

PECO ENERGY CO  
Form 424B5  
September 18, 2006  
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Filed Pursuant to Rule 424(b)(5)  
Registration Statement No. 333-105207

**The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion**

**Preliminary Prospectus Supplement dated September 18, 2006**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated June 11, 2003)**

**\$**

**PECO Energy Company**

**First and Refunding Mortgage Bonds, % Series due 2036**

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The bonds will bear interest at the annual rate of \_\_\_\_\_ % per year. We will pay interest on the bonds on April 1 and October 1 of each year, beginning on April 1, 2007. The bonds will mature on October 1, 2036. We may redeem some or all of the bonds at any time at the redemption prices 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.

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**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 related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<b>Per Bond</b>	<b>Total</b>
Public offering price(1)	%	\$
Underwriting discount	%	\$
Proceeds, before expenses, to PECO Energy Company	%	\$

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(1) Plus accrued interest from \_\_\_\_\_, 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 \_\_\_\_\_, 2006 .

*Joint Book-Running Managers*

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**Barclays Capital**

**BNP PARIBAS**

**Scotia Capital**

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**BNY Capital Markets, Inc.**

**KeyBanc Capital Markets**

**Ramirez & Co., Inc.**

**UBS Investment Bank**

, 2006

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the 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 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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**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, rely on this prospectus supplement.

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 herein, certain of the matters discussed or incorporated by reference in this prospectus supplement or the accompanying prospectus are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements include (a) those factors discussed in the following sections of our 2005 Annual Report on Form 10-K: ITEM 1A. Risk Factors, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation and ITEM 8. Financial Statements and Supplementary Data: PECO Note 15; and (b) other factors discussed herein and in other filings with the SEC.

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, transmission, distribution and sale of electricity to residential, commercial and industrial customers in southeastern Pennsylvania and the purchase, distribution and sale of natural gas to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. Our 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 1.5 million customers and natural gas to approximately 472,000 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**

**Exelon Merger with Public Service Enterprise Group Incorporated**

On December 20, 2004, Exelon entered into an Agreement and Plan of Merger (Merger Agreement) with Public Service Enterprise Group Incorporated, referred to as PSEG, a holding company for an electric and gas utility primarily located and serving customers in New Jersey, whereby PSEG would be merged with and into Exelon. Under the Merger Agreement, each share of PSEG common stock would be converted into 1.225 shares of Exelon common stock. The transactions contemplated by the Merger Agreement were approved by the Boards of Directors and shareholders of both companies. As of September 14, 2006, all regulatory approvals or reviews necessary to complete the merger had been completed with the exception of the approval from the New Jersey Board of Public Utilities (NJBPU). On September 14, 2006, Exelon announced that Exelon had given formal notice to PSEG that Exelon had terminated the Merger Agreement.

On September 13, 2005, we filed before the PAPUC a partial settlement regarding our distribution and transmission rates through 2010 and made other financial commitments contingent upon the approval of our application to the PAPUC related to the merger. As a result of the termination of the Merger Agreement, the settlement will not become effective.

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**Table of Contents****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. You should read it 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	
	2003	2004	2005	2005	2006
	(\$ in millions)			(\$ in millions)	
<b>Income Statement Data</b>					
Operating revenues	\$ 4,388	\$ 4,487	\$ 4,910	\$ 2,339	\$ 2,554
Operating income	1,056	1,014	1,049	498	416
Net income on common stock	468	452	513	237	184
<b>Cash Flow Data</b>					
Cash interest paid, net of amount capitalized (a) (b)	\$ 346	\$ 298	\$ 281	\$ 144	\$ 136
Capital expenditures (c)	250	225	298	126	164
Cash flows provided by operating activities (d)	814	983	704	301	562
Cash flows used in investing activities	(255)	(251)	(241)	(58)	(157)
Cash flows used in financing activities	(587)	(676)	(500)	(268)	(417)
	As of December 31,			As of June 30,	
	2003	2004	2005	2006	
	(\$ in millions)			(\$ in millions)	
<b>Balance Sheet Data</b>					
Property, plant and equipment, net	\$ 4,256	\$ 4,329	\$ 4,471	\$ 4,552	
Regulatory assets	5,226	4,790	4,386	4,093	
Total assets	10,373	10,087	10,018	9,723	
Long-term debt (a) (e)	1,359	1,153	1,183	1,189	
Long-term debt to affiliates (a) (f)	3,880	3,475	2,960	2,637	
Total liabilities	9,357	8,689	8,314	8,016	
Preferred stock	87	87	87	87	
Common shareholders' equity	929	1,311	1,617	1,620	

