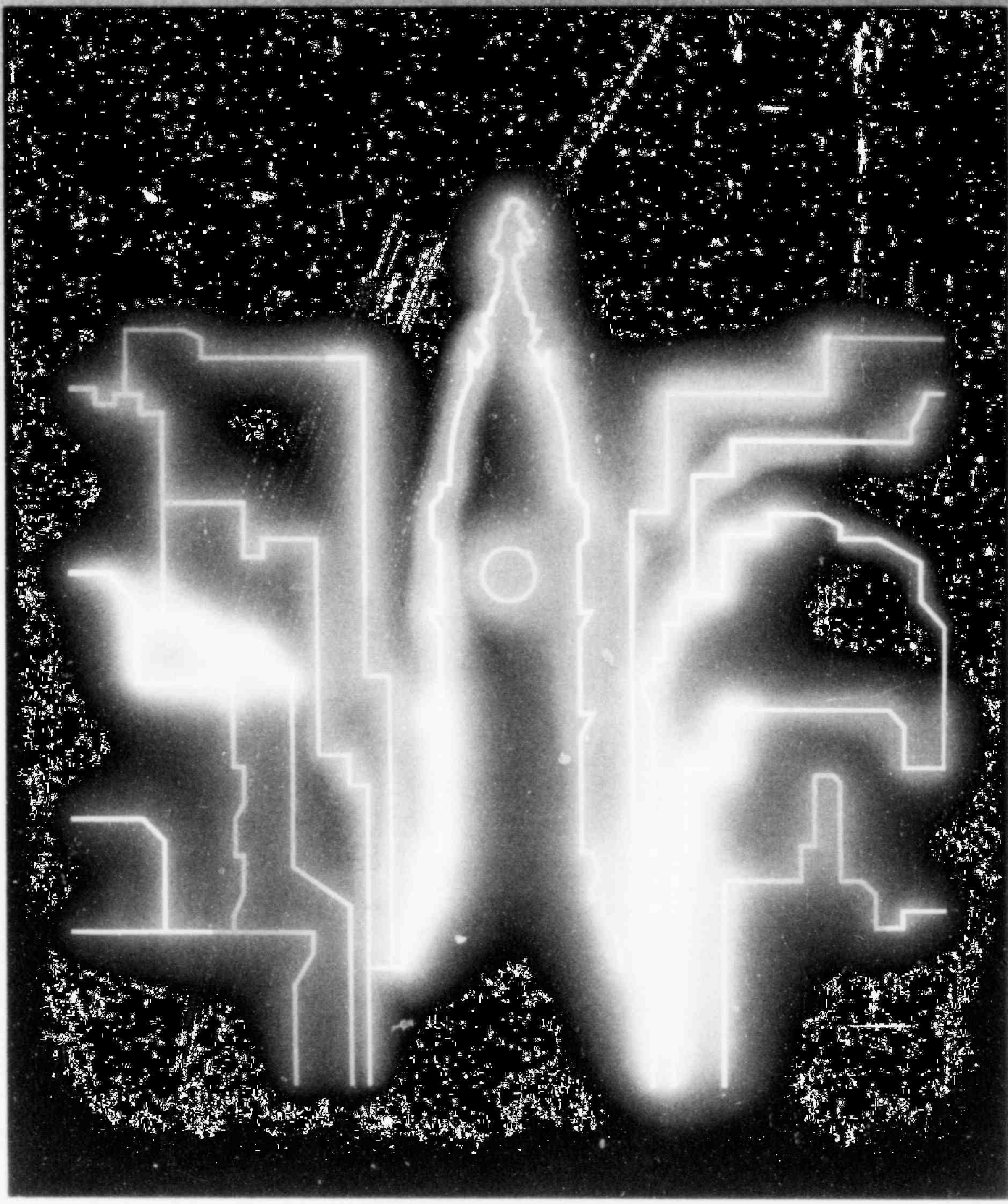
ILADELPHIA ELECTRIC COMPANY ANNUAL REPORT 1984



"We Know The Territory"

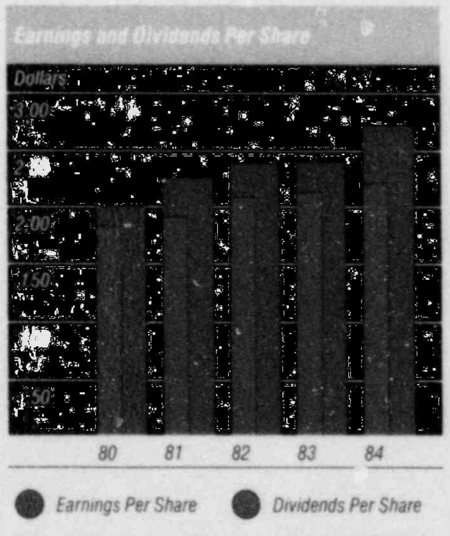
The Company's Area Development Department uses this slogan in its successful campaign that promotes business activity in the service area. From center-city Philadelphia (represented by the front cover) to the neighboring suburban counties and parts of Maryland (see map on back cover), Philadelphia Electric Company stands ready to supply the needs of existing customers and to assist new and potential customers in its service territory.

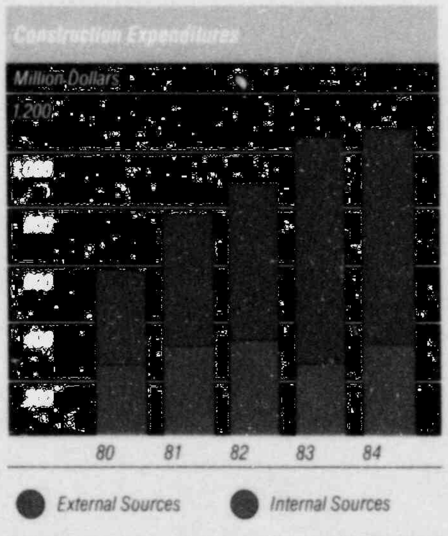
About the Company—Philadelphia Electric Company is an operating utility which provides electric, gas and steam service to the public in southeastern Pennsylvania and to certain portions of northeastern Maryland through a subsidiary. The total area served by the Company and subsidiaries covers 2,475 square miles. Electric service is supplied in an area of 2,340 square miles with a population of about 3,600,000, including 1,600,000 in the City of Philadelphia. Approximately 95 percent of the electric service area and 63 percent of retail kWh sales are in the Philadelphia suburbs and in northeastern Maryland, and 5 percent of the service area and 37 percent of such sales are in the City of Philadelphia. Natural gas service is supplied in a 1,475-square mile area of southeastern Pennsylvania adjacent to Philadelphia with a population of 1,300,000. Steam service is supplied in the central and west Philadelphia areas.

Contents

Philadelphia Electric Company Annual Report 1984

Financial Highlights	1984	1983	% Change
Operating Revenue	**$2,981,017,000**	$2,596,050,000	15%
Operating Expenses	**$2,526,758,000**	$2,202,343,000	15%
Taxes Charged to Operations	**$453,612,000**	$378,641,000	20%
Operating Income	**$454,259,000**	$393,707,000	15%
Earnings Applicable to Common Stock	**$409,707,000**	$321,705,000	27%
Earnings per Average Common Share	**$2.70**	$2.40	13%
Cash Dividends Paid per Common Share	**$2.20**	$2.12	4%
Average Shares of Common Stock Outstanding	**151,803,698**	133,851,768	13%
Construction Expenditures	**$1,063,630,000**	$1,051,816,000	1%
Total Assets	**$9,555,729,000**	$8,544,464,000	12%





James L. Everett John H. Austin, Jr.

To Our Shareholders:

The Company achieved major milestones during 1984. Among the most noteworthy:

• Earnings per share amounted to $2.70, up 30 cents or 13% from 1983.

• The dividend rate on common stock was increased 4%, effective in March. For the year, the dividend payment increased 8 cents to $2.20 per share.

• Electric sales to retail customers, aided by the improving economy, increased by 3%. Gas sales increased 8% and steam sales were up 4%.

• The Limerick Revolving Credit/Term Loan Agreement was signed on April 6, providing up to $800 million to complete Unit No. 1 at Limerick.

• The construction of Limerick Unit No. 1 was completed.

• The Company received a low-power license for Limerick Unit No. 1 from the Nuclear Regulatory Commission (NRC) on October 26, fuel was loaded by November 13, and the unit has been fully tested at the low-power level.

• Effective on January 25, 1985, the PUC approved an electric base rate increase of $150 million per year to recover the costs of Salem Unit No. 2, coupled with a fuel charge decrease of $101 million per year to reflect its anticipated savings.

• A gas rate increase of $39 million per year became effective in April, 1984.

• Major pipe replacements on Peach Bottom Unit No. 2 neared completion.

• Construction expenditures exceeded $1 billion for the second year in a row.

• On January 3, 1985, a Bucks County Judge ordered Bucks County and the Neshaminy Water Resources Authority to complete the Point Pleasant Water Project which is designed to provide supplemental cooling water for Limerick. Opponents have filed exceptions to the Judge's decision which is subject to appeal when it becomes effective.

• In February, 1984, the Company suspended construction of Limerick Unit No. 2 in response to a PUC Order.

• In January, 1985, another PUC investigation began to determine whether completion of Limerick Unit No. 2 is in the public interest.

We are grateful to all the men and women of the Company for another job well done this year. We also extend our gratitude to the many shareholders who have remained loyal to the Company during these recent difficult years.

J. L. Everett

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

JH Austin Jr

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

Financial Results

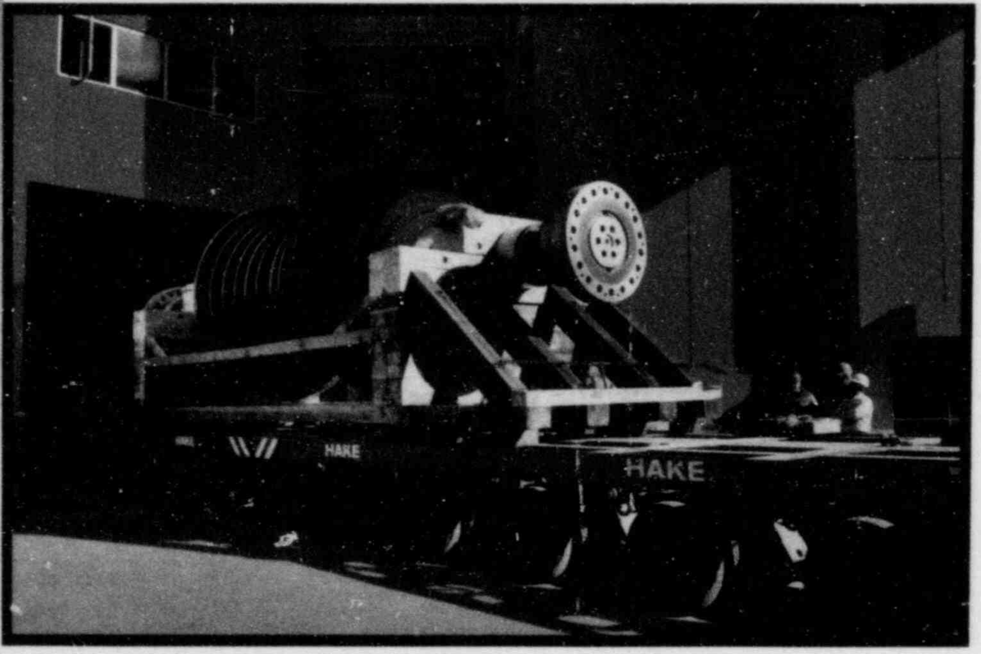
Higher Earnings

Earnings per share of common stock rose from $2.40 to $2.70 per share in 1984, an increase of 13%. Common stock earnings totaled $410 million, 27% above 1983, while the average shares outstanding increased 13%. The annual dividend payment rate on common stock increased to $2.20 per share, 66% of which was not taxable for federal income tax purposes.

Improved Sales Results

Total electric sales increased 7% to 29.4 billion kilowatthours. Excluding the sales of the Company's share of the output of Salem Unit No. 2 to Jersey Central Power & Light Company, retail electric sales increased 3% to 28.0 billion kilowatthours, as all major sales categories showed improvement over 1983 levels. Although Salem Unit No. 2 was available for only limited service in 1984 due to maintenance outages, the sale of its output was above last year and contributed to the total sales improvement. The Salem Unit No. 2 contract with Jersey Central expired on December 31, 1984.

Sales of natural gas climbed 8% to 70 billion cubic feet due to colder weather during the heating season and increased sales to commercial and industrial customers. Steam sales increased 4% to 4.7 billion pounds.



A new low-pressure turbine rotor is delivered to Peach Bottom for Unit No. 2. This 20-foot rotor is one of two that were installed during a refueling and pipe replacement outage.

Increased Revenue, Expenses

Total operating revenue increased to $3.0 billion, a 15% increase above 1983 levels. Electric revenue rose $328 million, or 16%, benefiting from higher service territory sales ($54 million), rate increases ($140 million), fuel-related revenue ($104 million), and sales of Salem Unit No. 2 output to Jersey Central ($36 million). Gas revenue was up $46 million and steam revenue increased $11 million from last year.

Operating and maintenance expenses before depreciation and taxes were up 14% to $1.9 billion, primarily due to higher fuel expenses. Electric fuel and interchange costs charged to operations increased 18% in 1984, while $115 million of fuel and interchange costs were deferred for recovery in future years. The total of deferred fuel costs at year-end amounted to $230 million with recovery of approximately $100 million of these costs pending a PUC investigation of the Company's Energy Cost Rate.

Operating and maintenance expenses, excluding fuel, were up 15% to $773 million due to scrubbing system expenses at Eddystone and Cromby stations, higher operating costs at Salem, and increased labor costs.

Construction Expenditures

Plant and equipment expenditures amounted to $1.06 billion in 1984. Approximately 76% of these construction funds were spent at Limerick and related transmission facilities. In 1985, the Company estimates construction outlays of $766 million.

1984 Financing Program

In 1984, the Company raised $864 million in new capital and bank borrowings for its construction program and other needs as summarized in the table on page 5.

Regulatory Proceedings

A $49 million net electric rate increase was approved by the Pennsylvania Public Utility Commission (PUC) effective January 25, 1985. The increase consists of a base rate increase of $150 million which is partially offset by a $101 million reduction in the Company's electric Energy Cost Rate to reflect anticipated fuel savings from the Salem Unit No. 2 nuclear reactor. Output from Unit No. 2 had previously been sold to Jersey Central Power & Light Company under a contract which expired on December 31, 1984. The PUC has now permitted the unit's costs to be recovered from our retail customers and the Company has agreed to guarantee that the unit will produce at least $116 million of fuel savings during the period from January 25, 1985 to March 31, 1986. The approved amount was 59% of the $253 million base rate increase originally requested in April, 1984. A gas rate increase of $39 million was approved effective April 27, 1984 which represented 97% of the amount requested.

Limerick Credit Agreement

In March, the PUC gave approval for the Company's $800 million Revolving Credit/Term Loan Agreement with a group of 26 banks headed by Citibank. This eight-year credit facility is to be used to finance the costs associated with the completion of Limerick Unit No. 1 and common plant, as well as certain suspension costs associated with Unit No. 2. At year-end, the Company had borrowings of $400 million outstanding under the agreement and had issued $240 million of tax-exempt securities for Limerick expenditures, leaving $150 million available for borrowing under the agreement in 1985.

1984 Retail Base Rate Increases

	Application Date	Effective Date	Millions of Dollars Annual Revenue
Electric—Pennsylvania	4/27/84	1/25/85	$149.6
Electric—Maryland	5/2/84	8/1/84	4.3
Gas	7/29/83	4/27/84	39.4
Steam	7/29/83	1/1/84	2.6

1984 Major Financings

Month		Millions of Dollars
February	Sinking Fund Debentures—14½% Series due 2009	$150.0
March	Preferred Stock—14.625%—500,000 shares @ $100	50.0
April	Common Stock—6,000,000 shares @ $12.875	77.3
August/ September	Common Stock—1,000,000 shares continuous offering—Average price $11.937	11.9
September	Pollution Control Bonds (variable tax-exempt @ 6.00-6.85%)	8.7
October	Common Stock—4,000,000 shares @ $13.00	52.0
November	Mortgage Bonds—13.05% private placement	20.0
November/ December	Common Stock—612,900 shares continuous offering—Average price $14.719	9.0
December	Mortgage Bonds—14.0% private placement	80.0
December	Depositary Preferred Stock—14.15%—5,000,000 shares @ $10	50.0
December	Pollution Control Notes (variable tax-exempt @ 6.00-6.50%)	240.0
December	Allied MgO Regeneration Facility	56.5
January-December	Common Stock Purchase Plans: Dividend Reinvestment, Employee, PAYSOP—7,879,000 shares	105.9
	Sub-Total	$911.3
	$800 million Limerick Credit Agreement—Borrowings outstanding at Dec. 31	400.0
	Reduction in Domestic Revolver Borrowings	(200.0)
	Sub-Total	$1,111.3
	Reduction in Short-Term Debt	(247.5)
	Total	$863.8

Commercial Developments

Marketing

Increased business activity had a positive effect on electric and gas sales in 1984. Total electric sales, excluding sales to Jersey Central, increased 3% to 28.0 billion kilowatthours. Summer weather that was much cooler than the hot summer of 1983 held down the increase, particularly in residential sales which increased only 1%. The commercial sector had the largest increase in sales, climbing nearly 5% above 1983 levels.

