ 18.45
6	7	8	11	9	7	5
3.03	3.62	3.62	3.17	3.14	2.88	2.33
47,762	48,194	44,490	43,326	42,516	39,232	39,054
1,968	1,903	1,797	1,739	1,714	1,741	1,811

This Annual Report has been prepared for the purpose of providing general and statistical information concerning the Company and not in connection with any sale, offer for sale or solicitation of an offer to buy any securities.

BOARD OF DIRECTORS



The Board of Directors tour the new System Operations facility. Seated: (foreground), J.D. Feehan, (left to right), E.D. Huggard, M. Holden, Jr., G.A. Hale. Standing: E.S. Daniel, I.K. Kessler, J.M. Miner, R.M. Dicke, J.M. Galvin, Jr., M.H. McWhinney.

ELEANOR S. DANIEL
Self employed. Vice President and Director of several real estate corporations.

RICHARD M. DICKE
Counselor-at-law. Partner of the law firm of Simpson Thacher & Bartlett.

JOHN D. FEEHAN
Chairman of the Board and Chief Executive Officer of the Company.

JOS. MICHAEL GALVIN, JR.
President and Chief Executive Officer of Salem County Memorial Hospital.

GERALD A. HALE
President of Hale Resources, Inc., an industrial/natural resources investment and management company.

MATTHEW HOLDEN, JR.
Professor of Government and Foreign Affairs, University of Virginia.

E. DOUGLAS HUGGARD
President and Chief Operating Officer of the Company.

IRVING K. KESSLER
Retired. Formerly Executive Vice President, RCA Corporation.

MADELINE H. McWHINNEY
President of Dale, Elliott & Company, a management consulting firm to the banking industry.

JOHN M. MINER
Senior Vice President of Crocker National Bank.

DIRECTOR COMMITTEES

	E.S. DANIEL	R.M. DICKE	J.D. FEEHAN	J.M. GALVIN, JR.	G.A. HALE	M. HOLDEN, JR.	E.D. HUGGARD	I.K. KESSLER	M.H. McWHINNEY	J.M. MINER
Audit				●		●		●		○
Corporate Development			■		○	●	■	●		●
Energy, Operations & Research		●	■	●	●	●	■	○	●	
Finance	●	●	■		●		■		●	○
Pension & Insurance	●	○	■			●	■			●
Personnel	●	●	■	○	●		■	●		
Shareholder, Community & Government Relations	○		■	●		●	■		●	

○ Commitee Chairman
● Committee Membership
■ Ex Officio Membership

CORPORATE OFFICERS

	YEARS OF SERVICE
John D. Feehan *Chairman of the Board and Chief Executive Officer*	32
E. Douglas Huggard *President and Chief Operating Officer*	29
Jerrold L. Jacobs *Senior Vice President—Operations and Engineering*	23
Michael A. Jarrett *Senior Vice President—Corporate Services*	9
Brian A. Parent *Senior Vice President—Planning and Rates*	17
J. G. Salomone *Senior Vice President—Finance and Treasurer*	8
David V. Boney *Vice President—Customer and Community Services*	30

	YEARS OF SERVICE
John F. Born *Vice President—Electric Operations*	32
Lance E. Cooper *Vice President—Control*	2
Thomas E. Freeman *Vice President—Human Resources*	4
Meredith I. Harlacher, Jr. *Vice President—Engineering*	19
Henry C. Schwemm, Jr. *Vice President—Production*	15
Joseph T. Kelly, Jr. *Assistant Vice President—Operations*	34
Martin R. Meyer *Secretary and Assistant Treasurer*	36
J. David McCann *Assistant Treasurer and Assistant Secretary*	12

Credits: Bob Glassman Design Associates, Inc.; Kelly/Mooney Photography

ATLANTIC ELECTRIC
P.O. Box 1264
1199 Black Horse Pike
Pleasantville, N.J. 08232