PECO ENERGY CO
Form 424B5
September 26, 2008
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-146260-07

Calculation of Registration Fee

Title of each class of securities to be registered	Proposed maximum offering price	Amount of registration fee
Senior Debt Securities	$ 300,000,000	$ 11,790.00

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PROSPECTUS SUPPLEMENT

(To Prospectus dated December 12, 2007)

$300,000,000

PECO Energy Company

First and Refunding Mortgage Bonds, 5.60% Series due 2013

The bonds will bear interest at the annual rate of 5.60% per year. We will pay interest on the bonds on April 15 and October 15 of each year, beginning on April 15, 2009. The bonds will mature on October 15, 2013. We may redeem some or all of the bonds at any time at the redemption price described in this prospectus supplement.

The bonds will be secured equally with all other bonds outstanding or hereafter issued under our First and Refunding Mortgage. There is no sinking fund for the bonds.

Please see Risk Factors on page S-5 of this prospectus supplement for a discussion of factors you should consider in connection with a purchase of the bonds.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the bonds or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Bond	Total
Public Offering Price (1)	99.720%	$ 299,160,000
Underwriting Discount	0.600%	$ 1,800,000
Proceeds, before expenses, to PECO Energy Company	99.120%	$ 297,360,000

(1) Plus accrued interest from October 2, 2008, if settlement occurs after that date.

The underwriters expect to deliver the bonds in book-entry form only through The Depository Trust Company on or about October 2, 2008.

Joint Book-Running Managers

Banc of America Securities LLC **Morgan Stanley** **Scotia Capital**

Co-Managers

BNP PARIBAS **KeyBanc Capital Markets**

Lazard Capital Markets **RBS Greenwich Capital**

SunTrust Robinson Humphrey **Cabrera Capital Markets, LLC**

Loop Capital Markets, LLC **Siebert Capital Markets**

September 25, 2008

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus contain information about our company and about the bonds. They also refer to information contained in other documents that we file with the Securities and Exchange Commission (SEC). If this prospectus supplement is inconsistent with the accompanying prospectus or the documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus, rely on this prospectus supplement.

Unless the context otherwise indicates, when we refer to PECO, the Company, we, our or us in this prospectus supplement, we mean PECO Energy Company together with our subsidiaries.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this prospectus supplement and in the accompanying prospectus, several of the matters discussed in this prospectus supplement and the accompanying prospectus are forward-looking statements that are subject to risks and uncertainties. Words such as believes, anticipates, expects, intends, plans, predicts and estimates and similar expressions are intended t forward-looking statements but are not the only means to identify those statements. See Forward-Looking Statements in the accompanying prospectus for more information.

You are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. We expressly disclaim any obligation or undertaking to publicly release any revision to our forward-looking statements to reflect events or circumstances after the date of this prospectus supplement.

PECO ENERGY COMPANY

We are a subsidiary of Exelon Corporation (Exelon), and are engaged principally in the purchase and regulated retail sale of electricity and the provision of distribution and transmission services to residential, commercial and industrial customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. Our combined electric and natural gas retail service territory has an area of approximately 2,100 square miles and an estimated population of 3.8 million. We provide electric delivery service in an area of approximately 2,000 square miles, with a population of approximately 3.7 million, including 1.5 million in the City of Philadelphia. Natural gas service is supplied in an area of approximately 1,900 square miles in southeastern Pennsylvania adjacent to the City of Philadelphia, with a population of approximately 2.3 million. We deliver electricity to approximately 1.6 million customers and natural gas to approximately 480,000 customers.

We are subject to extensive regulation by the Pennsylvania Public Utility Commission (PAPUC) as to electric and gas rates and service, the issuances of certain securities and certain other aspects of our operations. We are also subject to regulation by the Federal Energy Regulatory Commission as to transmission rates and certain other aspects of our business.

Our principal executive offices are located at 2301 Market Street, Philadelphia, PA 19101-8699, and our telephone number is (215) 841-4000.

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RECENT DEVELOPMENTS

On September 4, 2008, Exelon published updated earnings guidance for 2008 of $3.90 - $4.30 per Exelon share, determined in accordance with generally accepted accounting principles, compared to a range of $3.70 - $4.10 per share previously announced. At the beginning of 2008, PECO s expected contribution to Exelon s earnings guidance was $360 - $400 million. However, in light of unfavorable weather in the third quarter (PECO experienced the second coolest August in 38 years) and higher bad debt expense, our current estimate of PECO s earnings for 2008 is now $300 - $340 million. This estimate of PECO earnings was reflected in the earnings guidance announced by Exelon on September 4 but was not specifically explained at that time.