Colder weather during the heating season and the addition of approximately 5,500 new gas heat customers helped total gas sales to increase 8% to 70 billion cubic feet.

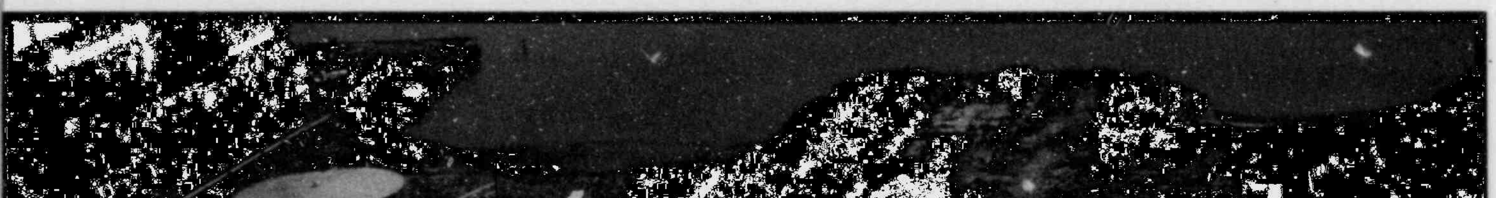
The Company's marketing philosophy can be summarized in this objective: Encourage the use of high-efficiency appliances and equipment and the installation of energy-conserving materials which benefit both the Company and its customers. Proposed marketing programs must meet the test of being cost-effective to ratepayers and shareholders. Energy conservation programs which help customers manage their bills are as important a part of PE programs as those promoting off-peak uses of electricity and gas.

One marketing program which receives great emphasis is the Company's heat pump promotion. The heat pump offers customers the most cost-effective way to heat their homes while providing profitable off-peak sales to help improve load factor. During 1984, 6,579 newly built living units installed electric heat pumps for space heating and air conditioning, bringing the total heat pumps installed on the system to an estimated 44,000 units.

Innovative Rates

Recognizing the need to maintain a healthy economic climate in this service territory, the Company continually reviews rate structures to assure that they are meeting the needs of customers and, at the same time, contributing to the financial strength of the Company. Two recent examples of successful innovations include a new clause that enables

A new propane-air peak shaving storage facility was completed at the Tilghman Street Gas Plant in Chester along the Delaware River in 1984. The storage tanks are buried beneath the mound of sand, dirt and crushed stone. The propane is mixed with air and supplements natural gas during peak demands on extremely cold days when demand exceeds the Company's normal pipeline supplies.



industrial customers who use substantial amounts of off-peak power to purchase equivalent amounts of on-peak power at a lower cost and a rate provision which allows large customers who curtail their demand upon request to receive a credit for that curtailed load, thus reducing their price per kilowatthour.

Another rate innovation is the Company's Employment and Economic Recovery Rider (E_2R_2) which was established in 1983 to encourage manufacturing customers to add employees to their payroll and to expand in the Company's service territory and to encourage new manufacturing customers to locate in our service territory. To date, 126 customers are receiving benefits. Approximately 6,500 jobs have been added to the payrolls of customers qualifying for E_2R_2 and approximately $127 million in capital investment have been made by these customers.

Area Development

Philadelphia Electric Company has been one of the region's most active supporters of area development. Using the theme, "We Know the Territory," on radio and in print advertising, PE is playing an important role in the promotion of the amenities and advantages of Southeastern Pennsylvania.

With the continuing growth in the national economy, there is a resurgence of economic development activity throughout our entire area. During the year the Company participated in the successful location of 41 new plants which brought 1,600 new jobs to the area. Also, new sites and buildings were found for 56 other expanding companies which resulted in the retention of over 3,500 jobs. The E_2R_2 played an important part in gaining and retaining a number of these companies.

In the commercial sector of the economy, we are benefiting from an exceptionally strong office-space market. The pace of office construction is gaining momentum throughout the entire territory with construction in downtown Philadelphia continuing at a remarkable pace. Several large office buildings are under construction and several others are in the design stage, including a 60-story skyscraper, the highest ever built in Philadelphia, and twin 40-story towers to be built in center city by the IBM Corp. In the suburban area, new offices are being built in every part of the territory.

Conservation Programs

PE has a number of specialized energy conservation programs in addition to the promotion of off-peak uses through specialized rates. Over 14,200 home energy audits have been completed, more than one-half of all energy audits in Pennsylvania. Surveys have shown that more than 93% of the audited customers rate the audit as an excellent value.

In mid-October, the Company began a weatherization program called the Tighten-up Low Cost Conservation (TLC) program for needy PE heating customers utilizing community-based organizations as PE contractors. A total of 120 houses were weatherized in 1984 and an additional 4,000 houses are planned for 1985. In the suburban area our TLC program is being coordinated with a larger scale insulation program of the state government.

With the Company's participation in Philadelphia School District's Save Energy Campaign, the Philadelphia School System was able to save $3.3 million in 170 schools of which $1.9 million was in electric and steam costs.

The Company actively cooperates with customers and developers interested in installing private generation facilities. PE offers a fair rate when purchasing any energy available from these facilities. The Company is currently negotiating with Scott Paper Company for

A new media campaign of radio and television messages for the fall and winter addressed the topics of home energy audits, service reliability, PE Cares—a customer assistance program to help senior citizens, and electrical safety.

the purchase of energy from their proposed 50-megawatt cogeneration facility. A. E. Staley Manufacturing Company is constructing a 10-megawatt facility to be on-line by 1986. Several small, natural-gas-fired cogeneration systems are on-line and several are under consideration. The Company is currently in discussion with several potential developers of waste-to-energy facilities in the area.

Approximately 110 megawatts of cogeneration are now in service and the Company forecasts approximately 240 megawatts of additional cogeneration and small power production over the next ten years.

Customer Assistance

In the area of customer assistance, Philadelphia Electric, cooperating with the Philadelphia Gas Works and the Philadelphia Water and Sewer Department, started the Utility Emergency Services Fund (UESF) in 1983 to help needy customers in the Philadelphia area meet their utility payments. Philadelphia Electric and the other utilities match contributions dollar for dollar. Since its inception, the UESF has aided over 3,900 Philadelphia Electric Company customers.

A natural gas vehicle is being refueled by Anthony J. Genaro a member of the NGV Development Team, at the Company's new compressed natural gas station at its Plymouth Service Building near Norristown. A promising market for this fuel may exist in the future.

During 1984, hydro generation records were set at Conowingo Station, mine-mouth coal generation for the year at Conemaugh Station was at an all-time high, the flue gas scrubbers continued to perform successfully at Eddystone and Cromby Stations, and major overhauls at Peach Bottom and Muddy Run were undertaken.

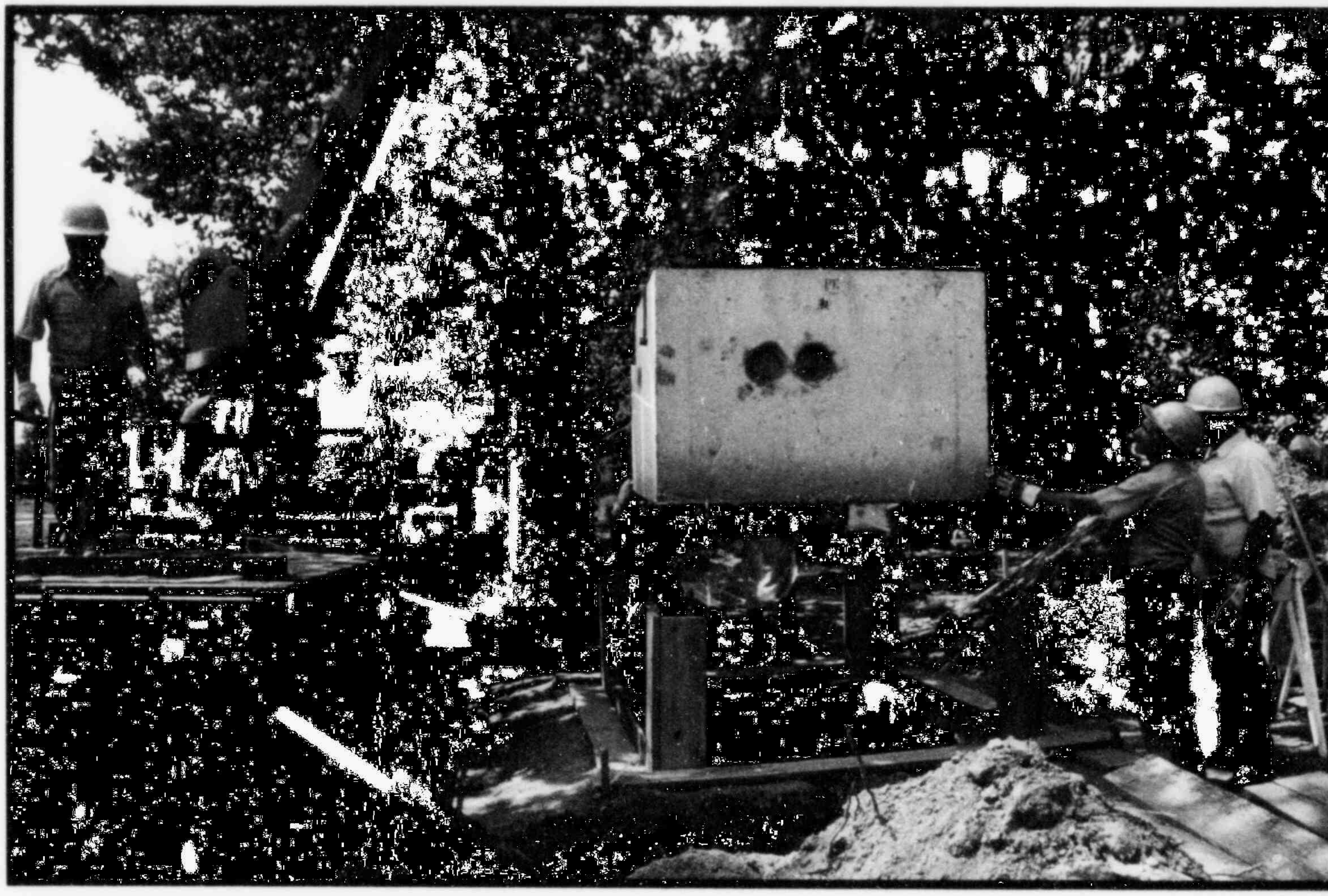
A 15% higher than normal rainfall in the Susquehanna River watershed caused sustained high river flows and enabled Conowingo Station to set all-time monthly hydroelectric generation records for the months of July and August, exceeding the prior records by 10% and 28%, respectively. In addition, the output for the year was the highest since 1979 and the fifth highest in the history of the station. Estimated fuel savings to PE's customers amounted to $94 million as a result of the energy produced by the Conowingo Station.

The jointly owned Keystone and Conemaugh mine-mouth, coal-fired units in Western Pennsylvania achieved a number of production milestones during the year which followed an exceptional year in 1983. The high level of performance is directly attributable to a rigorous improvement program including prudent capital investment in station upgrading. Both stations receive coal directly from underground mines contiguous to the plant sites. PE owns twenty-one percent of these stations.

The magnesium oxide scrubbers, which were placed in commercial operation at Eddystone and Cromby Stations in 1983 to remove sulfur dioxide from the units' flue gas, completed their second year of successful operation. In 1984 the scrubbers were available for full operation 97% of the time they were required.

Peach Bottom Unit No. 2 was shut down in April for refueling and the replacement of portions of the reactor piping system. The stainless steel piping had developed a number of tiny cracks at welds on its internal surfaces. This is a generic problem in boiling water reactors such as Peach Bottom built during the 1960's and 1970's. The cracks were discovered in 1983 during the routine weld inspection program required of piping used in nuclear systems. Approximately 1,000 feet of piping of up to 28" in diameter is being replaced with an improved nuclear-grade piping. The unit is expected to return to service in the second quarter of 1985. Total project cost is an estimated $70 million.

Muddy Run pumped-storage, hydroelectric plant provides peak load capac-



ity. The eight pump/turbine units at Muddy Run require major overhauls after 20 years of operation. To date, four of the units have been successfully overhauled at an average cost of $1.1 million per unit. This work is scheduled for the winter months during periods of lower energy demand and low-flow conditions in the Conowingo pond. The Company continued with the program of overhauls this winter and will complete the last of the units in the winter of 1985-1986. These overhauls will result in improved unit efficiency and will provide reliable and economical electric production through the year 2000.

The fourth and final 230 kV transmission line associated with Limerick Generating Station was energized in September. The four lines were installed at a cost of approximately $33 million and encompass over 44 miles of 230 kV circuit. Existing rights-of-way, either PE or Conrail, were utilized for the routing of all lines. The first Limerick transmission line was energized in March, 1984. This project represents the completion of all the transmission requirements for carrying the output of Limerick Unit No. 1 to our customers.

In 1984, PE continued to make full use of its purchasing arrangements with systems outside the Pennsylvania–New Jersey–Maryland Interconnection, enabling the Company to obtain economical coal-fired power from as far west as Indiana. These arrangements, together with purchases from PJM, serve to minimize the operation of higher-priced oil-fired generating stations on the Company's system. Nearly 12 billion kilowatthours of economical interchange power were purchased by the Company in 1984, representing 38% of total output, with the savings to PE customers amounting to approximately $230 million.

1984 was an unusually severe storm year for the Company's electric distribution system. Approximately 500,000 customers experienced interrupted service at some time during the year, as compared with 300,000 customers during an average year. In late March, high winds and heavy rainfall, with snow in outlying areas, resulted in interruptions of electric service to 131,000 customers. This was the seventh worst storm to affect the Company since 1950. Restoration of electric service to the affected customers was accomplished within 48 hours by nearly 1,000 Company personnel. Despite the storms, the Company continued its near-perfect record of reliable service with a service availability index of 99.988%.

Other Developments

PE is currently installing a prototype fuel cell under a program funded by the Gas Research Institute and the U.S. Department of Energy. The fuel cell is an alternative method of generating electricity which is compact, silent, and does not pollute the environment in any way. This unit will produce 40 kW of electricity and heat for customer use with an effective efficiency of 80% at full capacity. The fuel cell uses natural gas and is designed for unattended, automatic operation. The total cost of the electricity produced by the fuel cell is currently significantly higher than from conventional sources. However, the Company expects this device could become a useful energy option within 5 to 10 years.

In August, the Company entered into a new long-term nuclear fuel enrichment contract with the U.S. Department of Energy (DOE). Under the more flexible terms of the new 30-year contract, the Company will pay a lower price for the service of enriching utility-owned uranium. At today's prices, the contract value is estimated to be $2.1 billion, a savings of $230 million from previous contracts with DOE.

Interest in compressed natural gas powered vehicles has been growing and a promising market for this fuel may exist in the future. As a motor fuel, it is environmentally safe and competitively priced. In order to capitalize on this potential, the Company has undertaken the marketing of natural gas for vehicles on a limited basis. The Company has three natural gas refueling stations available to support the natural gas vehicles. A fixed location station at the Plymouth Service Building is capable of fueling 35 vehicles per day and there are two small portable stations which can be moved to customers' properties for short-term demonstrations.

Routine inspection of the moisture separator inlet line is performed at Peach Bottom Unit No. 2 during a refueling outage. This 42-inch diameter pipe is one of six such lines that conducts steam from the high pressure turbine.

Point Pleasant Project

Under an agreement between the Company, the Neshaminy Water Resources Authority (NWRA), and Bucks County for the construction and operation of facilities necessary to supply supplemental cooling water for the Limerick Generating Station, construction of the project facilities was begun by NWRA in January, 1983, but stopped early in 1984.

The Company and the water authorities of North Penn and North Wales Townships, who also expect to receive water from the project, commenced proceedings against NWRA and the County in the Court of Common Pleas of Bucks County to require completion and operation of the facilities. In January, 1985, the Court ordered the resumption of construction and the implementation of contractual provisions for the supply of water for Limerick. Exceptions to the decision have been filed by NWRA and Bucks County and the decision may be appealed following a ruling on the exceptions.