- (a) As of July 1, 2003, PECO Energy Capital Trust IV (PECO Trust IV), a financing subsidiary of PECO created in May 2003, was deconsolidated from our financial statements pursuant to the provisions of Financial Accounting Standards Board Interpretation No. 46 Consolidation of Variable Interest Entities (FIN 46). As of December 31, 2003 the remaining financing trusts of PECO, namely PECO Energy Capital Trust III (PECO Trust III) (formed in April 1998) and PECO Energy Transition Trust (PETT) (formed in June 1998) were deconsolidated from our financial statements pursuant to the provisions of FIN 46 (revised December 2003) (FIN 46-R).
- (b) Includes cash interest paid of \$271 million by PETT for the year ended December 31, 2003. Includes cash interest paid of \$235 million, \$212 million, \$110 million and \$95 million in connection with long-term debt to PETT for the years ended December 31, 2004 and 2005 and the six months ended June 30, 2005 and 2006, respectively.
- (c) These amounts include investment in plant and plant removals, net.

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- (d) We contributed \$49 million, \$14 million, and \$189 million in 2003, 2004 and 2005 to Exelon-sponsored pension and post-retirement benefits plans in which we participate. Of our 2005 contributions, \$109 million was made during the first quarter and was fully funded by a capital contribution from Exelon. We contributed \$10 million to Exelon's pension and post-retirement benefits plans for the six months ended June 30, 2006.
- (e) Excludes current maturities of \$46 million as of December 31, 2004.
- (f) Excludes current maturities of \$153 million, \$165 million, \$199 million and \$274 million as of December 31, 2003, 2004 and 2005 and June 30, 2006, respectively.

**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	
	2001	2002	2003	2004	2005	June 30, 2005	June 30, 2006
Ratio of earnings to fixed charges	2.46	2.94	3.17	3.28	3.70	3.47	2.99

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 beginning on page 3 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, 2005 and under Part II, Item 1A of our quarterly reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006.

**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 bond does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell any of the bonds. Consequently, investors may not be able to liquidate their investment readily, and lenders may not readily accept the bonds as collateral for loans.

**USE OF PROCEEDS**

We intend to use the proceeds from the sale of the bonds, after deducting underwriting compensation and estimated fees and expenses, to refinance commercial paper having an approximate weighted average interest rate of 5.31% per annum as of September 15, 2006, and for other general corporate purposes.

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The following table sets forth our consolidated capitalization and short-term debt as of June 30, 2006, and as adjusted to give effect to the issuance and sale of the bonds and the use of the 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, 2006, incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement.

	June 30, 2006	
	Actual	As Adjusted
	(\$ in millions)	
Commercial paper	\$ 227	\$
Long-term debt: (a)		
First mortgage bonds	1,153	
Long-term debt to PECO Energy Transition Trust (b)	2,727	
Long-term debt to other financing trusts (c)	184	
Other long-term debt	36	
Total shareholders' equity	1,707	
Total capitalization, including short-term borrowings and current maturities	\$ 6,034	\$