The additional bad debt expense reflects an increasing risk of uncollectible accounts and is evidenced by an increase in aging of receivables and charge-offs. This is primarily the result of a suspension of collection activities for eight months from October 2006 through May 2007 as part of a billing system conversion project. During the conversion project, outbound billing-related communication with customers ceased for a few months and we extended the normal winter moratorium on service terminations.

We have also experienced a growth in our low-income customer assistance program, which results in the eventual forgiveness of certain outstanding account balances. We have worked with the low-income advocates to expand the customer assistance program. As a result, the number of new enrollments increased from 14,800 in the first half of 2007 to 18,500 in the first half of 2008.

We have also updated the uncollectible accounts reserve to include the more recent charge-off experience and increased aging in accounts receivable.

PECO management has initiated multiple actions in order to address the increased levels of uncollectible accounts. We have resumed normal collection activities and are implementing new initiatives to accelerate customer payments. We are also refining our strategy for service terminations to focus more aggressively on higher risk accounts.

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SUMMARY FINANCIAL INFORMATION

We have provided the following summary financial information for your reference. We have derived the summary information presented here from the financial statements we have incorporated by reference into this prospectus supplement and the accompanying prospectus. The summary information as of and for the six months ended June 30, 2008 and for the six months ended June 30, 2007 was derived from our unaudited interim financial statements, and we believe that it reflects all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results for the unaudited interim periods. You should not regard the results of operations for the six months ended June 30, 2008 as indicative of the results that may be expected for the year ended December 31, 2008. You should read the summary information together with our historical consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2006	2005	2008	2007
	(in millions)			(in millions)	
				(unaudited)	
Income Statement Data					
Operating revenues	$ 5,613	$ 5,168	$ 4,910	$ 2,754	$ 2,769
Operating income	947	866	1,049	336	465
Net income on common stock	503	437	513	153	222
Cash Flow Data					
Cash interest paid, net of amount capitalized (a) (b)	$ 243	$ 261	$ 281	106	125
Capital expenditures (c)	339	345	298	206	161
Net cash flows provided by operating activities (d)	980	1,017	704	553	467
Net cash flows used in investing activities	(337)	(332)	(241)	(198)	(160)
Net cash flows used in financing activities	(638)	(693)	(500)	(358)	(306)

	As of December 31,			As of June 30,
	2007	2006	2005	2008
	(in millions)			(in millions)
				(unaudited)
Balance Sheet Data				
Property, plant and equipment, net	$ 4,842	$ 4,651	$ 4,471	$ 4,962
Regulatory assets	3,273	3,896	4,454	2,951
Total assets	9,810	9,773	10,086	9,580
Long-term debt (a)	1,626	1,469	1,183	1,671
Long-term debt to affiliates (a) (e)	1,690	2,315	2,960	1,341
Total liabilities	7,700	7,964	8,382	7,412
Preferred stock	87	87	87	87
Common shareholder s equity	2,023	1,722	1,617	2,081

(a) Amounts owed to PECO Energy Capital Trust IV, PECO Energy Capital Trust III and PECO Energy Transition Trust (PETT) are recorded as debt to financing trusts within PECO s consolidated balance sheet.

(b) Includes cash interest paid of $139 million, $180 million, $212 million, $55 million and $75 million in connection with long-term debt to PETT for the years ended December 31, 2007, 2006 and 2005 and the six months ended June 30, 2008 and 2007, respectively.

(c) These amounts include investment in plant and plant removals, net.

(d) We contributed $32 million, $33 million and $189 million in 2007, 2006 and 2005 to Exelon-sponsored pension and post-retirement benefits plans in which we participate. Of our 2005 contributions, $109 million was funded by a capital contribution from Exelon. We contributed $16 million and $11 million to Exelon s pension and post-retirement benefits plans for the six months ended June 30, 2008 and 2007, respectively.

(e) Excludes current maturities of $227 million, $273 million, $199 million and $315 million as of December 31, 2007, 2006 and 2005 and June 30, 2008, respectively.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table provides our consolidated ratio of earnings to fixed charges:

	Years Ended December 31,					Six Months Ended June 30,	
	2007	2006	2005	2004	2003	2008	2007
Ratio of earnings to fixed charges	3.88	3.32	3.78	3.38	3.20	2.89	3.64

The ratio of earnings to fixed charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of pre-tax net income from continuing operations after adjustment for income from equity investees and capitalized interest or allowance for funds used during construction, to which has been added fixed charges. Fixed charges consist of interest costs and amortization of debt discount and premium on all indebtedness and the estimated interest portion of all rental expense.