The Point Pleasant project will not be available in 1985 when needed for Limerick Unit No. 1, and an interim supply of supplemental cooling water will be needed on a temporary basis. The Company will pursue possible sources to provide water on an interim basis until the Point Pleasant project is completed.

Limerick Developments

During 1984, Limerick passed two major milestones. First, Unit No. 1 construction and pre-operational testing was completed and, after almost 16 years of planning and construction, was turned over to the Electric Production Department for operation. And second, the Company received a low-power license for the unit from the Nuclear Regulatory Commission (NRC).

Less than 12 hours after receipt of the license, the first of 764 fuel bundles had been loaded into the unit's boiling-water reactor. By late November the head had been placed on the reactor.

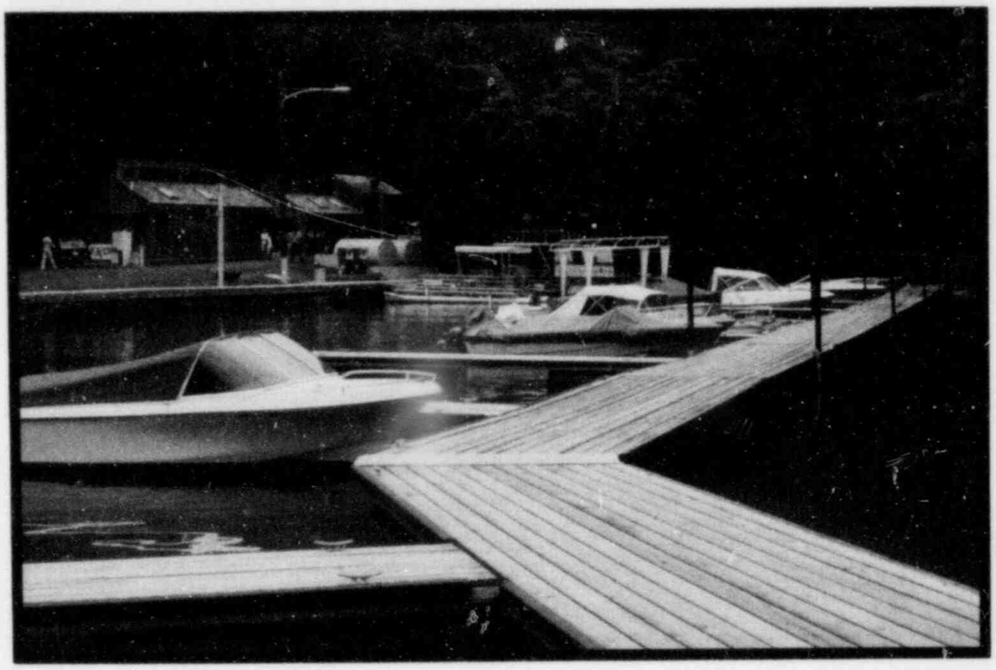
In December, the reactor reached criticality—the state at which the nuclear reaction is self-sustaining—and power ascension and low-power testing up to the five percent level continued throughout January. Licensing hearings on the emergency evacuation plans were completed in January, except for the possibility of hearings on the emergency response plans for a correctional institute in the Company's service area. The Company estimates that the earliest date for beginning commercial operation is the third quarter of 1985, assuming an interim source of supplemental water is available by May, 1985. If an interim supply of supplemental water is not available during the summer of 1985, commercial operation of Unit No. 1 could be delayed an additional six months. At year-end 1984, the Company's investment amounted to $2.19 billion for Unit No. 1 and $1.07 billion for common plant.

Construction of Unit No. 2 remained suspended in 1984. In July, the PUC ordered the Company to "show cause" why the completion of Unit No. 2 is in the public interest. The Company's testimony was filed with the PUC in December and demonstrated that the capacity equivalent to Unit No. 2 is needed by 1990 and that completion of the unit is the most economic alternative for the customer. Hearings began on January 3, 1985, and are expected to continue through March. An Order may be issued by the PUC in the third quarter of 1985.

As of December 31, 1984, the Company's investment in Unit No. 2 amounted to $792 million.

A special pictorial section on Limerick begins on page 12.

The Company completed the Glen Cove Marina on the west bank of the Conowingo Pond for public recreation in the spring of 1984. This marina consists of a store, comfort station, floating dock system, picnic areas, launch ramp and parking area.



Limerick Calendar of Events—1984

January	The Company informed the Pennsylvania Public Utility Commission (PUC) that it had decided to accept the PUC's option to suspend the construction of Limerick Unit No. 2 until Unit No. 1 was in commercial operation. This revised construction schedule set the date of 1990 for commercial operation of Unit No. 2.
February	The PUC issued its Order approving the above-mentioned plan and further required justification for completing Unit No. 2 before construction resumed on the unit.
March	The Nuclear Regulatory Commission (NRC) issued its 1983 Systematic Assessment of Licensee Performance (SALP) Report, which assesses design and construction performance, placing Limerick among the top SALP reports issued for all nuclear units under construction.
April	The Company entered into the $800 million Limerick Revolving Credit Agreement with a group of 26 banks to finance the costs of completing Unit No. 1 and common plant. Delivery of fuel rods began.
May	Fuel deliveries were completed. A Bucks County Judge ruled that the Company's contract for supplemental water via the Point Pleasant Project was a valid contract.
July	An Emergency Evacuation Drill for Limerick involving Company personnel, government officials and 33 municipalities was successfully conducted. Federal and state officials gave high marks for those who planned and participated in the emergency exercise. In another matter, the PUC directed the Company to "show cause" why the construction of Limerick Unit No. 2 is in the public interest. Also, hearings were completed by the Atomic Safety and Licensing Board of the NRC on all contentions relating to the issuance of a low-power license for Unit No. 1.
August	The Atomic Safety and Licensing Board issued an order authorizing the issuance of a license for operation of Unit No. 1 to 5% of power. Also, hearings were completed on the Company's suit to force completion of the Point Pleasant Project to provide supplemental cooling water.
October	The NRC issued a low-power license for Unit No. 1 and the Company immediately began fuel loading.
November	Fuel loading was completed. The expected date for commercial operation of Unit No. 1 was revised to the third quarter of 1985 at the earliest, instead of April 1985, assuming an interim source of supplemental water is available by May, 1985.
December	A number of zero power tests were completed and initial criticality was reached on December 22. The Company filed direct testimony in connection with the Limerick Unit No. 2 "show cause" proceedings mandated by the PUC. Hearings are scheduled to continue from January through March, 1985.

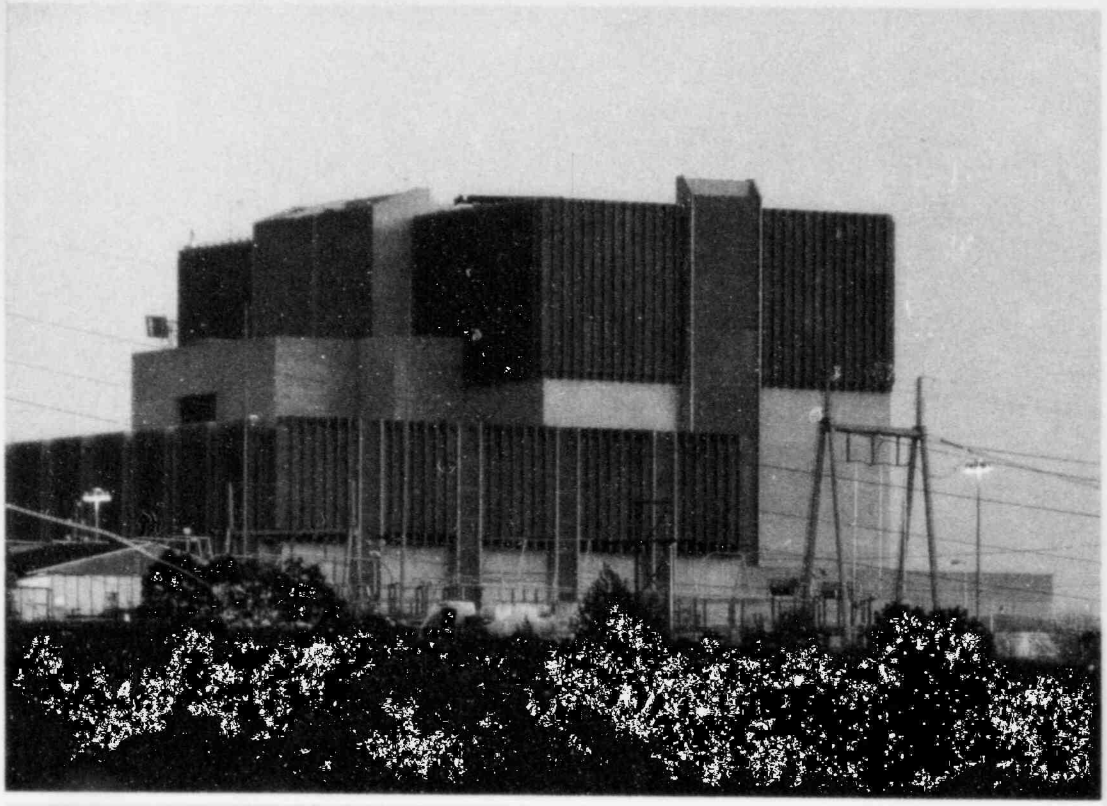
Vincent S. Boyer —
Senior Vice President,
Nuclear Power

Limerick Generating Station

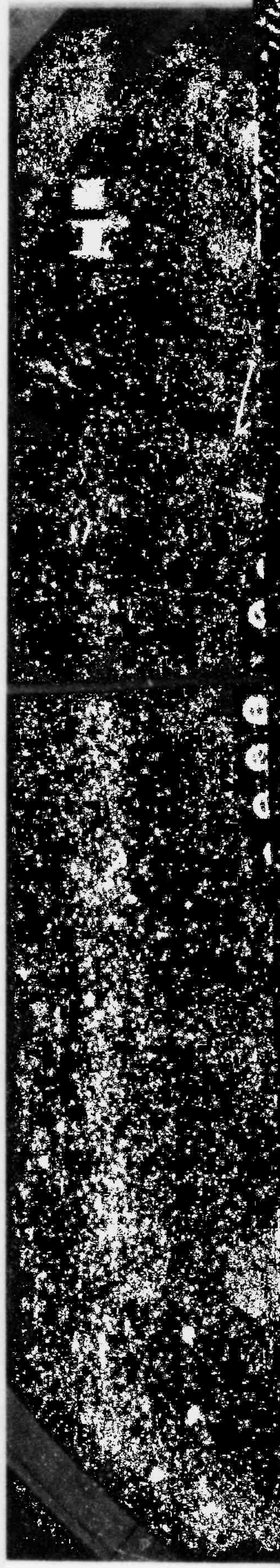
Special Feature

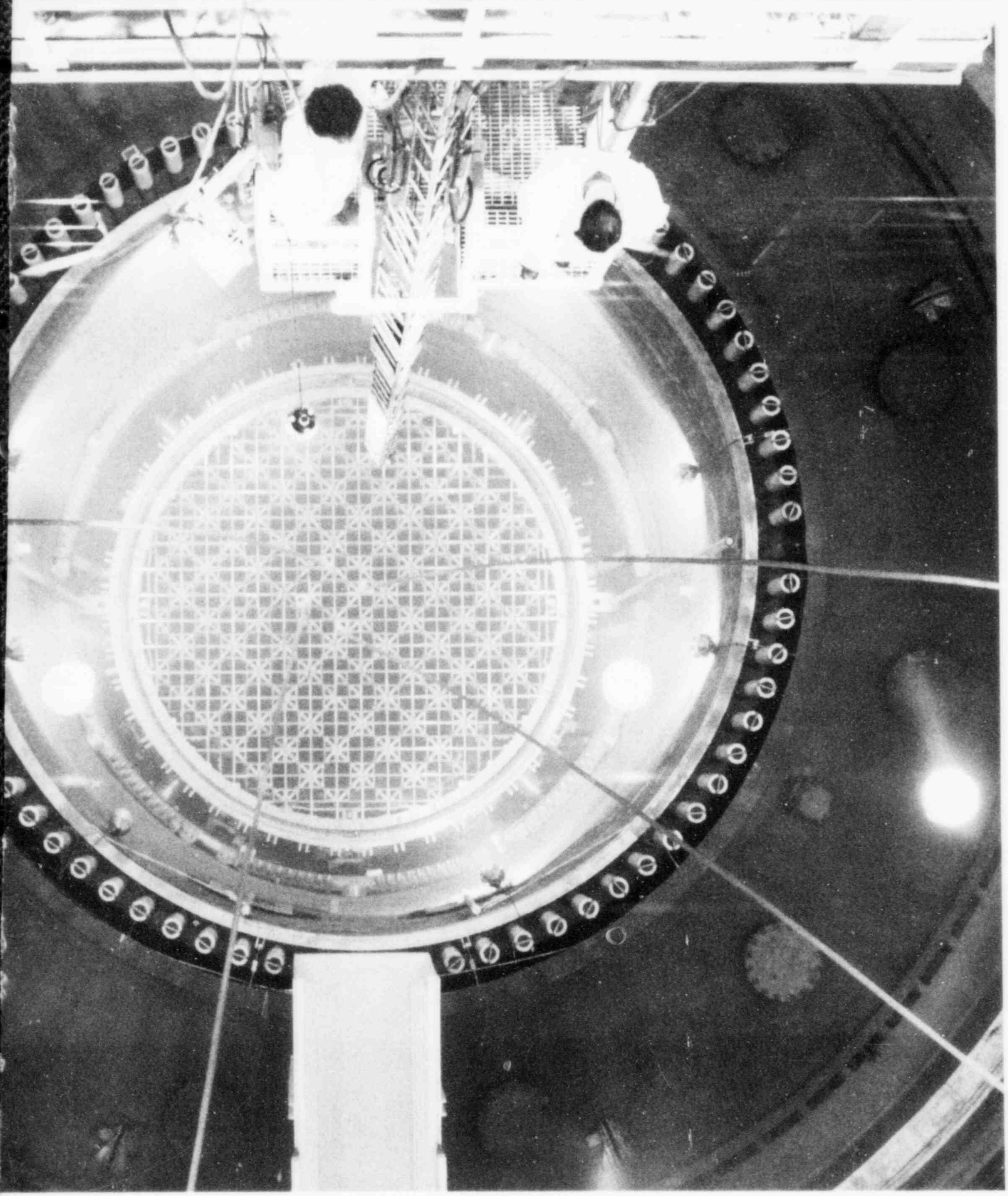
In 1984, Limerick Unit No. 1 was completed and a low-power license for the unit was received from the Nuclear Regulatory Commission. These pages present a pictorial report on the current status of Limerick and pay tribute to the thousands of men and women who participated in completing the construction and commencing the operation of Unit No. 1. Although it is impossible to identify each employee involved with Limerick, some of the key people are shown on pages 18, 19, and 20, as well as three vice presidents who gave continuing leadership to the project through its various stages—Vincent S. Boyer, Senior Vice President for Nuclear Power, John S. Kemper, Vice President for Engineering and Research, and Shields L. Daltroff, Vice President for Electric Production.

Limerick is the largest, most costly and complex construction project in the 300-year history of the Philadelphia region. It has been more closely monitored, regulated and reregulated than any other building effort in Southeast Pennsylvania. Its history goes back to 1969, when Philadelphia Electric Company announced plans to build the Limerick units. Applications for major permits were made in 1970 and in June, 1974 Limerick received its construction permit from the Atomic Energy Commission.



The taller structure on the right houses the Limerick nuclear reactor in which steam is produced and the lower structure on the left houses the turbine-generators which use the steam to produce electricity.