- (a) Includes unamortized debt discounts. Includes current maturities of long-term debt of \$274 million due to PETT.
- (b) PETT notes are issued by one of our special purpose subsidiaries. Pennsylvania legislation allows a portion of our future revenues to be segregated and used to support the issuance of securities by a special purpose financing subsidiary. PETT issued the notes between March 1999 and March 2001. Pursuant to the provisions of FIN 46-R, as of December 31, 2003, PETT was deconsolidated from our financial statements. Amounts owed to PETT are recorded as debt to PETT within our consolidated balance sheet.
- (c) PECO Trust III was created solely for the purpose of issuing \$78 million trust receipts (Trust III Receipts) each representing a Cumulative Preferred Security, Series D (Series D Preferred Securities) of PEC L.P. PEC L.P. is the sponsor of PECO Trust III. PECO Trust III has outstanding 78,105 Trust III Receipts. The assets of PECO Trust III consist solely of 78,105 Series D Preferred Securities with an aggregate stated liquidation preference of \$81 million. PECO Trust IV issued \$100 million of trust preferred securities, which are mandatorily redeemable in June 2033. PECO is the sole owner of all of the common securities of the PECO Trust IV. The sole assets of PECO Trust IV are \$103 million principal amount of subordinated debentures issued by PECO. Pursuant to the provisions of FIN 46, as of July 1, 2003, PECO Trust IV was deconsolidated from our financial statements. Pursuant to the provisions of FIN 46-R, as of December 31, 2003, PECO Trust III was deconsolidated from our financial statements.



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**DESCRIPTION OF THE BONDS**

The following description is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus.

**Securities Offered**

We are offering \$ \_\_\_\_\_ aggregate principal amount of our First and Refunding Mortgage Bonds, \_\_\_\_\_ % Series due October 1, 2036. The bonds will be issued under our First and Refunding Mortgage as proposed to be further supplemented by a supplemental mortgage indenture relating to the bonds.

**Principal, Maturity and Interest**

Interest on the bonds will be payable on April 1 and October 1 of each year, beginning on April 1, 2007, 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 1, 2036.

**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 \_\_\_\_\_ 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.

**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.

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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 Barclays Capital Inc. and BNP Paribas Securities Corp. and their respective successors, unless any of them 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.

## **Amendment of Mortgage**

Concurrently with this offering our mortgage indenture will be amended to provide that, effective when all of the bonds currently outstanding (excluding the bonds offered by this prospectus supplement) are repaid or otherwise redeemed in full, or if the holders of 66.67% of the principal amount of the bonds of each outstanding series have previously consented thereto, all references in our mortgage indenture to a requirement of an independent accountant, engineer or appraiser will be amended to only refer to an accountant, engineer or appraiser, unless the principal amount of bonds sought to be issued by us, in the aggregate with any bonds issued by us since the beginning of the then current calendar year (other than those with respect to which a certificate or opinion of an accountant is not required, or with respect to which a certificate or opinion of an independent public accountant has previously been furnished), is 10% or more of the principal amounts of the outstanding bonds then secured by our mortgage indenture, or as otherwise may be required by the Trust Indenture Act of 1939, as amended.

## **Successor Trustee**

Wachovia Bank, National Association (Wachovia) is the trustee under our mortgage indenture. Wachovia has informed us that it will be resigning as trustee effective September 29, 2006. Our board expects to appoint U.S. Bank National Association to serve as successor trustee under our mortgage indenture effective September 29, 2006.

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**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following is a summary of the material federal income tax consequences of the purchase, ownership and disposition of the bonds. This summary is based upon current provisions of the Internal Revenue Code of 1986 (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, rulings and court decisions may be changed, possibly retroactively, and 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, our United States tax counsel.

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 for tax purposes 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 and to investors who have purchased bonds and hold those bonds as capital assets within the meaning of Section 1221 of the Code. This discussion does not discuss 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. There can be no assurance that a change in law will not alter significantly the tax considerations described in this discussion.

**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. It is not expected that the bonds will be issued with original issue discount.

**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 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. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses.

**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 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,

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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 it 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. 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.**

**Table of Contents****UNDERWRITING**

We intend to offer the bonds through the underwriters. Barclays Capital Inc., BNP Paribas Securities Corp. 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.

<b>Underwriter</b>	<b>Principal Amount</b>
Barclays Capital Inc.	\$
BNP Paribas Securities Corp	
Scotia Capital (USA) Inc	
BNY Capital Markets, Inc	
KeyBanc Capital Markets, a division of McDonald Investments, Inc	
Samuel A. Ramirez & Company, Inc.	
UBS Securities LLC	
	\$

The underwriters have agreed to purchase all of the bonds sold pursuant to the underwriting agreement if any of the bonds are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (Securities Act), or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the bonds, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

It is expected that delivery of the bonds will be made on or about the date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of this prospectus supplement (T + 5). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade bonds on the date of this prospectus supplement or the next succeeding business day will be required, by virtue of the fact that the bonds initially will settle in T + 5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement and should consult their own advisors.