RISK FACTORS

Your investment in the bonds will involve certain risks. Before investing in the bonds, you should carefully consider the following discussion as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information under Risk Factors on page 5 of the accompanying prospectus, which has been updated by ITEM 1A, Risk Factors, of our annual report on Form 10-K for the year ended December 31, 2007 and under Part II, ITEM 1A, Risk Factors, of our quarterly reports on Form 10-Q for the quarters ended March 31, 2008 and June 30, 2008.

There is no public market for the bonds.

We can give no assurances concerning the liquidity of any market that may develop for the bonds offered hereby, the ability of any investor to sell any of the bonds, or the price at which investors would be able to sell them. If a market for the bonds does not develop, investors may be unable to resell the bonds for an extended period of time, if at all. If a market for the bonds does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell any of their bonds. Consequently, investors may not be able to liquidate their investments readily, and lenders may not readily accept the bonds as collateral for loans.

USE OF PROCEEDS

We expect to receive the net proceeds from the sale of the bonds of approximately $296,860,000, after deducting underwriters discounts and commissions and other estimated fees and expenses. We intend to use the net proceeds to refinance a portion of a short-term intercompany borrowing of $390 million bearing interest at a rate of 3.75% per annum.

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CAPITALIZATION

The following table sets forth our consolidated capitalization and short-term borrowings as of June 30, 2008, and as adjusted to give effect to the issuance and sale of the bonds and the use of the net proceeds from this offering as set forth under Use of Proceeds above. This table should be read in conjunction with our consolidated financial statements and related notes for the six months ended June 30, 2008, incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

	As of June 30, 2008	
	Actual	As Adjusted
	(in millions) (unaudited)	
Commercial paper (a)	$ 205	$
Long-term debt: (b)		
First mortgage bonds	1,671	1,971
Long-term debt to PETT	1,472	1,472
Long-term debt to other financing trusts	184	184
Total shareholder s equity	2,168	2,168
Total capitalization, including short-term borrowings and current maturities	$ 5,700	$ 5,795

(a) The proceeds of the short-term intercompany borrowing being partially refinanced with the proceeds of this offering were used to refinance approximately $390 million in commercial paper borrowings.

(b) Includes unamortized debt discounts. Includes current maturities of long-term debt of $315 million due to PETT.

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DESCRIPTION OF THE BONDS AND FIRST AND REFUNDING MORTGAGE

The following description of the particular terms of the offered bonds is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus. References in this description of the bonds and our First and Refunding Mortgage (Mortgage) to we, our, us or the Company are to PECO Energy Company only and not its subsidiaries and references to mortgage bonds are to the first and refunding mortgage bonds issued under the Mortgage, including the offered bonds.

Securities Offered

The bonds will be issued under our Mortgage as proposed to be further supplemented by a supplemental mortgage indenture relating to the bonds. The bonds will initially be limited in aggregate principal amount to $300,000,000. We may issue additional mortgage bonds under our Mortgage with the same priority as the bonds offered by this prospectus supplement, including mortgage bonds having the same series designation and terms (except for the public offering price, the issue date and, in some cases, the first interest payment date) as the bonds offered by this prospectus supplement, without the approval of the holders of the outstanding mortgage bonds issued under our Mortgage, including the bonds offered by this prospectus supplement. The bonds will be secured equally with all other mortgage bonds outstanding or hereafter issued under our Mortgage. The bonds will be issued in book-entry form only in denominations of $1,000 and authorized multiples thereof.

Principal, Maturity and Interest

Interest on the bonds will be payable on April 15 and October 15 of each year, beginning on April 15, 2009, until the principal is paid or made available for payment. Interest on the bonds will accrue from the most recent date to which interest has been paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The bonds will mature on October 15, 2013.

The Company may fix a date, not more than fourteen calendar days prior to any interest payment date for the bonds, as a record date for determining the registered holders of the bonds entitled to interest payments. Only the registered holder on such record date will be entitled to receive a payment, notwithstanding any transfer of the bonds subsequent to such record date.

Redemption at our Option

We may, at our option, redeem the bonds in whole or in part at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or

- as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus 45 basis points, plus accrued interest to the redemption date.