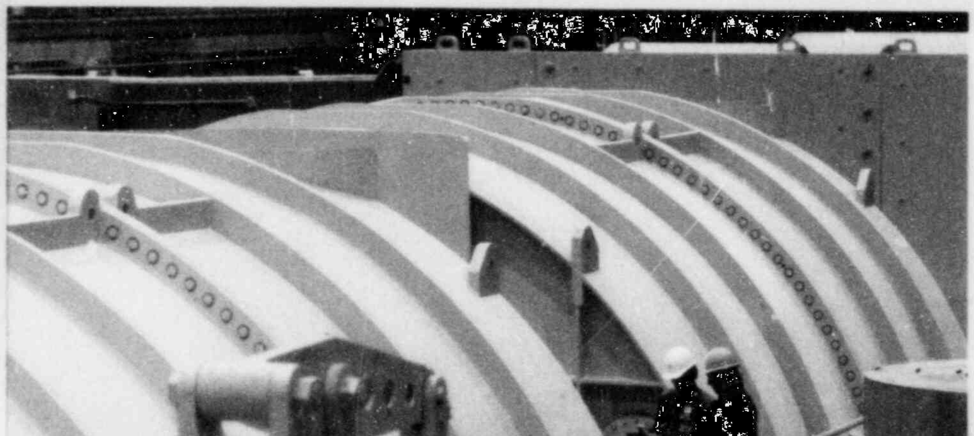


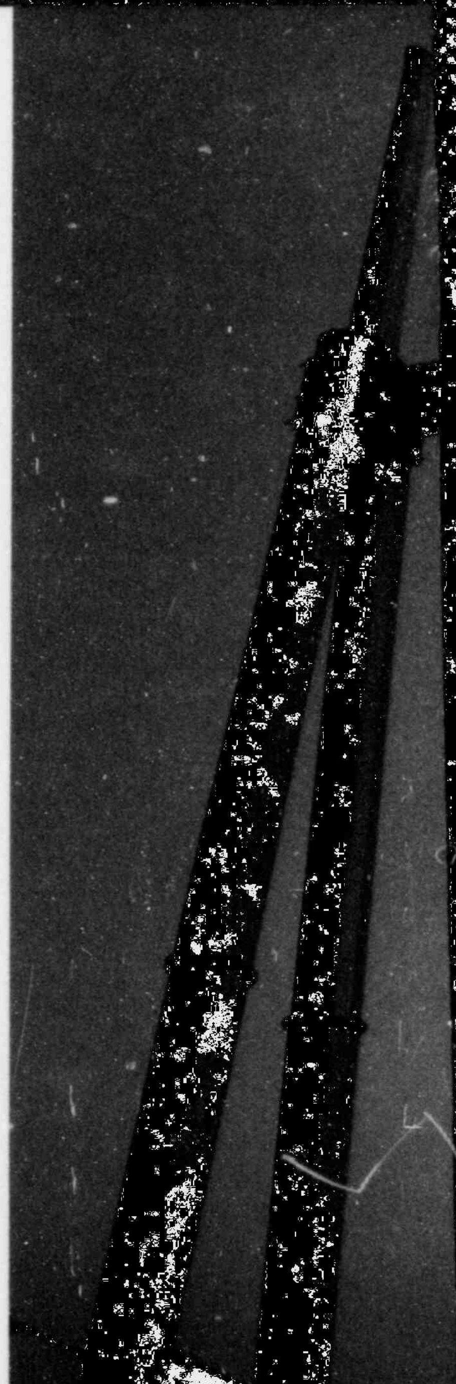
John S. Kemper — Vice President, Engineering and Research

The primary reactor containment and reactor vessel for Unit No. 1 were completed in 1976. Unit No. 2's primary containment and reactor vessel were finished the following year. The cooling towers for Unit No. 1 and Unit No. 2 were essentially completed in 1981 and 1982, respectively.

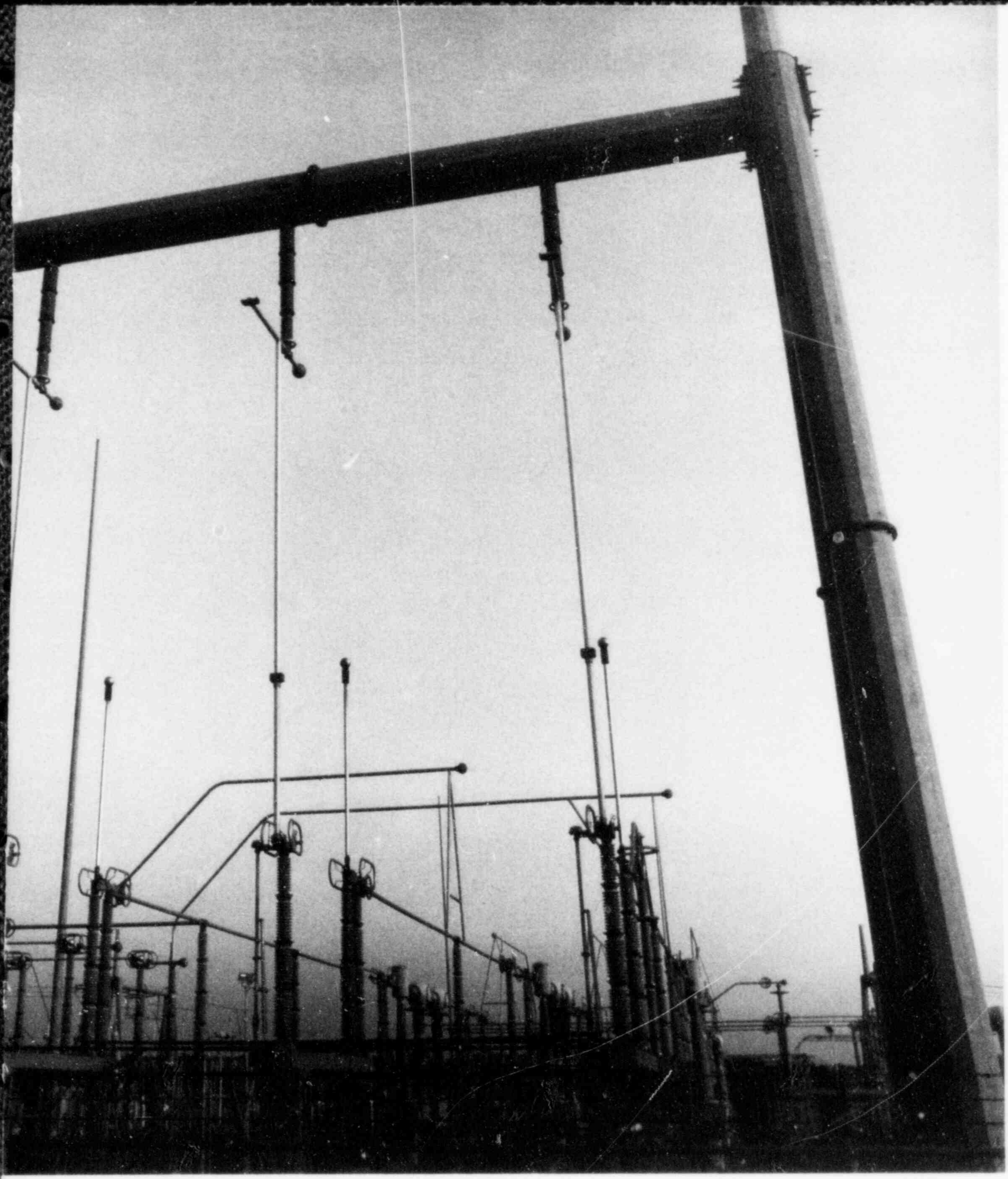
Limerick Unit No. 1 was the 100th reactor to receive a low-power operating license or go into service in the United States and approximately the 260th in the world. There are currently 36 nuclear reactors under construction in the United States and 116 in the world. The Limerick plant represents the very latest in technology, training and safety in the world, including modifications made as a result of the accident at TMI Unit No. 1.

In 1982, the Pennsylvania Public Utility Commission ordered the Company to suspend or cancel Unit No. 2. The Company chose suspension and work on that unit has been held up since early 1982. Studies continue to demonstrate that the capacity equivalent to Limerick Unit No. 2 is needed by 1990 and that completion of the unit is the most economic alternative.





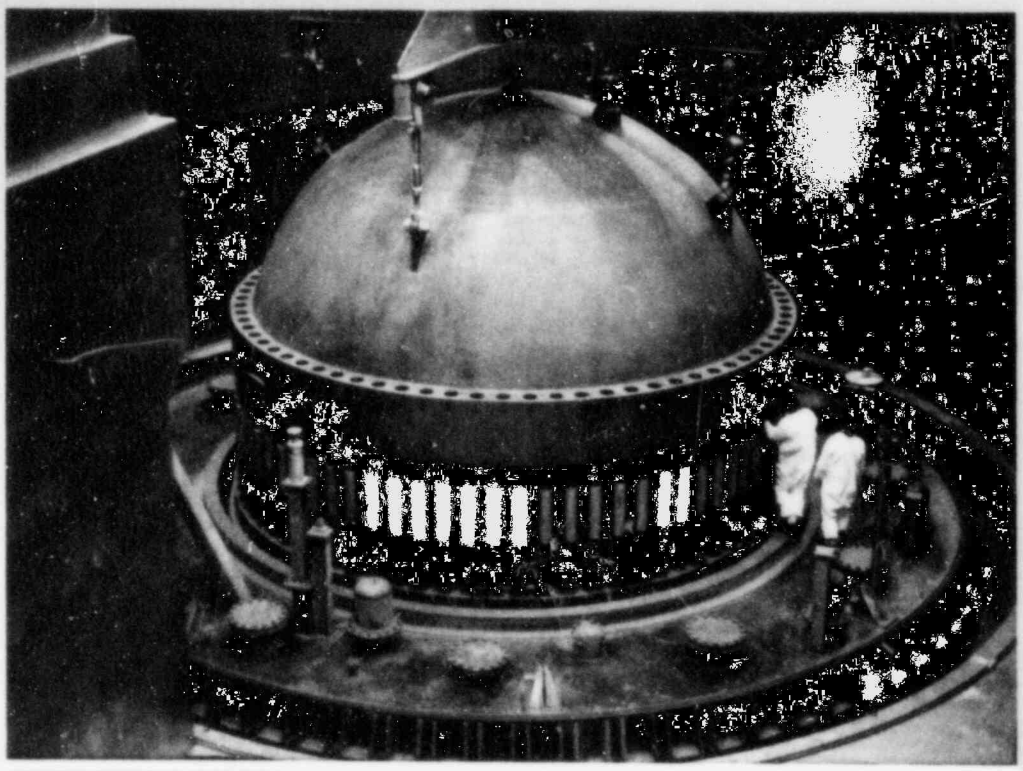
The Unit No. 1 turbine-generator will convert the steam produced by the reactor into electricity. This turbine-generator is [illegible] feet long and is designed to produce 1,100,000 kW of electricity.



Shields L. Daltroff—
Vice President
Electric Production

Limerick Statistics

Type of reactors	Boiling Water
Temperature	545°F
Pressure	965 psi
Turbine/Generator Electrical Capacity–per unit	1,100,000 kW
Cooling Towers:	
Height	507 feet
Width at base	488-foot diameter
Width at top	220-foot diameter
Two Units as of 12/31/84:	
Engineering	16 million manhours
Total field labor	63 million manhours
Reinforcing steel	25,000 tons
Structural steel	22,000 tons
Total concrete	396,000 cubic yards
Large pipe (over 2½")	504,000 lineal feet
Small pipe (under 2")	480,000 lineal feet
Cable	10,000,000 feet
Investment as of 12/31/84:	
Unit No. 1	$2.19 billion
Unit No. 2	$792 million
Common Plant	$1.07 billion
Total	$4.05 billion



In November 1984, the 90-ton reactor head was lowered into position over the 76 bolts of the Unit No. 1 reactor vessel with slow, painstaking care and bolted into place. Shortly afterward, the reactor was taken "critical"—i.e., achieving continuous chain-reaction nuclear fission and steam pressure increase began.

People of Limerick Generating Station

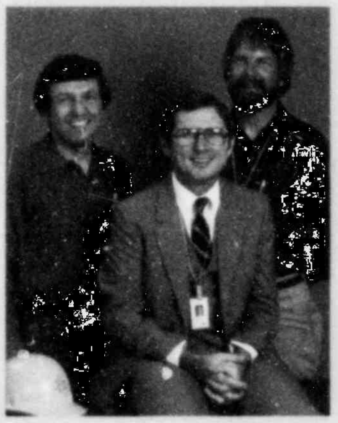
These key people, along with thousands of other men and women, have contributed their time and talents to bring Limerick Unit No. 1 to operational status. In addition to PE personnel, representatives from Bechtel Power Corporation (Limerick architect-engineer/constructor), General Electric Company (Limerick nuclear steam system supplier), many building trades, and Citibank (agent bank for the Limerick Credit Agreement) are shown on these pages.









Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Revenue increased in 1984 as a result of higher sales and rate increases. See Electric Operating Revenue, below. The Company continues to experience substantial increases in operating costs and carrying charges on increased investment in plant and equipment. Any future increases in such costs and charges may be expected to affect future net income and earnings per average common share adversely unless periodic rate relief is obtained to offset them. In addition, the capital carrying charges associated with the construction of Limerick, which are capitalized by crediting income with an allowance for funds used during construction (AFUDC) and recovered through future depreciation, now represent a major portion of net income and will continue to increase at least until Limerick Unit No. 1 is placed in commercial operation, which is expected to be in 1985. The Company has obtained the approval of the Pennsylvania Public Utility Commission (PUC) to utilize an accounting treatment which will synchronize the expense accounting for Limerick Unit No. 1 with rate recognition of the Unit.

Although the return on average common equity has increased during the past two years, the return on investment is still below that allowed by the PUC as a fair return in the Company's last rate order.

On April 27, 1984, the Company put into effect a rate increase for gas service amounting to $39.4 million per year. A steam rate increase of $2.6 million was put into effect on January 1, 1984. Retail rate increases for Maryland customers and an electric wholesale rate increase totaled $4.9 million. On January 25, 1985, a $150 million per year base rate increase for electric service was put into effect and the Company's Electric Energy Cost Rate was reduced to reflect anticipated fuel savings for the Salem Unit No. 2 of $101 million per year, which the Company has guaranteed.

Electric Operating Revenue

Increased electric revenue in 1984 over 1983 is primarily attributable to higher base rates and higher fuel-related revenue. The decrease in 1983 compared with 1982 reflected lower fuel-related revenue and a significant reduction in the sale of output from Salem Unit No. 2 to Jersey Central Power & Light Company as a result of an extended outage of the unit. Kilowatthour sales of electricity to retail customers increased 2.8 percent in 1984 over 1983.

Electric Revenue

Increase/(Decrease) Millions of Dollars	'84 vs. '83	'83 vs. '82
Rate Increases	$140.0	$115.6
Fuel-Related Revenue	104.0	(188.7)
Salem Unit No. 2	36.5	(104.9)
Other	47.3	104.9
Total	$327.8	$(73.1)

The contract for sale of Salem Unit No. 2 output to Jersey Central Power & Light Company expired on December 31, 1984, and the Company was permitted to recover the unit's costs from customers, effective January 25, 1985.

Gas Operating Revenue

Increased gas revenue in 1984 over 1983 is primarily attributable to higher rates and a 7.6 percent increase in sales.

Fuel and Energy Interchange Expense

For accounting purposes, fuel and energy interchange costs are deferred until billed as fuel adjustment revenue. In 1984, gross fuel and energy interchange costs were essentially the same as in 1983. However, electric fuel costs deferred were lower by $104.2 million, resulting in a net increase in fuel and energy interchange expense compared with 1983.

In 1983, gross fuel and energy interchange costs increased substantially over 1982 due to extended outages of nuclear units. However, a significant portion of those costs were deferred, resulting in a net decrease of $154.1 million.

Other Operating and Maintenance Expenses

Other operating and maintenance expenses have increased in the last two years due to inflation, growth in utility plant, and increased costs associated with the Company's nuclear generating units and with operating the new flue gas scrubbing systems at the Company's two coal-burning stations.

Depreciation

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

Income Taxes

Income taxes charged to operations increased in 1984 over 1983 as a result of higher operating income.

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

Other Taxes

Other taxes have increased primarily due to higher realty and gross receipts taxes.

Allowance for Funds Used During Construction

The increases in AFUDC for the last two years have resulted from higher interest rates and increases in construction work in progress.

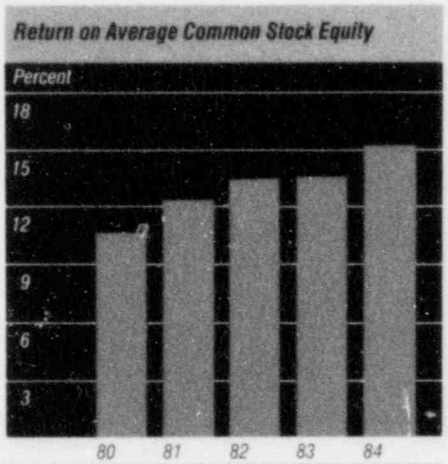
Interest Charges

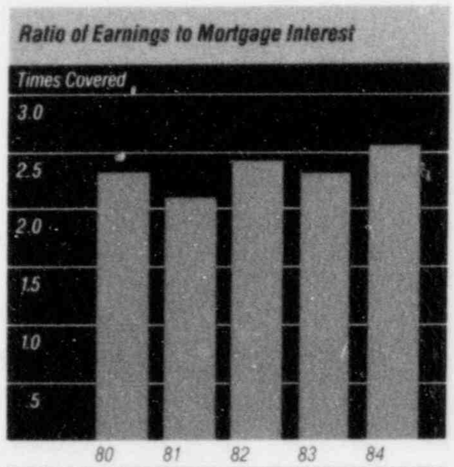
Interest charges on debt increased in the last two years due to additional debt outstanding and higher rates. The ratio of earnings to mortgage interest, which is a measure of the Company's ability to issue additional long-term debt, increased to 2.55 times in 1984 exceeding the minimum of 2.0 times required for the issuance of new mortgage debt.