**Commissions and Discounts**

The underwriters have advised us that they propose initially to offer the bonds to the public at the public offering price on the cover page of this prospectus supplement, and to dealers at that price less a concession not in excess of % of the principal amount of the bonds. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the principal amount of the bonds to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The expenses of the offering, not including the underwriting discount, are estimated to be \$400,000 and are payable by us.

**New Issue of Bonds**

The bonds are a new issue of securities with no established trading market. We do not intend to apply for listing of the bonds on any national securities exchange or for quotation of the bonds on any automated dealer quotation system. We have been advised by the underwriters that they presently intend to make a market in the bonds after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the bonds or that an



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active public market for the bonds will develop. If an active public trading market for the bonds does not develop, the market price and liquidity of the bonds may be adversely affected.

### **Price Stabilization and Short Positions**

In connection with the offering, the underwriters are permitted to engage in transactions that stabilize the market price of the bonds. Such transactions consist of bids or purchases to peg, fix or maintain the price of the bonds. If the underwriters create a short position in the bonds in connection with the offering, *i.e.*, if they sell more bonds than are on the cover page of this prospectus supplement, the underwriters may reduce that short position by purchasing bonds in the open market. Purchases of a security to stabilize the price or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the bonds. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and our affiliates. They have received customary fees and commissions for these transactions. Each of Barclays Capital Inc., BNP Paribas Securities Corp., Scotia Capital (USA) Inc., BNY Capital Markets, Inc., KeyBanc Capital Markets, a division of McDonald Investments, Inc. and UBS Securities LLC has banking affiliates who are lending parties in our revolving credit facilities.

## **LEGAL MATTERS**

Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, will render an opinion as to the validity of the bonds for us, and certain legal matters will be passed on for the underwriters by Winston & Strawn LLP, Chicago, Illinois. Winston & Strawn LLP provides legal services to Exelon and its subsidiaries, including us, from time to time.

## **EXPERTS**

The financial statements incorporated in this prospectus supplement by reference to the annual report on Form 10-K of PECO Energy Company for the year ended December 31, 2005 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**WHERE YOU CAN FIND MORE INFORMATION**

In connection with this offering, we have filed with the SEC a registration statement under the Securities Act. As permitted by SEC rules, this prospectus supplement and the accompanying prospectus omit information included in the registration statement. For a more complete understanding of this offer, you should refer to the registration statement, including its exhibits.

We file annual, quarterly and current reports, information statements and other information with the SEC. You may read and copy any document that we file with the SEC at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public over the Internet on the SEC's web site at <http://www.sec.gov>. You can also inspect reports and other information we file at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to previously filed documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents we have filed with the SEC (file number 000-16844):

PECO's Annual Report on Form 10-K for the fiscal year ended December 31, 2005;

PECO's Quarterly Report on Form 10-Q for the period ended March 31, 2006;

PECO's Quarterly Report on Form 10-Q for the period ended June 30, 2006; and

PECO's Current Reports on Form 8-K dated:

January 23, 2006 and filed with the SEC on January 27, 2006;

January 25, 2006 and filed with the SEC on January 25, 2006;

January 27, 2006 and filed with the SEC on January 30, 2006;

February 8, 2006 and filed with the SEC on February 8, 2006;

February 20, 2006 and filed with the SEC on February 21, 2006;

February 22, 2006 and filed with the SEC on February 23, 2006;

February 24, 2006 and filed with the SEC on February 24, 2006;

March 7, 2006 and filed with the SEC on March 7, 2006;

May 25, 2006 and filed with the SEC on May 25, 2006;



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June 14, 2006 and filed with the SEC on June 14, 2006;

June 19, 2006 and filed with the SEC on June 19, 2006;

June 22, 2006 and filed with the SEC on June 22, 2006 (two reports);

July 28, 2006 and filed with the SEC on July 31, 2006;

August 2, 2006 and filed with the SEC on August 2, 2006;

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August 4, 2006 and filed with the SEC on August 7, 2006;

August 29, 2006 and filed with the SEC on August 30, 2006; and

September 14, 2006 and filed with the SEC on September 14, 2006.