The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

We will mail notice of any redemption at least 30 days, but not more than 45 days before the redemption date to each registered holder of the bonds to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds or portions of the bonds called for redemption.

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Adjusted Treasury Rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

Business Day means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the bonds that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds.

Comparable Treasury Price means, with respect to any redemption date:

- the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations; or

- if the trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

Quotation Agent means the Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (1) each of Banc of America Securities LLC, Morgan Stanley & Co. Incorporated and Scotia Capital (USA) Inc. and their respective successors, unless such entity ceases to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), in which case we shall substitute another Primary Treasury Dealer, and (2) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that redemption date.

Form

The bonds will be registered in the name of Cede & Co., as registered owner and as nominee for The Depository Trust Company, New York, New York (DTC). Beneficial interests in the bonds will be shown on, and transfers will be effected only through, records maintained by DTC (with respect to participants interests) and its participants. Except as described in this prospectus supplement or the accompanying prospectus, the bonds will not be issued in certificated form. The bonds will trade in DTC s Same-Day Funds Settlement System until maturity, and secondary market trading activity for the bonds will therefore settle in immediately available funds.

Security

The bonds will be secured equally with all other mortgage bonds outstanding or hereafter issued under our Mortgage by the lien of our Mortgage, subject to (1) minor exceptions and certain excepted encumbrances that are defined in the Mortgage and (2) the Mortgage trustee s prior lien for compensation and expenses, constitutes a first lien on substantially all of our properties. Our Mortgage does not constitute a lien on any property owned by our subsidiaries or affiliates. Our properties consist principally of electric transmission and distribution lines and substations, gas distribution facilities and general office and service buildings.

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We may not issue securities which will rank ahead of the mortgage bonds as to security. We may acquire property subject to prior liens. If such property is made the basis for the issuance of additional mortgage bonds after we acquire it, all additional mortgage bonds issued under the prior lien must be pledged with the Mortgage trustee as additional security under our Mortgage.

Authentication and Delivery of Additional Bonds

Our Mortgage permits the issuance from time to time of additional mortgage bonds, without limit as to aggregate amount. Additional mortgage bonds of any series may be issued, subject to the provisions of the Mortgage, in principal amount equal to:

(1) the principal amount of underlying mortgage bonds secured by a prior lien upon property acquired by us after March 1, 1937 and deposited with the Mortgage trustee under the Mortgage;

(2) the principal amount of any such underlying mortgage bonds redeemed or retired, or for the payment, redemption or retirement of which funds have been deposited in trust;

(3) the principal amount of mortgage bonds previously authenticated under the Mortgage on or after March 1, 1937, which have been delivered to the Mortgage trustee;

(4) the principal amount of mortgage bonds previously issued under the Mortgage on or after March 1, 1937, which are being refunded or redeemed, if funds for the refunding or redemption have been deposited with the Mortgage trustee;

(5) an amount not exceeding 60% of the actual cost or the fair value, whichever is less, of the net amount of permanent additions to the property subject to the lien of the Mortgage, made or acquired after November 30, 1941, and of additional plants or property acquired by us after November 30, 1941, and to be used in connection with its electric or gas business as part of one connected system and located in Pennsylvania or within 150 miles of Philadelphia; and

(6) the amount of cash deposited with the Mortgage trustee, which cash shall not at any time exceed $3,000,000 or 10% of the aggregate principal amount of mortgage bonds then outstanding under the Mortgage, whichever is greater, and which cash may subsequently be withdrawn to the extent of 60% of capital expenditures, as described in clause (5) above.

No additional bonds may be issued under our Mortgage as outlined in clauses (5) and (6) and, in certain cases, clause (3) above, unless the net earnings test of the Mortgage is satisfied. The net earnings test of the Mortgage, which relates only to the issuance of additional mortgage bonds, requires for 12 consecutive calendar months, within the 15 calendar months immediately preceding the application for such mortgage bonds, that our net earnings, after deductions for amounts set aside for renewal and replacement or depreciation reserves and before provision for income taxes, must have been equal to at least twice the annual interest charges on all mortgage bonds outstanding under the Mortgage (including those then applied for) and any other bonds secured by a lien on our property.

Release and Substitution of Property

While no event of default exists, we may obtain the release of the lien of the Mortgage on mortgaged property which is sold or exchanged if (1) we deposit or pledge cash or purchase money obligations with the Mortgage trustee, or (2) in certain instances, if we substitute other property of equivalent value. The Mortgage also contains certain requirements relating to our withdrawal or application of proceeds of released property and other funds held by the Mortgage trustee.