Capital Expenditures and Changes in Financial Position

The Company is carrying on a construction program which is estimated to require expenditures of $766 million in 1985 and $2.6 billion from 1986 to 1988. A majority of these expenditures relates to the construction of the Company's two 1055 mW nuclear generating units at Limerick. Successful completion of this program is dependent on the Company's ability to obtain external financing, primarily through debt arrangements and sales of equity securities which are subject to market conditions and to meeting certain earnings tests. The program also is subject to the licensing requirements of the Nuclear Regulatory Commission, to financing approvals by the PUC, and to change due to litigation. The Company cannot predict the outcome of such regulatory reviews, but believes the safety requirements have been or will be met, the economic desirability of the program has been demonstrated, and that the program will be successfully completed and approved.

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





Accountants' Report

To the Shareholders and Board of Directors
Philadelphia Electric Company

We have examined the consolidated balance sheets of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1984 and 1983, and the related consolidated statements of income, retained earnings, changes in common stock, preferred stock, and other paid-in capital, and 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 financial statements referred to above present fairly the consolidated financial position of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1984 and 1983, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

1900 Three Mellon Bank Center
Philadelphia, Pennsylvania
February 1, 1985

Coopers & Lybrand

Consolidated Statements of Income

For the Year Ended December 31	1984	1983	1982
		(Thousands of Dollars)	
Operating Revenues			
Electric	$2,435,731	$2,107,897	$2,180,960
Gas	462,966	417,042	390,427
Steam	82,320	71,111	73,366
Total Operating Revenues	2,981,017	2,596,050	2,644,753
Operating Expenses			
Fuel and Energy Interchange	1,122,177	986,634	1,128,498
Other Operating Expenses	527,060	449,101	411,753
Maintenance	245,583	222,640	199,747
Depreciation	178,326	165,327	143,848
Income Taxes	246,749	200,026	207,669
Other Taxes	206,863	178,615	164,511
Total Operating Expenses	2,526,758	2,202,343	2,256,026
Operating Income	454,259	393,707	388,727
Other Income			
Allowance for Other Funds Used During Construction	134,485	108,126	65,699
Income Tax Credits, Net	116,423	87,912	75,845
Other, Net	239	(3,125)	(717)
Total Other Income	251,147	192,913	140,827
Income Before Interest Charges	705,406	586,620	529,554
Interest Charges			
Long-Term Debt	402,475	330,200	308,862
Short-Term Debt	30,912	35,199	32,030
Allowance for Borrowed Funds Used During Construction	(220,370)	(167,868)	(147,561)
Net Interest Charges	213,017	197,531	193,331
Net Income	492,389	389,089	336,223
Preferred Stock Dividends	82,682	67,384	57,600
Earnings Applicable to Common Stock	$ 409,707	$ 321,705	$ 278,623
Average Shares of Common Stock Outstanding *(Thousands)*	151,804	133,852	116,480
Earnings Per Average Common Share *(Dollars)*	$2.70	$2.40	$2.39
Dividends Per Common Share *(Dollars)*	$2.20	$2.12	$2.06

See notes to financial statements.

Consolidated Balance Sheets

ASSETS

December 31	1984	1983*
	(Thousands of Dollars)	
Utility Plant, at original cost		
Electric	$4,806,496	$4,683,726
Gas	443,946	416,170
Steam	53,846	53,845
Common, used in all services	129,649	128,379
	5,433,937	5,282,120
Less: Accumulated Depreciation	1,726,321	1,592,009
Net Utility Plant in Service	3,707,616	3,690,111
Construction Work in Progress	4,400,166	3,582,133
Leased Property, net	352,133	363,928
Net Utility Plant	8,459,915	7,636,172
Investments	80,871	99,445
Current Assets		
Cash and Temporary Cash Investments	30,357	57,270
Escrow Deposits	88,076	7,951
Accounts Receivable		
Customers	346,018	302,254
Other	38,284	36,354
Inventories, at average cost		
Fossil Fuel	93,004	75,681
Materials and Supplies	57,532	55,403
Deferred Energy Costs	229,895	149,246
Other	48,870	44,313
Total Current Assets	932,036	728,472
Deferred Debits	82,907	80,375
Total	$9,555,729	$8,544,464

See notes to financial statements.
*Restated to conform with SFAS 71—See Note #2 to financial statements.

CAPITALIZATION AND LIABILITIES

December 31	1984	1983*
	(Thousands of Dollars)	
Capitalization		
Common Shareholders' Equity		
Common Stock	$2,360,948	$2,110,503
Other Paid-In Capital	6,727	5,856
Retained Earnings	523,300	452,964
	2,890,975	2,569,323
Preferred Stock		
Without Mandatory Redemption	572,472	522,472
With Mandatory Redemption	326,235	284,863
Long-Term Debt	3,777,961	3,381,805
Total Capitalization	7,567,643	6,758,463
Current Liabilities		
Short-Term Debt		
Bank Loans	20,000	218,000
Commercial Paper	—	49,500
Pollution Control Notes	240,000	—
Long-Term Debt due within one year	50,361	—
Lease Obligations due within one year	68,332	61,447
Accounts Payable	156,245	152,687
Taxes		
Accrued	40,314	25,841
Deferred Income Taxes-Energy	117,729	76,517
Interest Accrued	91,110	91,787
Dividends Declared	43,796	27,211
Other	127,227	54,078
Total Current Liabilities	955,114	757,068
Deferred Credits and Other Liabilities		
Deferred Income Taxes	373,343	346,531
Unamortized Investment Tax Credits	299,419	249,658
Obligations Under Capital Leases	283,802	302,481
Other	76,408	130,263
Total Deferred Credits and Other Liabilities	1,032,972	1,028,933
Total	$9,555,729	$8,544,464

Consolidated Statements of Changes in Financial Position

For the Year Ended December 31	1984	1983*	1982*
		(Thousands of Dollars)	
Sources of Funds			
Funds From Operations			
Net Income	$ 492,389	$ 389,089	$ 336,223
Charges (Credits) Not Affecting Funds			
Depreciation	178,326	165,327	143,848
Nuclear Fuel Disposal Costs	13,201	12,166	15,820
Deferred Income Taxes	76,197	175,307	(10,215)
Investment Tax Credits, Net of Amortization	49,927	(46,064)	101,646
Allowance for Other Funds Used During Construction	(134,485)	(108,126)	(65,699)
Total from Operations	675,555	587,699	521,623
Funds from Financings			
Sales of Securities			
Common Stock	250,445	284,305	253,810
Preferred Stock	100,000	150,000	30,000
Long-Term Debt	258,700	175,000	300,000
Short-term Pollution Control Notes	240,000	—	—
Net Borrowings Under Revolving Credit Agreements	200,000	200,000	20,000
Change in Other Short-Term Debt	(247,500)	202,800	10,475
Sale of Magnesium Oxide Regeneration Facilities	55,928	37,679	—
Increase in Obligations Under Capital Leases	12,690	72,514	113,892
Total from Financings	870,263	1,122,298	728,177
Total Sources	$1,545,818	$1,709,997	$1,249,800
Uses of Funds			
Additions to Utility Plant	1,053,133	1,030,321	870,715
Additions to Leased Assets	12,690	72,514	113,892
Allowance for Other Funds Used During Construction	(134,485)	(108,126)	(65,699)
Dividends on Preferred and Common Stock	418,098	352,553	298,468
Retirement of Long-Term Debt	11,194	41,573	50,183
Net Change in Deferred Energy Costs	80,649	234,625	(54,080)
Increase in Nuclear Fuel Escrow Account	32,160	7,113	8,204
Net Change in Other Items of Working Capital	50,340	71,451	94,236
Other, Net	22,039	7,973	(66,119)
Total Uses	$1,545,818	$1,709,997	$1,249,800

See notes to financial statements.

*Restated to conform with SFAS 71—See Note #2 to financial statements.

Consolidated Statements of Retained Earnings

For the Year Ended December 31	1984	1983	1982
		(Thousands of Dollars)	
Balance, January 1	$452,964	$423,596	$387,251
Net Income	492,389	389,089	336,223
	945,353	812,685	723,474
Cash Dividends Declared			
Preferred Stock (at specified annual rates)	83,820	68,970	57,982
Common Stock (per share, $2.20 in 1984, $2.12 in 1983, and $2.06 in 1982)	334,278	283,583	240,486
Expenses of Capital Stock Issues	3,955	7,168	1,410
	422,053	359,721	299,878
Balance, December 31	$523,300	$452,964	$423,596

Consolidated Statements of Changes in Common Stock, Preferred Stock and Other Paid-In Capital

	Common Stock		Preferred Stock		Other Paid-In Capital
	Shares	Amount	Shares	Amount	
			(All Amounts in Thousands)		
Balance, January 1, 1982	108,507	$1,572,388	6,394	$639,401	$3,888
Issuance of Stock					
Public Sales	12,000	175,620	300	30,000	
Employee Stock Ownership Plans	1,240	17,791			
Dividend Reinvestment and Stock Purchase Plan	4,020	60,399			
Redemptions			(46)	(4,639)	753
Balance, December 31, 1982	125,767	1,826,198	6,648	664,762	4,641
Issuance of Stock					
Public Sales	11,000	186,055	1,500	150,000	
Employee Stock Ownership Plans	1,256	21,054			
Dividend Reinvestment and Stock Purchase Plan	4,788	77,196			
Redemptions			(75)	(7,427)	1,215
Balance, December 31, 1983	142,811	2,110,503	8,073	807,335	5,856
Issuance of Stock					
Public Sales	11,613	144,548	1,000	100,000	
Employee Stock Ownership Plans	914	10,563			
Dividend Reinvestment and Stock Purchase Plan	6,965	95,334			
Redemptions			(86)	(8,628)	871
Balance, December 31, 1984	162,303	$2,360,948	8,987	$898,707	$6,727

See notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

General

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

Revenues

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

Fuel Expenses

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

Nuclear fuel used in the Peach Bottom and Salem Generating Stations is leased, and the costs of such leased fuel are charged to fuel expense on the unit of production method. Nuclear fuel disposal costs are being charged to fuel expense as the related fuel is burned. Assessments imposed by the Nuclear Waste Policy Act of 1982 for fuel burned prior to April 7, 1983 are being amortized to fuel expenses over the period ending June 30, 1985.

Depreciation

For financial reporting purposes, depreciation is provided over the estimated service lives of the plant on the straight-line method and, for tax purposes, generally, over shorter lives on accelerated methods. The estimated decommissioning costs of portions of the nuclear plants are being charged to operations as permitted for rate-making purposes. Such amounts, net of deferred income taxes where applicable, are deposited in an escrow account and invested for funding of future costs. The Company believes that any additional costs, which may be significant, would be recoverable through adjustments of rates charged to its customers. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, were approximately 3.29% for 1984, 3.20% for 1983 and 3.00% for 1982.

Income Taxes

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

Allowance for Funds Used During Construction (AFUDC)

AFUDC is a non-cash item which is defined in the uniform systems of accounts as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC is recorded as a charge to Construction Work In Progress, and the equivalent credits are to "Interest Charges" for the pretax cost of borrowed funds and to "Other Income" for the remainder as the allowance for equity funds. The rate used for capitalizing AFUDC, which averaged 9.4% in 1984, 9.3% in 1983, and 9.2% in 1982, is computed under a method prescribed by the regulatory authorities. The rate is a "net after-tax rate" and the current income tax reductions applicable to the interest charges capitalized are recorded in "Other Income." AFUDC is not included in taxable income and the depreciation of capitalized AFUDC is not tax deductible.

Retirement Plan

The company has a noncontributory trusteed retirement plan applicable to all regular employees. Pension costs include normal cost for the year and amortization of unfunded prior service costs over ten to twenty years. Approximately 80% of such costs were charged to operating expense and the remainder, associated with construction labor, to the cost of new utility plant.

Gas Exploration and Development Joint Ventures

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

2. FINANCIAL ACCOUNTING STANDARDS NO. 71

Effective January 1, 1984 the Company adopted the Statement of Financial Accounting Standards No. 71 (SFAS 71) "Accounting for the Effects of Certain Types of Regulation." SFAS 71 results in the recognition of certain assets and liabilities which had not previously been recognized in financial statements in conformity with the rate-making treatment. The Consolidated Balance Sheets and Statements of Changes in Financial Position for periods prior to January 1, 1984 have been restated to reflect retroactive adoption of SFAS 71. Retroactive adoption had no effect on consolidated operating revenues, operating income, net income, or retained earnings. The principal effect of the retroactive adoption of SFAS 71 is the recognition of capital leases. As a result of such adoption, assets and liabilities at December 31, 1983 have increased approximately $400 million from the amounts previously reported.

3. COMMON STOCK

At December 31, 1984 and 1983, Common Stock, without par value, consisted of 240,000,000 shares, authorized and 162,303,390 and 142,811,434 shares, respectively, outstanding. At December 31, 1984 there were 17,924,086 shares reserved for issuance under stock purchase plans.

4. PREFERRED STOCK

At December 31, 1984 and 1983, Preferred Stock $100 par, cumulative

	Current Redemption Price (a)	Refunding Restricted to (b)	Shares			Amount	
				Outstanding			
			Authorized	1984	1983	1984	1983
						(Thousands of Dollars)	
Series (without mandatory redemption)							
14.15.%(c)	$114.15	2-1-90	500,000	500,000	—	$50,000	$ —
13.35% (c)	113.35	2-1-89	750,000	750,000	750,000	75,000	75,000
12.8% (c)	112.80	5-1-88	750,000	750,000	750,000	75,000	75,000
9.50%	103.50		750,000	750,000	750,000	75,000	75,000
8.75%	104.00		650,000	650,000	650,000	65,000	65,000
7.85%	103.00		500,000	500,000	500,000	50,000	50,000
7.80%	103.00		750,000	750,000	750,000	75,000	75,000
7.75%	103.00		200,000	200,000	200,000	20,000	20,000
4.68%	104.00		150,000	150,000	150,000	15,000	15,000
4.4%	112.50		274,720	274,720	274,720	27,472	27,472
4.3%	102.00		150,000	150,000	150,000	15,000	15,000
3.8%	106.00		300,000	300,000	300,000	30,000	30,000
			5,724,720	5,724,720	5,224,720	572,472	522,472
Series (with mandatory redemption)(d)							
17.125%	$117.125	5-1-87	300,000	300,000	300,000	30,000	30,000
15.25%	115.25	5-1-90	500,000	500,000	500,000	50,000	50,000
14.625%	108.70	5-1-90	500,000	500,000	—	50,000	—
10%	104.44	5-1-90	220,000	220,000	220,000	22,000	22,000
9.52%	106.25	5-1-86	500,000	401,650	419,660	40,165	41,966
8.75%	105.66	5-1-88	500,000	466,700	500,000	46,670	50,000
7.325%	104.10		750,000	570,000	600,000	57,000	60,000
7%	101.00		400,000	304,000	308,970	30,400	30,897
			3,670,000	3,262,350	2,848,630	326,235	284,863
Unclassified			605,280	—	—	—	—
Total Preferred Stock			10,000,000	8,987,070	8,073,350	$898,707	$807,335

(a) Redeemable, at the option of the Company, at the indicated dollar amounts per share, plus accrued dividends.

(b) Prior to the date specified, none of the shares of each series indicated may be redeemed through refunding at an interest cost or dividend rate which is less than the dividend rate of such series.

(c) Ownership of these series of Preferred Stock is evidenced by Depositary Preference Shares, each representing 1/10 of a share of Preferred Stock.

(d) Redemption requirements (par value) in the period 1985-1989 are as follows: 1985-$6,495,000; 1986-$15,230,000; 1987-$16,030,000; 1988-$17,530,000; 1989-$17,530,000.

5. LONG-TERM DEBT

At December 31, 1984 and 1983

	Series	Due	1984	1983
			(Thousands of Dollars)	
First and Refunding Mortgage Bonds (a)				
	3-1/8%	1985	$ 50,000	$ 50,000
	4-3/8%	1986	50,000	50,000
	4-5/8%	1987	40,000	40,000
	3-3/4%-14%	1988	52,500	40,000
	5%-14%	1989	62,500	50,000
	4-1/2%-14%	1990-1994	310,000	235,000
	6-1/8%-15-1/4%	1995-1999	489,200	490,864
	7-3/8%-11-5/8%	2000-2004	562,317	569,930
	6%-18-3/4%	2005-2009	523,500	523,500
	13-3/8%-18%	2010-2014	450,000	450,000
Total First and Refunding Mortgage Bonds			2,590,017	2,499,294
Notes Payable—Banks	(b)	1985-1989	225,000	225,000
Notes Payable—Other	17%	1986-1987	20,000	20,000
Revolving Credit and Term Loan Agreements	(c)	1985-1987	400,000	200,000
Pollution Control Notes	5-1/2%-13%	1987-2013	274,190	266,830
Debentures	4.85%	1986	21,161	21,207
Debentures	14-1/8%	1990	50,000	50,000
Debentures	14-3/4%	2005	100,000	100,000
Debentures	14.5%	2009	150,000	—
Sinking Fund Debenture— Philadelphia Electric Power Co., a Subsidiary	4-1/2%	1995	16,397	16,928
Unamortized Debt Discount and Premium, Net			(18,443)	(17,454)
Total Long-Term Debt			3,828,322	3,381,805
Due Within One Year (d)			50,361	—
Long-Term Debt included in Capitalization(e)			$3,777,961	$3,381,805

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

(b) At interest rates ranging from prime rate to 105% of prime rate.