Any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement and until we or any underwriters sell all of the securities covered by this prospectus supplement shall be deemed to be incorporated by reference in this prospectus supplement from the date such documents are filed.

In addition to the resources maintained by the SEC, you may also obtain these filings at no cost by writing us at PECO Energy Company, 10 South Dearborn Street, 36th Floor, P.O. Box 805379, Chicago, Illinois 60680-5379; Attention: Director, Investor Relations or by calling us at (312) 394-2345.

Information about us is also available on Exelon Corporation's web site at <http://www.exeloncorp.com>. This web site and the SEC's web site above are intended to be inactive textual references only. Information on Exelon's or the SEC's web site (other than the documents incorporated by reference) is not a part of this prospectus supplement.

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**\$725,000,000**

**PECO ENERGY COMPANY**

**Preferred Stock**

**First and Refunding Mortgage Bonds**

**Subordinated Debt Securities**

**Guarantee of Trust Preferred Securities**

**PECO ENERGY CAPITAL TRUST IV**

**PECO ENERGY CAPITAL TRUST V**

**PECO ENERGY CAPITAL TRUST VI**

**Trust Preferred Securities**

**(guaranteed by PECO Energy Company as described in this prospectus)**

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PECO Energy Company may use this prospectus to offer and sell from time to time:

r preferred stock in one or more series;

r one or more series of first and refunding mortgage bonds;

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- r subordinated debt securities to be purchased by PECO Energy Capital Trust IV, PECO Energy Capital Trust V and/or PECO Energy Capital Trust VI; and
  
- r guarantees of trust preferred securities sold by PECO Energy Capital Trust IV, PECO Energy Capital Trust V and PECO Energy Capital Trust VI.

PECO Energy Capital Trust IV, PECO Energy Capital Trust V and PECO Energy Capital Trust VI may use this prospectus to offer and sell from time to time trust preferred securities that will be guaranteed by PECO Energy Company.

The aggregate initial offering prices to the public of the securities offered by us will not exceed \$725,000,000. We may offer the securities separately or together, in separate series, in amounts, at prices and on terms to be determined at or prior to the time or times of sale.

We will provide the specific terms of these securities, together with the terms of the offering of those securities, the initial offering price and our net proceeds from their sale, in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We may offer the securities directly or through underwriters or agents. The applicable prospectus supplement will describe the terms of any particular plan of distribution.

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**Please see Risk Factors beginning on page 3 for a discussion of factors you should consider in connection with a purchase of the securities offered in this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is June 11, 2003.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process, relating to the first and refunding mortgage bonds, and preferred stock, no par value, generally described in this prospectus. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings up to a total initial offering price of \$725,000,000, which includes \$225,000,000 of first and refunding mortgage bonds and preferred stock that was registered on a prior registration statement.

This prospectus provides you with a general description of the securities we may offer. This prospectus does not contain all of the information set forth in the registration statement as permitted by the rules and regulations of the SEC. For additional information regarding us and the offered securities, please refer to the registration statement of which this prospectus forms a part. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading **Where You Can Find More Information**.

Unless otherwise indicated, all references in this prospectus or a supplement to PECO Energy Company, PECO, we, our, us, or similar terms mean PECO Energy Company, and all references to the trusts mean PECO Energy Capital Trust IV, PECO Energy Capital Trust V and PECO Energy Capital Trust VI.

We are not offering the securities in any state where the offer is not permitted.