Corporate Existence

We may consolidate or merge with or into or convey, transfer or lease all, or substantially all, of the mortgaged property to any corporation lawfully entitled to acquire or lease and operate the property, provided that: such consolidation, merger, conveyance, transfer or lease in no respect impairs the lien of the Mortgage or

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any rights or powers of the Mortgage trustee or the holders of the outstanding mortgage bonds; and such successor corporation executes and causes to be recorded an indenture which assumes all of the terms, covenants and conditions of the Mortgage and any indenture supplement thereto.

The Mortgage does not contain any covenant or other provision that specifically is intended to afford holders of our mortgage bonds special protection in the event of a highly leveraged transaction. The issuance of long-term debt securities requires the approval of the PAPUC.

Defaults

Events of default are defined in the Mortgage as (1) default for 60 days in the payment of interest on mortgage bonds or sinking funds deposits under the Mortgage, (2) default in the payment of principal of bonds under the Mortgage at maturity or upon redemption, (3) default in the performance of any other covenant in the Mortgage continuing for a period of 60 days after written notice from the trustee, and (4) certain events of bankruptcy or insolvency of our company.

Upon the authentication and delivery of additional mortgage bonds or the release of cash or property, we are required to file documents and reports with the Mortgage trustee with respect to the absence of default.

Rights of Bondholders upon Default

Upon the occurrence of an event of default, the Mortgage trustee may, or if requested by the holders of a majority in principal amount of all the outstanding mortgage bonds must, accelerate the maturity of the mortgage bonds and to enforce the lien of the Mortgage. Prior to any sale of mortgaged property by the Mortgage trustee under the Mortgage, and upon the remedying of all defaults, any such acceleration of the maturity of the mortgage bonds may be annulled by the holders of at least a majority in principal amount of all the outstanding mortgage bonds. The Mortgage permits the Mortgage trustee to require indemnity before proceeding to enforce the lien of the Mortgage.

Amendments

We and the Mortgage trustee may amend the Mortgage without the consent of the holders of the mortgage bonds: (1) to subject additional property to the lien to the Mortgage; (2) to define the covenants and provisions permitted under or not inconsistent with the Mortgage; (3) to add to the limitations of the authorized amounts, date of maturity, method, conditions and purposes of issue of any bonds issued under the Mortgage; (4) to evidence the succession of another corporation to us and the assumption by a successor corporation of our covenants and obligations under the Mortgage; or (5) to make such provision in regard to matters or questions arising under the Mortgage as may be necessary or desirable and not inconsistent with the Mortgage.

We and the Mortgage trustee may amend the Mortgage or modify in any manner the rights of the holders of the mortgage bonds with the written consent of at least 66 2/3% of the principal amount of the mortgage bonds then outstanding; provided, that no such amendment shall, without the written consent of the holder of each outstanding mortgage bond affected thereby: (1) change the date of maturity of the principal of, or any installment hereof on, any mortgage bond, or reduce the principal amount of any mortgage bond or the interest thereon or any premium payable on the redemption thereof, or change any place of payment where, or currency in which, any mortgage bond or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the date of maturity thereof; or (2) reduce the percentage in principal amount of the outstanding mortgage bonds, the consent of whose holders is required for any amendment, waiver of compliance with the provisions of the Mortgage or certain defaults and their consequences; or (3) modify any of the amendment provisions or Section 22 of Article VIII (relating to waiver of default), except to increase any such percentage or to provide that certain other provisions of the Mortgage cannot be modified or waived without the consent of the holder of each mortgage bond affected thereby.

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Governing Law

The Mortgage is governed by the laws of the Commonwealth of Pennsylvania.

Mortgage Trustee

U.S. Bank National Association, the trustee under the Mortgage, is the registrar and disbursing agent for our mortgage bonds. U.S. Bank National Association is also our depository, from time to time makes loans to us and is trustee for three series of senior unsecured notes of our affiliate, Exelon Generation Company, LLC.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

General

The following is a summary of certain federal income tax consequences material to the purchase, ownership and disposition of the bonds. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (Code), proposed, temporary and final Treasury regulations thereunder, and published rulings and court decisions currently in effect. The current tax laws and the current regulations, administrative rulings and court decisions may be changed, possibly retroactively, and may be subject to differing interpretation. The statements set forth in the following discussion, to the extent they constitute matters of United States federal income tax law or legal conclusions with respect thereto, represent the opinion of Ballard Spahr Andrews & Ingersoll, LLP.