(c) The Company has an $800 million revolving credit and term loan agreement with a group of banks which will provide the financing required to complete Limerick Unit No. 1. The revolving credit arrangement converts into a term loan on the earlier of eighteen months following the in-service date of Limerick Unit No. 1 or March 31, 1988. The borrowings are due in eight semi-annual installments with the first payment due 6 months after the conversion into the term loan. Interest on outstanding borrowings is based on specific formulas selected by the Company involving yields on several types of debt instruments. There is an annual commitment fee of 1/2% on the unused amount. At December 31, 1984, $400 million was outstanding under this agreement. (See Note #6.)

The Company also has a $400 million revolving credit and term loan agreement with a group of banks which expires in 1987, under which there were no borrowings as of December 31, 1984. Interest on outstanding borrowings is at prime rate through May 1985 and at 105% of prime rate thereafter. There is an annual commitment fee of 1/2% on the unused amount. As a result of the Limerick investigation, the Company does not meet a condition of borrowing under this agreement, although this condition has been waived in the past.

(d) Long-term debt maturities in the period 1986-1989 are as follows:
1986-$83,066,000; 1987-$241,688,000; 1988-$244,350,000; 1989-$204,350,000.

(e) The annualized interest on long-term debt at December 31, 1984 was $420.2 million of which $274.8 million was associated with mortgage bonds and $145.4 million was associated with other long-term debt.

6. SHORT-TERM DEBT

	1984	1983	1982
		(Thousands of Dollars)	
Average Short-Term Borrowings	$166,713	$164,429	$ 90,180
Average Interest Rates, Computed on Daily Basis	9.88%	9.06%	13.13%
Maximum Short-Term Borrowings Outstanding	$302,500	$340,000	$168,725
Average Interest Rates on Short-Term Borrowings at December 31:			
Bank Loans	9.95%	10.53%	10.37%
Commercial Paper—Tax Exempt	—	5.61%	4.92%
Commercial Paper—Taxable	—	10.64%	9.62%
Pollution Control Notes (a)	6.44%	—	—

(a) In December 1984, the Company sold $240 million of short-term, tax-exempt notes backed by a letter of credit provided by a group of banks to provide short-term tax-exempt financing for pollution control facilities for Limerick Unit No. 1 and common plant until permanent tax exempt financing can be arranged.

The Company has agreed that the letter of credit commitment under the financing ($250 million including principal and interest), plus the borrowings under the $800 million revolving credit and term loan agreement (see Note #5) will not exceed $800 million.

As of December 31, 1984 the Company had borrowed $20.0 million under formal and informal lines of credit with banks aggregating approximately $341.9 million. The Company generally does not have formal compensating balance arrangements with these banks.

7. JOINTLY-OWNED ELECTRIC UTILITY PLANT

The Company's ownership interests in jointly-owned utility plant at December 31, 1984 were as follows:

	Production Plants				Transmission Plant
	Peach Bottom	Salem	Keystone	Conemaugh	
Operator	Philadelphia Electric Company	Public Service Electric and Gas Company	Pennsylvania Electric Company	Pennsylvania Electric Company	Various Companies
Participating Interest	42.49%	42.59%	20.99%	20.72%	21% to 43%
			(Thousands of Dollars)		
Company's share of:					
Utility Plant	$432,498	$878 049	$54,484	$59,781	$68,864
Accumulated Depreciation	107,549	127,458	21,771	21,920	12,447
Construction Work In Progress	52,396	20,767	10,041	1,792	—

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

8. INCOME TAXES

	1984	1983	1982
		(Thousands of Dollars)	
Included in operating expenses:			
Current Federal	$ 96,915	$ 54,495	$ 71,987
Current State	23,710	16,288	44,251
Total	120,625	70,783	116,238
Deferred Federal	49,770	151,259	(8,390)
Deferred State	26,427	24,048	(1,825)
Total	76,197	175,307	(10,215)
Investment tax credits, net of amortization-Federal	49,927	(46,064)	101,646
Total Federal	196,612	159,690	165,243
Total State	50,137	40,336	42,426
Total	246,749	200,026	207,669
Included in other income:			
Current Federal	(93,818)	(70,902)	(60,506)
Current State	(22,605)	(17,010)	(15,339)
Total	(116,423)	(87,912)	(75,845)
Total income tax provisions:			
Federal	102,794	88,788	104,737
State	27,532	23,326	27,087
Total	$130,326	$112,114	$131,824

Investment tax credits reduced Federal income taxes currently payable by $58 million in 1984. Approximately $162 million of additional investment tax credits generated in 1982, 1983, and 1984 have not been utilized due to limitations based on taxable income. These credits may be used to reduce Federal income taxes in future years through 1997 to 1999.

Investment tax credits consist of the basic credits allowable of 10% plus additional credits resulting from contributions to the Employee Stock Ownership Plans for employees. The additional credits are equal to 1/2% of employee compensation in 1984 and 1983 and 1-1/2% of the investment tax credit base in 1982. Contributions to the plans are in the form of Philadelphia Electric Company Common Stock and have no effect on net income.

For a number of years the Company has used accelerated depreciation for tax purposes and straight line depreciation for financial reporting purposes. Deferred taxes were recorded only on those timing differences recognized for rate making. The cumulative net amount of such timing differences for which deferred taxes were not recorded was approximately $845 million and $875 million at December 31, 1984 and 1983, respectively. Since the Company expects to charge customers for taxes paid when the timing differences reverse, the tax effect of such timing differences should not be recorded currently.

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

	1984	1983	1982
		(Thousands of Dollars)	
Depreciation and amortization	$ 33,965	$ 38,792	$ 30,042
Nuclear waste disposal costs	(7,355)	24,281	(7,865)
Deferred energy costs	41,212	119,867	(27,264)
Other	8,375	(7,633)	(5,128)
Total	$ 76,197	$175,307	$(10,215)

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

Net income	$492,389	$389,089	$336,223
Total income tax provisions	130,326	112,114	131,824
Income before income taxes	622,715	501,203	468,047
Deduct—allowance for funds used during construction (nontaxable)	354,855	275,994	213,260
Adjusted income before income taxes	$267,860	$225,209	$254,787
Income taxes on above at Federal statutory rate of 46%	123,215	103,596	117,202
Increase (decrease) due to:			
Depreciation timing differences not normalized	7,247	7,941	10,672
State income tax, net of Federal income tax benefits	14,867	12,597	14,627
Amortization of investment tax credits previously deferred	(7,752)	(6,210)	(7,214)
Taxes and pension costs capitalized but expensed for tax purposes	(802)	(673)	(396)
Other, net	(6,449)	(5,137)	(3,067)
Total income tax provisions	$130,326	$112,114	$131,824
Provision for income taxes as a percent of:			
Income before income taxes	20.9%	22.4%	28.2%
Adjusted income before income taxes	48.7%	49.8%	51.7%

9. ESCROW DEPOSITS

Escrow deposits are stated at cost plus accrued interest, which approximates market, and consist of cash equivalent securities held in trusteed accounts which are restricted as to withdrawal pending the Company's incurring qualified costs. Below is a summary of such escrow deposits at December 31, 1984.

	1984	1983
	(Thousands of Dollars)	
Pollution Control Facilities Under Construction	$31,305	$ 7,951
Other Facilities Under Construction	4,955	—
Nuclear Fuel Disposal	51,816	—
	$88,076	$ 7,951

10. INVESTMENTS

At December 31	1984	1983
	(Thousands of Dollars)	
Gas Exploration and Development Joint Ventures	$46,406	$47,736
Real Estate Developments and Other Ventures	12,120	11,233
Nonutility Property	13,441	14,668
Escrow Deposits for Nuclear Fuel Disposal (See Note #9)	—	19,656
Escrow Deposits for Decommissioning Nuclear Plants	7,792	4,927
Other Deposits	1,112	1,225
Total	$80,871	$99,445

11. TAXES, OTHER THAN INCOME

	1984	1983	1982
		(Thousands of Dollars)	
Gross receipts	$122,881	$108,211	$106,090
Capital stock	13,240	19,198	18,928
Realty	48,030	30,975	22,505
Other	22,712	20,231	16,988
Total	$206,863	$178,615	$164,511

12. RETIREMENT PLAN

Retirement plan costs, which are funded as accrued, aggregated $42,000,000 in 1984, $41,000,000 in 1983, and $37,800,000 in 1982. Plan data as of the dates of the most recent actuarial valuations is as follows:

January 1	1984	1983
Actuarial present value of accumulated plan benefits (7.0% assumed rate of return)	(Thousands of Dollars)	
Vested	$447,994	$404,673
Nonvested	54,174	48,545
	$502,168	$453,218
Net assets available for benefits	$573,372	$477,748

13. POSTRETIREMENT BENEFITS

The Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for these benefits if they reach retirement age while still working for the Company. These benefits and similar benefits for active employees are provided by an insurance company whose premiums are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits by charging the annual insurance premiums to expense. The cost of providing those benefits for approximately 2,400 retirees during the years 1982-1984 is not separable from the cost of providing benefits for approximately 10,000 active employees for the same period. Total premiums amounted to $26.6 million, $24.3 million, and $17.2 million for 1984, 1983 and 1982, respectively.

14. SEGMENT INFORMATION

	Electric	Gas	Steam	Total
		(Thousands of Dollars)		
1984				
Operating revenues	$2,435,731	$462,966	$82,320	$2,981,017
Operating expenses, excluding depreciation	1,858,505	413,938	75,989	2,348,432
Depreciation	162,959	13,474	1,893	178,326
Total operating expenses	2,021,464	427,412	77,882	2,526,758
Operating income	$ 414,267	$ 35,554	$ 4,438	$ 454,259
Utility plant additions	$1,022,496	$ 30,613	$ 135	$1,053,244
December 31:				
Allocable assets				
Net utility plant (*)	8,068,233	369,239	22,443	8,459,915
Inventories	116,775	32,572	1,189	150,536
Deferred energy costs	227,524	4,147	(1,776)	229,895
	$8,412,532	$405,958	$21,856	8,840,346
Nonallocable assets				715,383
Total assets				$9,555,729
1983				
Operating revenues	$2,107,897	$417,042	$71,111	$2,596,050
Operating expenses, excluding depreciation	1,592,027	377,624	67,365	2,037,016
Depreciation	150,898	12,694	1,735	165,327
Total operating expenses	1,742,925	390,318	69,100	2,202,343
Operating income	$ 364,972	$ 26,724	$ 2,011	$ 393,707
Utility plant additions	$1,004,219	$ 26,020	$ 82	$1,030,321
December 31:				
Allocable assets				
Net utility plant (*)	7,257,594	353,979	24,599	7,636,172
Inventories	98,391	32,350	343	131,084
Deferred energy costs	116,661	29,359	3,226	149,246
	$7,472,646	$415,688	$28,168	7,916,502
Nonallocable assets				627,962
Total assets				$8,544,464
1982				
Operating revenues	$2,180,960	$390,427	$73,366	$2,644,753
Operating expenses, excluding depreciation	1,688,365	354,093	69,720	2,112,178
Depreciation	130,225	11,916	1,707	143,848
Total operating expenses	1,818,590	366,009	71,427	2,256,026
Operating income	$ 362,370	$ 24,418	$ 1,939	$ 388,727
Utility plant additions	$ 843,371	$ 27,125	$ 219	$ 870,715
December 31:				
Allocable assets				
Net utility plant (*)	6,393,223	335,036	26,473	6,754,732
Inventories	105,035	37,645	350	143,030
	$6,498,258	$372,681	$26,823	6,897,762
Nonallocable assets				463,244
Total assets				$7,361,006

(*) Includes construction work in progress, leased property and allocated common utility property.
Years prior to 1984 have been restated to conform with SFAS 71—See Note #2 to financial statements.

15. LEASES

Leased property capitalized consists of the following at December 31, 1984 and 1983:

	1984	1983
	(Thousands of Dollars)	
Nuclear Fuel	$424,721	$409,540
Electric Plant	48,342	46,303
Common Plant	3,702	33,532
Gross Leased Property Capitalized	476,765	489,375
Accumulated Amortization	(124,632)	(125,447)
Net Leased Property Capitalized	$352,133	$363,928

In accordance with SFAS 71, leased property capitalized is amortized commensurate with the amortization of the related lease obligation. The nuclear fuel obligation is amortized as the fuel is burned. Amortization of leased property capitalized totaled $39.1 million, $28.8 million, and $50.8 million for the years ended December 31, 1984, 1983 and 1982, respectively. Other operating expenses also include interest on capital lease obligations of $22.0 million in 1984, $19.0 million in 1983, and $19.3 million in 1982. In 1984 and 1983 the Company sold magnesium oxide regeneration facilities for approximately their net book values of $55.9 and $37.7 million, respectively. The Company has use of these facilities under a tolling agreement and a lease agreement. Minimum future lease payments as of December 31, 1984 are:

Year Ending December 31	Capital Leases	Operating Leases	Total
		(Thousands of Dollars)	
1985	$102,985	$ 28,367	$131,352
1986	97,788	27,565	125,353
1987	95,845	26,603	122,448
1988	83,854	24,102	107,956
1989	33,165	24,600	57,765
Remaining Years	35,477	122,291	157,768
Total Minimum Future Lease Payments	449,114	$253,528	$702,642
Imputed Interest (rates ranging from 6.5% to 17%)	(96,981)		
Present Value of Net Minimum Future Lease Payments	$352,133		

Rental expense under operating leases totaled $29.2 million, $19.3 million, and $15.8 million, in 1984, 1983, and 1982, respectively.

16. NUCLEAR FUEL DISPOSAL

The Nuclear Waste Policy Act of 1982 requires the United States Department of Energy (DOE) to assess utilities one mill for each kilowatthour of electricity generated by a nuclear generating station after April 6, 1983, and to make an equivalent assessment for such generation prior to April 7, 1983, for the shipment and permanent disposal of fuel discharged. Since May, 1981, the Company has been charging operations for such costs as permitted for rate-making purposes and such amounts have been deposited in an escrow account and are invested for the funding of the liability related to pre-April 7, 1983 generation. This liability is expected to be paid in 1985. The Company's liability for its share of Peach Bottom and Salem's generation prior to April 7, 1983 is approximately $61 million and full recovery in rates has been approved by the PUC. The liability for current generation is expensed as incurred and paid to the DOE quarterly.

17. LIMERICK GENERATING STATION

The Company has two nuclear units under construction at Limerick, Pennsylvania. Unit No. 1 is complete and is undergoing pre-commercial testing. A license has been issued by the Nuclear Regulatory Commission which permits testing and operation at power levels not to exceed 5 percent of full power.

Construction of Unit No. 2, which is approximately 31% complete, has been suspended until Unit No. 1 is in commercial operation. Prior to resuming construction of Unit No. 2, the Company is required to submit a cost-benefit assessment report to the PUC. Pursuant to an order entered August 7, 1984, the PUC is investigating various issues prior to resumption of construction of Unit No. 2 (PUC investigation) and has directed the Company to demonstrate that completion of Unit No. 2 is in the public interest. The issues to be addressed in the PUC investigation

include adequacy of reserve margins without Unit No. 2, other alternatives to obtain power or decrease consumption, the effect of the capital requirements necessary to complete Unit No. 2 on the Company's financial health, remedies to guarantee cancellation of Unit No. 2 if its completion is found not to be in the public interest and a plan for inducements for timely and cost efficient completion if construction of Unit No. 2 is found to be in the public interest. On December 3, 1984, the Company presented its expert testimony which concluded that completion of Unit No. 2 is in the public interest and represents the least cost alternative for meeting the future requirements of its customers. This investigation is not expected to be completed before Spring 1985.

Operation of Limerick Unit No. 1 and Unit No. 2 requires an adequate supply of supplementary cooling water. Construction of the pumping stations, resevoir, pipeline, and related facilities which will transport supplementary cooling water from the Delaware River to the Limerick Units has been suspended pending the final outcome of litigation. Part of the facilities are to be constructed by the Company and other portions are to be constructed by government agencies. The Company is involved in the litigation to protect its interests in the facilities. Litigation to date has been favorable to the Company's interests. Any delays in obtaining an adequate supply of supplementary cooling water could delay the scheduled dates of commercial operation (1985 for Unit No. 1 and 1990 for Unit No. 2), restrict the operating capacity and increase the cost of the units.