**You should rely only on information contained in this prospectus or the documents to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus and related prospectus supplement may be used only where it is legal to sell these securities. The information in this prospectus and any prospectus supplement may only be accurate on the date of this document. Our business, financial condition, results of operations and prospects may have changed since that date.**

**WHERE YOU CAN FIND MORE INFORMATION**

We are a reporting company and file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any reports or other information that we file with the SEC at the SEC's public reference room, Room 1024 at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. Each outstanding series of our preferred stock is listed on the New York Stock Exchange where reports, proxy and information statements and other information about us may be inspected. You may also obtain a copy of the registration statement at no cost by writing us at the following address:

PECO Energy Company

Attn: Investor Relations

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10 South Dearborn Street, 36<sup>th</sup> Floor

P.O. Box 805379

Chicago, IL 60680-5379

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This prospectus is one part of a registration statement filed on Form S-3 with the SEC under the Securities Act of 1933, as amended, known as the Securities Act. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information concerning us and the securities, you should read the entire registration statement including this prospectus and any related prospectus supplements, and the additional information described under the sub-heading Documents Incorporated By Reference below. The registration statement has been filed electronically and may be obtained in any manner listed above. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

Information about us is also available on Exelon's web site at <http://www.exeloncorp.com>. This URL and the SEC's URL above are intended to be inactive textual references only. Such information on our or the SEC's web site is not a part of this prospectus.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The SEC allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act but prior to the termination of any offering of securities made by this prospectus:

- r Our Annual Report on Form 10-K for the year ended December 31, 2002;
- r Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003; and
- r Our Current Report on Form 8-K dated May 8, 2003.

Upon written or oral request, we will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all of such documents which are incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this prospectus incorporates). Written or oral requests for copies should be directed to PECO Energy Company, Attn: Investor Relations, 10 South Dearborn Street, 36<sup>th</sup> Floor, P.O. Box 805379, Chicago, IL 60680-5379.

Any statement contained in this prospectus, or in a document all or a portion of which is incorporated by reference, shall be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, any supplement or any document incorporated by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

We have not included or incorporated by reference any separate financial statements of the trusts. We do not consider the financial statements of the trusts to be material to holders of the trust preferred securities because each trust (1) is a newly formed special purpose entity that has no operating history or independent operations, and (2) is not engaged in and does not propose to engage in any activity other than holding the



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subordinated debt securities and issuing the trust preferred securities. We do not expect the trusts to file periodic reports under Sections 13 and 15(d) of the Exchange Act.

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**RISK FACTORS**

*The utility business involves many operating risks. In addition to the information that will be set forth in the prospectus supplement for each class of securities offered by this prospectus, you should carefully consider the risks described below, each of which could have a material adverse effect on our business and could result in a loss or a decrease in the value of your investment.*

**We must comply with numerous regulatory requirements in managing our business, which affect costs and responsiveness to changing events and opportunities.**

We are subject to regulation at the state and Federal levels. We are regulated by the Public Utilities Commission (PUC), which regulates the rates, terms and conditions of service; various business practices and transactions; financing; and transactions between us and our affiliates. We are also subject to regulation by the Federal Energy Regulatory Commission (FERC), which regulates transmission rates, certain other aspects of our business and gas pipelines. The regulations adopted by these state and Federal agencies affect the manner in which we do business, our ability to undertake specified actions and the costs of our operations.

**We are involved in a number of regulatory proceedings as a part of the process of establishing the terms and rates for services.**

These regulatory proceedings typically involve multiple parties, including governmental bodies, consumer advocacy groups and various consumers of energy, who have differing concerns but who have the common objective of limiting rate increases. The proceedings also involve various contested issues of law and fact and have a bearing upon the recovery of our costs through regulated rates. During the course of the proceedings, we look for opportunities to resolve contested issues in a manner that grant some certainty to all parties to the proceedings as to rates and energy costs.

**We must maintain the availability and reliability of our delivery systems to meet customer expectations.**

Each year, increases in both customers and the demand for energy require expansion and reinforcement of delivery systems to increase capacity and maintain reliability. Failures of the equipment or facilities used in those delivery systems could potentially interrupt energy delivery services and related revenues, and increase repair expenses and capital expenditures. Such failures, including prolonged or repeated failures, also could affect customer satisfaction and may increase regulatory oversight and the level of our maintenance and capital expenditures.