The following summary does not furnish information in the level of detail or with the attention to an investor s specific tax circumstances that would be provided by an investor s own tax advisor. For example, it does not discuss the tax consequences of the purchase, ownership and disposition of the bonds by investors that are subject to special treatment under the federal income tax laws, including banks and thrifts, insurance companies, regulated investment companies, dealers in securities, holders that will hold the bonds as a position in a straddle or as a part of a synthetic security or conversion transaction or other integrated investment comprised of the bonds and one or more other investments, trusts and estates, and pass-through entities, the equity holders of which are any of these specified investors. In addition, the discussion regarding the bonds is limited to the federal income tax consequences of the initial investors (and not a purchaser in the secondary market) that have purchased bonds and hold those bonds as capital assets within the meaning of Section 1221 of the Code. This discussion does not address the tax consequences for a beneficial owner of a bond who or which is not a United States person for United States federal income tax purposes. Finally, the following summary assumes, as is expected, that the bonds will be issued without original issue discount.

Interest

Interest on a bond will be taxed to a beneficial owner of a bond as ordinary interest income at the time it accrues or is received, in accordance with the beneficial owner s regular method of accounting for federal income tax purposes.

Disposition of a Bond

Upon the sale, exchange, redemption or other disposition of a bond, a beneficial owner of a bond generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, redemption or other disposition (not including any amount attributable to accrued but unpaid interest) and the beneficial owner s adjusted tax basis in the bond. Any amount attributable to accrued but unpaid interest will be treated as a payment of interest and taxed in the manner described above under Interest. In general, the beneficial owner s adjusted tax basis in a bond will be equal to the initial purchase price of the bond paid by the beneficial owner, reduced by the amount of principal payments on the bond received before such date of sale, exchange, redemption or other disposition.

Gain or loss recognized on the sale, exchange, redemption or retirement of a bond generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of sale, exchange, redemption or retirement, the bond has been held by the investor for more than one year. For individuals, the excess of net long-term capital gains over net short-term capital losses generally is taxed at a lower rate than ordinary income. Capital losses are, with very limited exception, deductible only to the extent of capital gains recognized during the taxable year. Any excess capital losses may be carried over to and deducted in other taxable years subject to certain limitations.

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Information Reporting and Backup Withholding

Information reporting requirements apply to interest and principal payments made to, and to the proceeds of sales or other dispositions before maturity by, certain noncorporate owners of bonds. Generally, we must report annually to the Internal Revenue Service (IRS), the amount of interest that we paid to an owner of a bond and the amount of tax that we withheld, if any, on that interest. In addition, backup withholding applies to a noncorporate owner if

- the owner fails to furnish his or her taxpayer identification number, which for an individual would be his or her Social Security Number, to the payor in the manner required,
- the owner furnishes an incorrect taxpayer identification number and the payor is so notified by the IRS,
- the payor is notified by the IRS that the owner has failed to properly report payments of interest and dividends, or
- in certain circumstances, the owner fails to certify, under penalties of perjury, that he or she has furnished a correct taxpayer identification number and has not been notified by the IRS that he or she is subject to backup withholding for failure to properly report interest and dividend payments.

The current rate of backup withholding is 28% of the amount paid prior to December 31, 2010. Any amounts withheld under backup withholding rules will be allowed as a refund or credit against an owner s federal income tax liability, provided the required information is timely furnished to the IRS.

The United States federal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner s particular situation. Prospective purchasers of the bonds should consult their own tax advisors with respect to the tax consequences to them of the ownership and disposition of bonds, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States or other tax laws.

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UNDERWRITING

We intend to offer the bonds through the underwriters. Banc of America Securities LLC, Morgan Stanley & Co. Incorporated and Scotia Capital (USA) Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us, the principal amount of the bonds listed opposite their names below.

Underwriter	Principal Amount
Banc of America Securities LLC	$ 66,000,000
Morgan Stanley & Co. Incorporated	66,000,000
Scotia Capital (USA) Inc.	66,000,000
BNP Paribas Securities Corp.	16,200,000
Greenwich Capital Markets, Inc.	16,200,000
KeyBanc Capital Markets Inc.	16,200,000
Lazard Capital Markets LLC	16,200,000
SunTrust Robinson Humphrey, Inc.	16,200,000
Cabrera Capital Markets, LLC	9,000,000
Loop Capital Markets, LLC	6,000,000
Muriel Siebert & Co., Inc.	6,000,000