Recently, the Commonwealth of Pennsylvania enacted a law which requires the PUC to compare the actual cost of constructing an electric generating facility with the estimate submitted at the commencement of construction. The law provides that if the actual cost exceeds the estimated cost, the PUC must exclude the excess cost from the utility's rate base unless the utility can show that some or all of the excess cost was necessary and proper. In 1974 the original estimated cost of construction of the Limerick Generating Station was in the range of $1.7 to $2 billion. Estimates at earlier stages were significantly lower but the Company does not believe that such earlier estimates are applicable to determine the excess cost applicable under the law. The Company also believes the amounts invested in the Limerick Generating Station are necessary and proper.

As of December 31, 1984, the Company had invested approximately $4.05 billion in the Limerick Generating Station, $2.19 billion in Unit No. 1, $792 million in Unit No. 2 and $1.07 billion in common facilities. The Company is accruing AFUDC on its entire investment in Limerick. The Company believes its investment in Limerick will be recovered through rates charged to customers. If the PUC were to disallow recovery of a portion of the costs of the Limerick facilities and its action was sustained after legal appeals, such disallowed costs would be amortized to expense over the life of the plant under present accounting practices. However, under preliminary proposals being considered by the Financial Accounting Standards Board, the Company might be required to charge any such disallowed costs to expense immediately.

18. COMMITMENTS AND CONTINGENCIES

The Company has incurred substantial commitments in connection with its construction program. Construction expenditures are estimated to be $766 million for 1985 and $2.6 billion for 1986-1988. These estimates are reviewed and revised periodically to reflect changes in economic conditions, revised load forecasts and other appropriate factors.

Plant facilities under construction, particularly the Limerick Generating Station, require numerous permits and licenses, which the Company cannot be assured will be issued at completion of the facilities.

The Price-Anderson Act places a "Limit of Liability" of $620 million on each licensed nuclear facility for claims that could arise from an incident involving any licensed nuclear facility in the nation. The Company has insured for this exposure through a combination of private insurance and indemnity agreements with the Nuclear Regulatory Commission. In the event of such a nuclear incident the Company could be assessed up to $13.5 million per incident with a maximum amount of $27 million in any one year.

The Company maintains property insurance, including radiation contamination coverage, for loss or damage to its nuclear facilities. Although it is impossible to determine the total amount of the loss that may result from an occurrence at these facilities, the Company maintains the maximum amount of insurance presently available, ($1.06 billion for each station). Under the terms of the various insurance agreements, the Company could be assessed up to $32 million for losses incurred at any plants insured by the insurance companies.

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

The PUC is conducting several investigations involving the Company's management of major plant outages during 1983 and 1984 and the resulting impact on energy costs recoverable from customers under the electric energy cost rate. On October 7, 1983, the PUC ordered the Company to show cause why it should be permitted to charge ratepayers for the incremental costs, if any, of replacing Salem Unit No. 1 generation during outages that started in 1983. On March 20, 1984, the PUC also instituted an investigation of plant outages occurring in 1983 and 1984 at Peach Bottom Units No. 2 and 3 and Eddystone Units No. 1 and 2. As a result of these investigations, the PUC staff, consumer advocate and other parties have claimed that recovery of between $100 and $113 million of energy costs should be denied. The Company believes its management of the aforementioned station outages was prudent and intends to vigorously contest the claims which have been asserted. Counsel is of the opinion that the Company has meritorious defenses in these matters. The Company believes it should not be precluded from recovering the above costs and that it is remote that ultimate resolution of these matters will have a material adverse effect on the results of operations or financial position of the Company.

19. QUARTERLY DATA (UNAUDITED)

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

Quarter Ended	Operating Revenues 1984	Operating Revenues 1983	Operating Income 1984	Operating Income 1983	Net Income 1984	Net Income 1983
	(Thousands of Dollars)					
March 31	$818,031	$723,216	$128,942	$105,871	$134,838	$103,975
June 30	703,219	572,153	100,680	79,374	108,151	76,071
September 30	755,619	668,259	121,524	121,703	132,339	122,003
December 31	704,148	632,422	103,113	86,759	117,061	87,040

Quarter Ended	Earnings Applicable to Common Stock 1984	Earnings Applicable to Common Stock 1983	Average Shares Outstanding 1984	Average Shares Outstanding 1983	Earnings Per Average Share 1984	Earnings Per Average Share 1983
	(Thousands of Dollars)		(Thousands)		(Dollars)	
March 31	$115,451	$88,248	143,044	126,064	$.81	$.70
June 30	87,098	59,186	150,266	133,021	.58	.44
September 30	111,340	105,146	153,519	134,909	.73	.78
December 31	95,818	69,125	160,274	141,235	.60	.48

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

20. SUPPLEMENTARY INFORMATION TO DISCLOSE THE ESTIMATED EFFECTS OF INFLATION FOR THE YEAR ENDED DECEMBER 31, 1984 (UNAUDITED)

The following supplementary information is supplied to show the estimated effects of inflation under the "current cost" method. The techniques required to develop this information are approximate and complex, and may not necessarily reflect the true effects of inflation on the Company. Under existing regulatory law, the Company is permitted to recover actual operating and capital costs incurred to serve customers and a reasonable return on investment, and the Company believes it will be allowed to recover cost increases caused by inflation as such increases are actually incurred.

Effect of Inflation on Reported Income.
In adjusting the Consolidated Statements of Income, as shown below, only depreciation expense was adjusted for the effect of inflation. Depreciation expense was determined by applying the Company's depreciation rates to restated 1984 average depreciable plant in service. Other Operating Expenses were not required to be adjusted.

If the Company had to replace its entire utility plant at this time, the costs to do so would greatly exceed the original costs incurred when the facilities were built because of the cumulative effect of inflation. These plant replacement costs, net of accumulated depreciation, are estimated at $13.4 billion. The effect ($489 million) of general inflation in 1984 on net utility plant was greater than the increase ($192 million) in specific prices by $297 million.

Consolidated Statements of Income Adjusted for Inflation for the Year Ended December 31, 1984

	As Reported	As Adjusted (Average 1984 Dollars)
	(Thousands of Dollars, except per share amounts)	
Operating Revenues	$2,981,017	$2,981,017
Depreciation	178,326	474,371
Other Operating Expenses	2,348,432	2,348,432
Operating Income	454,259	158,214
Other Income	251,147	251,147
Income Before Interest Charges and Preferred Stock Dividends	705,406	409,361
Interest Charges and Preferred Stock Dividends	295,699	295,699
Earnings Applicable to Common Stock	$ 409,707	$ 113,662
Earnings Per Average Share	$ 2.70	$ .75

Adjustment of Selected Five Year Financial Information.
In order to reflect the impact of general inflation on selected financial information for each of the years 1980 through 1984, the following table shows actual data compared with data adjusted to 1984 dollars.

Five Year Summary of Selected Financial Information and Current Cost Data (Thousands of Dollars, except per share amounts)

	1984	1983	1982	1981	1980
Development of Adjustment Factors					
Consumer Price Index					
Average During Year	311.1	298.4	289.1	272.4	246.8
Year End	315.5	303.5	292.4	281.5	258.4
Consumer Price Index Multiplier					
A = Average (311.1 ÷ Index)	1.00	1.04	1.08	1.14	1.26
B = Year End (315.5 ÷ Index)	1.00	1.04	1.08	1.12	1.22
Actual and Adjusted Historical Financial Information					
Dividends Per Common Share					
Actual Paid	$2.20	$2.12	$2.06	$1.90	$1.80
Adjusted (Actual x A)	$2.20	$2.20	$2.22	$2.17	$2.27
Market Price Per Common Share					
Actual year End	$14.87	$14.38	$17.00	$13.63	$12.50
Adjusted (Actual x B)	$14.87	$14.96	$18.36	$15.27	$15.25
Operating Revenues					
Actual	$2,981,017	$2,596,050	$2,644,753	$2,433,425	$2,123,394
Adjusted (Actual x A)	$2,981,017	$2,699,892	$2,856,333	$2,774,105	$2,675,476
Earnings Applicable to Common Stock					
Actual	$409,707	$321,705	$278,623	$223,761	$174,950
Adjusted (Actual x A)	$409,707	$334,573	$300,913	$255,088	$220,437
Earnings per Average Common Share					
Actual	$2.70	$2.40	$2.39	$2.25	$2.00
Adjusted (Actual x A)	$2.70	$2.50	$2.58	$2.57	$2.52
Common Shareholders' Equity					
Actual Year End	$2,890,975	$2,569,323	$2,254,435	$1,963,527	$1,733,614
Adjusted (Actual x B)	$2,890,975	$2,672,096	$2,434,790	$2,199,150	$2,115,009
Current Cost Data					
Excess of Increase in General Inflation over Increase in Specific Prices on Utility Plant Cost					
Actual Current Cost	$296,690	$147,379	$ (9,011)	$186,585	$185,922
Adjusted (Actual x A)	$296,690	$153,274	$ (9,732)	$212,707	$234,262
Purchasing Power Gain on Net Amounts Owed					
Actual Current Cost	$190,521	$165,235	$148,672	$307,972	$387,110
Adjusted (Actual x A)	$190,521	$171,844	$160,566	$351,088	$487,759
Earnings Applicable to Common Stock					
Actual Current Cost	$113,662	$ 51,049	$ 48,471	$ 23,044	$ (2,103)
Adjusted (Actual x A)	$113,662	$ 53,091	$ 52,349	$ 26,270	$ (2,650)
Earnings per Average Common Share					
Actual Current Cost	$0.75	$0.38	$0.42	$0.23	$(0.02)
Adjusted (Actual x A)	$0.75	$0.40	$0.45	$0.26	$(0.03)

Financial Statistics

SUMMARY OF EARNINGS (Millions of Dollars)

For the Year Ended	1984	1983	1982	1981	1980	1979	1974
Operating Revenues (for details see pages 42 and 43)	$2,981.0	$2,596.0	$2,644.8	$2,433.4	$2,123.4	$1,578.5	$1,011.7
Operating Expenses							
Fuel and Energy Interchange	1,122.2	986.6	1,128.5	1,187.6	1,090.5	661.7	439.2
Labor	345.3	317.2	291.1	256.8	232.1	209.3	134.0
Other Materials, Supplies and Services	427.3	354.6	320.5	260.9	184.5	155.4	73.4
Total Operation and Maintenance	1,894.8	1,658.4	1,740.1	1,705.3	1,507.1	1,026.4	646.6
Depreciation	178.3	165.3	143.8	130.3	122.9	120.6	77.8
Taxes	453.6	378.6	372.2	274.8	227.4	185.7	134.3
Total Operating Expenses	2,526.7	2,202.3	2,256.1	2,110.4	1,857.4	1,332.7	858.7
Operating Income	454.3	393.7	388.7	323.0	266.0	245.8	153.0
Other Income							
Allowance for Other Funds Used During Construction	134.5	108.1	65.7	65.0	50.5	46.0	25.3
Income Tax Credits, Net	116.4	87.9	75.8	63.2	49.0	33.9	25.5
Other, Net	.2	(3.1)	(0.7)	2.5	3.4	1.7	0.3
Total Other Income	251.1	192.9	140.8	130.7	102.9	81.6	51.1
Income Before Interest Charges	705.4	586.6	529.5	453.7	368.9	327.4	204.1
Interest Charges							
Long-Term Debt	402.5	330.2	308.9	266.7	225.0	193.0	106.3
Short-Term Debt	30.9	35.2	32.0	33.2	13.9	7.3	14.2
Allowance for Borrowed Funds Used During Construction	(220.4)	(167.9)	(147.6)	(123.8)	(97.1)	(67.4)	(45.5)
Net Interest Charges	213.0	197.5	193.3	176.1	141.8	132.9	75.0
Net Income	492.4	389.1	336.2	277.6	227.1	194.5	129.1
Preferred Stock Dividends	82.7	67.4	57.6	53.8	52.2	44.8	33.7
Earnings Applicable to Common Stock	409.7	321.7	278.6	223.8	174.9	149.7	95.4
Dividends on Common Stock	334.3	283.6	240.5	189.5	157.4	145.0	86.4
Earnings Retained	$75.4	$38.1	$38.1	$34.3	$17.5	$4.7	$9.0
Earnings Per Average Common Share *(Dollars)*	$2.70	$2.40	$2.39	$2.25	$2.00	$1.86	$1.81
Dividends per Common Share *(Dollars)*	$2.20	$2.12	$2.06	$1.90	$1.80	$1.80	$1.64
Common Stock Equity *(Per Share)*	$17.81	$17.99	$17.93	$18.10	$18.72	$19.06	$20.21
Average Shares of Common Stock Outstanding *(Millions)*	151.8	133.9	116.5	99.6	87.3	80.5	52.7

Ratings on Philadelphia Electric Company's Securities

	Mortgage Bonds		Debentures		Preferred Stock	
Agency	Rating	Date Established	Rating	Date Established	Rating	Date Established
Duff and Phelps, Inc.	9	3/80	10	3/80	11	2/83
Fitch Investors Service	BBB	9/82	BBB −	9/82	BB +	9/82
Moody's Investors Service	Baa3	1/83	Ba1	1/83	ba1	1/83
Standard and Poor's Corporation	BBB −	9/82	BB +	9/82	BB	9/82

SUMMARY OF FINANCIAL CONDITION (Millions of Dollars)

December 31	1984	1983	1982	1981	1980	1979	1974
Assets							
Utility Plant, at original cost	**$9,834.1**	$8,864.2	$7,905.7	$7,044.7	$6,415.7	$5,885.5	$4,123.9
Less: Accumulated Depreciation	**1,726.3**	1,592.0	1,450.1	1,330.6	1,235.7	1,144.1	717.8
Leased Property, net	**352.1**	364.0	299.1	270.0	139.3	116.0	92.3
Net Utility Plant	**8,459.9**	7,636.2	6,754.7	5,984.1	5,319.3	4,857.4	3,498.4
Investments	**80.9**	99.4	91.4	77.8	58.7	47.4	12.7
Current Assets							
Cash and Temporary Cash Investments	**30.4**	57.2	50.0	30.7	6.7	10.6	16.0
Escrow Deposits	**88.1**	8.0	—	—	—	—	—
Accounts Receivable	**384.2**	338.6	342.2	342.4	300.3	230.9	130.0
Inventories	**150.5**	131.1	143.0	132.2	121.1	110.0	72.5
Deferred Energy Costs	**229.9**	149.3	(85.4)	(31.3)	11.0	83.5	21.7
Other	**48.9**	44.3	40.2	35.1	31.8	27.7	18.3
Deferred Debits	**82.9**	80.4	24.9	31.5	18.5	12.9	6.0
Total	**$9,555.7**	$8,544.5	$7,361.0	$6,602.5	$5,867.4	$5,380.4	$3,775.6
Capitalization and Liabilities							
Common Stock	**$2,361.0**	$2,110.5	$1,826.2	$1,572.4	$1,377.4	$1,239.6	$782.9
Other Paid-In Capital	**6.7**	5.9	4.6	3.9	2.6	2.2	1.3
Retained Earnings	**523.3**	452.9	423.6	387.2	353.6	338.2	293.7
Common Shareholders' Equity	**2,891.0**	2,569.3	2,254.4	1,963.5	1,733.6	1,580.0	1,077.9
Preferred Stock							
Without Mandatory Redemption	**572.5**	522.5	372.5	372.5	372.5	372.5	307.5
With Mandatory Redemption	**326.2**	284.9	292.3	266.9	274.3	206.8	178.9
Long-Term Debt	**3,778.0**	3,381.8	3,028.5	2,745.7	2,371.9	2,241.9	1,597.7
Total Capitalization	**7,567.7**	6,758.5	5,947.7	5,348.6	4,752.3	4,401.2	3,162.0
Current Liabilities							
Short-Term Debt	**260.0**	267.5	64.7	54.2	52.6	85.2	177.9
Current Maturities of Long-Term Debt	**50.4**	—	21.3	36.1	130.8	127.8	91.9
Lease obligations due within one year	**68.3**	61.5	32.5	53.9	18.5	18.1	10.3
Accounts Payable and Dividends Declared	**200.1**	179.9	188.5	188.9	187.6	133.5	78.8
Taxes Accrued and Deferred	**158.0**	102.3	22.6	51.4	77.8	65.1	28.0
Interest Accrued	**91.1**	91.6	99.8	82.3	64.9	58.1	30.5
Other	**127.2**	54.1	24.7	18.1	17.4	13.9	3.9
Deferred Credits and Other Liabilities							
Obligations Under Capital Leases	**283.8**	302.5	266.6	216.1	120.8	97.9	82.0
Other	**749.1**	726.4	692.6	552.9	444.7	379.6	110.3
Total	**$9,555.7**	$8,544.5	$7,361.0	$6,602.5	$5,867.4	$5,380.4	$3,775.6

Years prior to 1984 have been restated to conform with SFAS 71—See Note #2 to financial statements.

Operating Statistics

ELECTRIC OPERATIONS

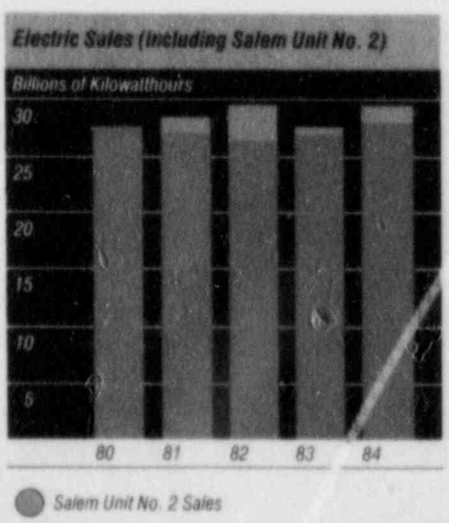
	1984	1983	1982	1981	1980	1979	1974
Output *(Millions of Kilowatthours)*							
Steam	11,085	10,457	8,598	9,931	11,234	11,279	16,649
Nuclear	6,462	5,520	10,743	7,464	7,333	7,104	1,745
Hydraulic	2,085	1,739	1,581	1,397	1,240	2,155	1,938
Pumped Storage Output	1,100	979	1,126	1,101	1,050	1,270	1,075
Pumped Storage Input	(1,579)	(1,427)	(1,665)	(1,624)	(1,526)	(1,847)	(1,515)
Purchase and Net Interchange	11,975	12,181	11,120	11,173	9,973	9,180	5,300
Internal Combustion	425	491	178	283	442	454	1,200
Other	—	—	—	528	—	—	1,016
Total Electric Output	31,553	29,940	31,681	30,253	29,746	29,595	27,408
Sales *(Millions of Kilowatthours)*							
Residential	8,515	8,467	7,877	8,014	8,341	7,968	7,159
Small Commercial and Industrial	3,543	3,284	3,142	3,115	3,065	2,928	2,558
Large Commercial and Industrial	14,881	14,478	14,178	14,916	15,056	15,428	14,622
All Other	1,061	1,003	1,012	1,005	1,159	1,277	1,217
Service Territory	28,000	27,232	26,209	27,050	27,621	27,601	25,556
Jersey Central Power and Light (Salem #2)	1,395	346	3,352	1,218	—	—	—
Total Electric Sales	29,395	27,578	29,561	28,268	27,621	27,601	25,556
Number of Customers, December 31							
Residential	1,230,883	1,217,635	1,206,944	1,200,238	1,190,312	1,173,514	1,113,036
Small Commercial and Industrial	121,676	119,292	118,407	117,016	116,808	115,724	117,237
Large Commercial and Industrial	5,100	5,437	5,616	5,790	5,820	5,798	5,724
All Other	751	751	762	746	736	1,919	2,248
Total Electric Customers	1,358,410	1,343,115	1,331,729	1,323,790	1,313,676	1,296,955	1,238,245
Operating Revenues *(Millions of Dollars)*							
Residential	$854.9	$744.0	$694.4	$643.7	$607.8	$461.0	$314.4
Small Commercial and Industrial	360.2	316.6	310.6	285.9	249.8	189.0	122.0
Large Commercial and Industrial	1,008.5	877.4	922.3	917.1	813.9	587.4	388.1
All Other	145.1	139.4	118.3	109.5	95.4	74.5	49.0
Service Territory	2,368.7	2,077.4	2,045.6	1,956.2	1,766.9	1,311.9	873.5
Jersey Central Power & Light (Salem #2)	67.0	30.5	135.4	45.9	—	—	—
Total Electric Revenues	$2,435.7	$2,107.9	$2,181.0	$2,002.1	$1,766.9	$1,311.9	$873.5
Operating Expenses *(Millions of Dollars)*							
Operating expenses excluding depreciation	$1,858.5	$1,592.0	$1,688.4	$1,586.5	$1,414.0	$975.4	$669.6
Depreciation	163.0	150.9	130.2	117.3	111.1	110.0	68.4
Total Operating Expenses	$2,021.5	$1,742.9	$1,818.6	$1,703.8	$1,525.1	$1,085.4	$738.0
Electric Operating Income *(Millions of Dollars)*	$414.2	$365.0	$362.4	$298.3	$241.8	$226.5	$135.5
Average Use per Residential Customer (kilowatthours)							
Without Electric Heating	6,160	6,319	5,875	6,022	6,411	6,227	6,154
With Electric Heating	17,293	16,523	16,813	18,054	19,482	20,760	22,140
Total	6,960	6,990	6,544	6,699	7,058	6,829	6,460
Electric Peak Load, Demand (thousands of kws)	5,925	5,879	5,691	5,731	6,095	5,641	5,431
Net Electric Generating Capacity—Year End Summer rating (thousands of kws)	7,765	7,974	8,006	8,006	7,698	7,727	7,808
Cost of Fuel per Million Btu	$2.22	$2.25	$1.57	$2.10	$1.90	$1.55	$1.42
Btu per Net Kilowatthour Generated	10,920	10,906	10,918	10,930	10,787	10,810	10,676

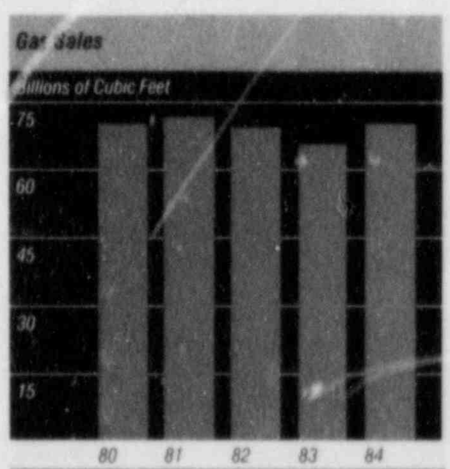
GAS OPERATIONS

	1984	1983	1982	1981	1980	1979	1974
Sales *(Millions of Cubic Feet)*							
Residential	1,941	2,168	2,442	2,446	2,461	2,327	2,281
House Heating	25,429	22,981	24,237	24,675	23,671	23,593	23,793
Commercial and Industrial	41,145	39,043	41,660	45,670	42,890	37,452	35,913
All Other	1,282	672	422	127	92	93	79
Total Gas Sales	69,797	64,864	68,761	72,918	69,114	63,465	62,066
Number of Customers, December 31							
Residential	70,794	72,501	76,638	78,426	81,346	85,315	90,870
House Heating	211,984	206,443	198,910	193,038	182,246	168,905	163,093
Commercial and Industrial	23,442	22,810	22,324	21,578	20,197	19,065	20,276
Total Gas Customers	306,220	301,754	297,872	293,042	283,789	273,285	274,239
Operating Revenues *(Millions of Dollars)*							
Residential	$19.0	$19.1	$18.1	$15.4	$14.0	$10.7	$7.1
House Heating	191.7	165.8	147.1	128.5	108.5	91.2	55.4
Commercial and Industrial	243.7	227.3	221.1	209.7	166.7	118.4	45.7
All Other	5.6	3.0	1.8	0.5	0.3	0.2	0.1
Subtotal	$460.0	$415.2	$388.1	$354.1	$289.5	$220.5	$108.3
Other Revenues	3.0	1.8	2.3	2.3	1.2	0.6	0.6
Total Gas Revenues	$463.0	$417.0	$390.4	$356.4	$290.7	$221.1	$108.9
Operating Expenses *(Millions of Dollars)*							
Operating expenses excluding depreciation	$413.9	$377.6	$354.1	$322.0	$258.0	$194.4	$82.2
Depreciation	13.5	12.7	11.9	11.3	10.2	8.9	8.1
Total Operating Expenses	$427.4	$390.3	$366.0	$333.3	$268.2	$203.3	$90.3
Gas Operating Income *(Millions of Dollars)*	$35.6	$26.7	$24.4	$23.1	$22.5	$17.8	$18.6

STEAM OPERATIONS

	1984	1983	1982	1981	1980	1979	1974
Sales *(Millions of Pounds)*	4,735	4,552	5,086	5,484	6,044	6,581	7,600
Number of Customers, December 31	540	545	571	593	618	638	710
Operating Revenues *(Millions of Dollars)*	$82.3	$71.1	$73.4	$74.9	$65.8	$45.5	$29.3
Operating Expenses *(Millions of Dollars)*							
Operating expenses excluding depreciation	$76.0	$67.4	$69.8	$71.6	$62.4	$42.3	$29.1
Depreciation	1.9	1.7	1.7	1.7	1.7	1.7	1.3
Total Operating Expenses	$77.9	$69.1	$71.5	$73.3	$64.1	$44.0	$30.4
Steam Operating Income *(Millions of Dollars)*	$4.4	$2.0	$1.9	$1.6	$1.7	$1.5	$(1.1)





Shareholder Information

Stock Exchange Listings

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

Dividends

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

The Company estimates that 66% of the $2.20 per share dividend paid to common shareholders in 1984 represents a return of capital which is not taxable as dividend income for Federal income tax purposes. All dividends on preferred stock are taxable.

Dividend Reinvestment and Stock Purchase Plan

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

Customers of the Company who are not shareholders may enroll in the plan by making a one-time purchase of common stock directly from the Company.

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

The Plan also enables eligible participants in the Plan to elect to defer Federal income tax on up to $750 ($1,500 for joint returns) of reinvested dividends per year as provided by the Economic Recovery Tax Act of 1981.

Over 33% of the Company's common shareholders are participants. In 1984, they invested more that $95 million through the Plan, including cash payments. Information concerning this Plan may be obtained from M.W. Rimerman, Treasurer, Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101.

Comments Welcomed

The Company always is pleased to answer questions and provide information. Please address your comments to Mrs. L. S. Binder, Secretary, Philadelphia Electric Company, 2301 Market Street, P.O. Box 8699, Philadelphia, PA19101.

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

Toll-Free Telephone Line

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

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on April 10, 1985, at 10:30 A.M. at the Wyndham Franklin Plaza Hotel, 17th & Race Streets, Philadelphia, PA.

Common stock shareholders of record at the close of business on March 1, 1985, are entitled to vote at this meeting. Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

Form 10-K

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

Shareholders

The Company has 300,856 shareholders of record of common stock, a 21% increase in 5 years.

Transfer Agents and Registrars

PHILADELPHIA ELECTRIC COMPANY—
Preferred and Common Stocks

Registrars:	Mellon Bank (East) N.A., Four Mellon Bank Center, Philadelphia, PA 19102
	Morgan Guaranty Trust Co. of NY, 30 W. Broadway, NY, NY 10015
Transfer Agents:	Philadelphia Electric Company, 2301 Market St., Phila., PA 19101
	Morgan Guaranty Trust Co. of NY, 30 W. Broadway, NY, NY 10015

PHILADELPHIA ELECTRIC COMPANY—
First and Refunding Mortgage Bonds

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

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

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

General Office

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

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

	1984				1983			
	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High Price	$15⅞	$13¾	$14⅜	$16	$18⅝	$17¼	$18¼	$18
Low Price	$12⅞	$ 9	$11⅞	$14	$13½	$15¾	$16¼	$16¾
Earnings	60¢	73¢	58¢	81¢	48¢	78¢	44¢	70¢
Dividends	55¢	55¢	55¢	55¢	53¢	53¢	53¢	53¢

Directors

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

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

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

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

William S. Fishman
Chairman of the Executive Committee
ARA Services, Inc. (Service Management)

Robert F. Gilkeson
Chairman of the Executive Committee

William W. Hagerty
Retired President, Drexel University

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

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

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

Edithe J. Levit, M.D.
President and Chief Executive Officer
National Board of Medical Examiners

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

Member of the Executive Committee

Officers

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

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

Vincent S. Boyer
Senior Vice President
Nuclear Power

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

Clifford Brenner
Vice President
Corporate Communications

Thomas W. Coppock
Vice President
Electric Transmission and Distribution

Shields L. Daltroff
Vice President
Electric Production

Charles L. Fritz
Vice President
Personnel and Industrial Relations

Raymond F. Holman
Vice President
General Administration

John S. Kemper
Vice President
Engineering and Research

William B. Morlok
Vice President
Commercial Operations

Philip G. Mulligan
Vice President
Gas Operations

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

A. Lewis Parry, Jr.
Vice President
Purchasing and General Services

Lucy S. Binder
Secretary

Morton W. Rimerman
Treasurer

James D. Lynch
Assistant Secretary

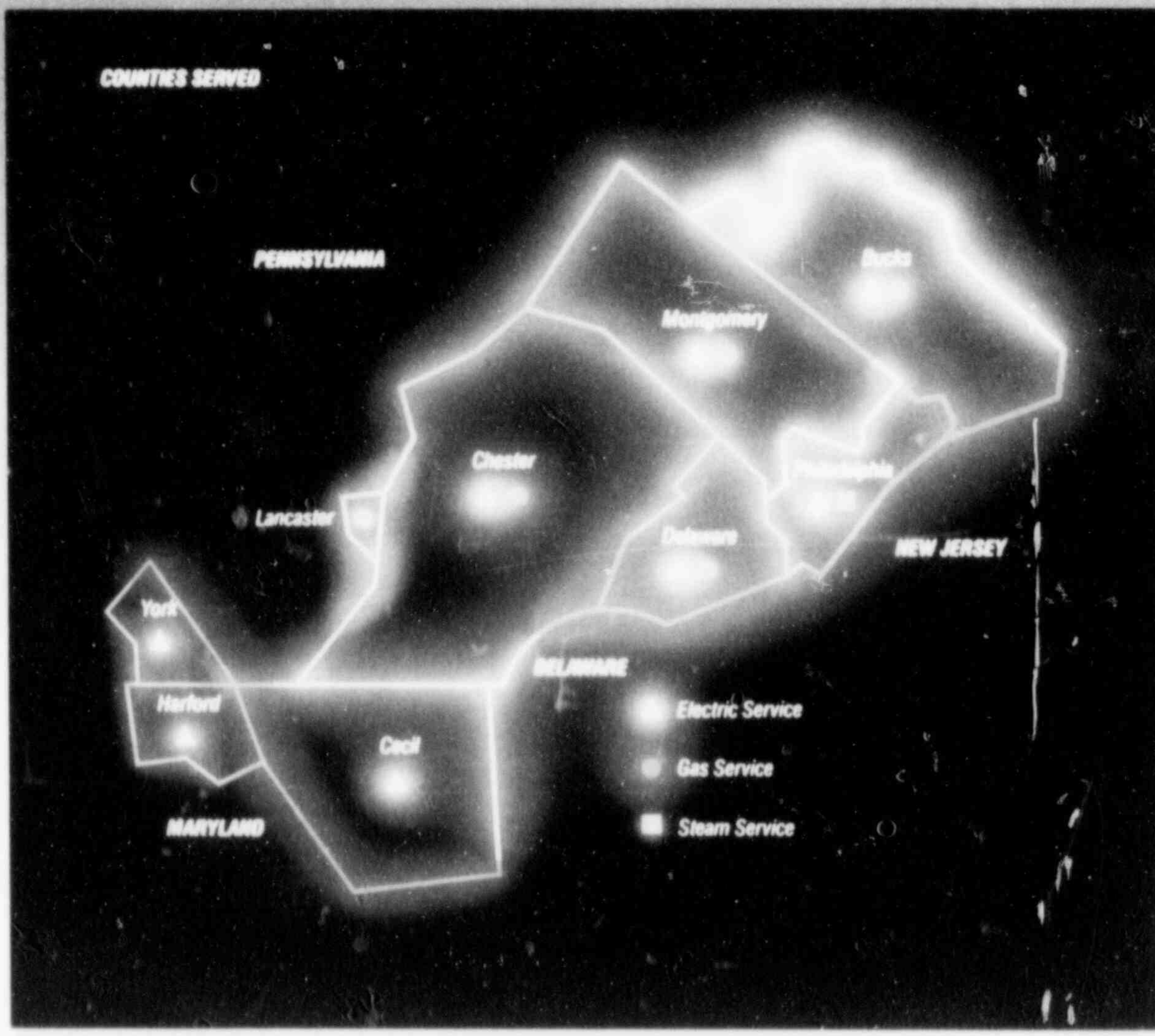
J. Robert Causton
Assistant Treasurer

Jon A. Katherine
Assistant Treasurer

William M. Lennox, Jr.
Assistant Treasurer

Management Change:

On June 25, 1984, A. Lewis Parry, Jr. was elected Vice President, Purchasing and General Services, succeeding Clair V. Myers, who retired September 1, 1984.



Philadelphia Electric Company