**We must manage our costs due to the rate caps imposed on us.**

Rate caps in effect currently limit our ability to recover increased expenses and the costs of investments in new transmission and distribution facilities. We are subject to agreed-upon rate reductions of \$200 million, in aggregate, for the period 2002 through 2005 and caps (subject to limited exceptions for significant increases in Federal or state income taxes or other significant changes in law or regulation that do not allow us to earn a fair rate of return) on our transmission and distribution rates through December 31, 2006 as a result of settlements previously reached with the PUC. As a result, our future results of operations will depend on our ability to deliver electricity and natural gas, in a cost-efficient

manner, and to realize cost reductions to offset increased infrastructure investments and inflation.

**We have lost and will lose energy customers to other generation service providers, although we continue to provide delivery services and may have an obligation to provide generation service to those customers.**

Our revenues will vary because of customer choice of generation suppliers. As a result of restructuring initiatives in Pennsylvania, all of our retail electric customers can choose to purchase their generation supply

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from alternative suppliers. If customers do not choose an alternative generation supplier, we are currently generally obligated to provide generation and delivery service to customers in our service territory at fixed rates. In addition, customers who choose an alternative generation supplier may later return to us. We remain obligated to provide transmission and distribution service to all customers regardless of their generation supplier. To the extent that customers leave traditional bundled tariffs and select a different generation provider, our revenues are likely to decline.

### **We continue to serve as the provider-of-last-resort for energy for all customers in our service territory.**

We are required to make available generation service to all retail customers in our service territory, including customers that have taken energy from an alternative generation supplier. Our customers can switch, that is, they can choose an alternative generation supplier and then return to us and then go back to an alternative supplier, and so on, within limits. Because customers can switch, our planning has a higher level of uncertainty than that traditionally experienced due to weather and the economy. Presently, we manage this obligation through a full requirements contract with Exelon Generation Company, LLC (Generation), under which Generation supplies our power requirements. Because of the ability of customers to switch generation suppliers, there is uncertainty regarding the amount of our load that Generation must prepare for.

### **Our long-term Power Purchase Agreement provides a hedge to its customers' demand.**

Because the bundled rates we charge our customers are capped through 2010, as mentioned previously above, our ability to recover increased costs with increases in rates charged to these customers is limited. Therefore, to effectively manage our obligation to provide power to meet our customers' demand, we have established power supply agreements with Generation that reduce exposure to the volatility of market prices through 2010. Market prices relative to our bundled rates still influence switching behavior among retail customers.

### **Our business may be significantly impacted by the end of our regulatory transition period in 2010.**

In Pennsylvania, as a mechanism for utilities to recover their allowed stranded costs, the Pennsylvania Electricity Generation Customer Choice and Competition Act (Competition Act) provides for the imposition and collection of non-bypassable competitive transition charges (CTCs) on customers' bills. CTCs are assessed to and collected from all customers who have been assigned stranded cost responsibility and access the utilities' transmission and distribution systems. As the CTCs are based on access to the utility's transmission and distribution system, they are assessed regardless of whether such customer purchases electricity from the utility or an alternative electric generation supplier. The Competition Act provides, however, that the utility's right to collect CTCs is contingent on the continued operation, at reasonable availability levels, of the assets for which the stranded costs are being recovered, except where continued operation is no longer cost efficient because of the transition to a competitive market.

We have been authorized by the PUC to recover stranded costs of \$5.3 billion (\$4.6 billion of unamortized costs at March 31, 2003) over a twelve-year period ending December 31, 2010, with a return on the unamortized balance of 10.75%. Our recovery of stranded costs is based on the level of transition charges established in the settlement of our restructuring case and the projected annual retail sales in our service territory. Recovery of transition charges for stranded costs and our allowed return on our recovery of stranded costs are included in revenues. In 2002, revenue attributable to stranded cost recovery was \$850 million and is scheduled to increase to \$932 million by 2010, the final year of stranded cost recovery. Amortization of our stranded cost recovery, which is a regulatory asset, is included in depreciation and amortization. The amortization expense for 2002 was \$308 million and will increase to \$879 million by 2010. Thus, our results will be adversely affected over the remaining period ending December 31, 2010 by the reduction in the unamortized balance of stranded costs and therefore the return received on that unamortized balance.



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### **Weather affects electricity and gas usage and, consequently, our results of operations.**

Temperatures above normal levels in the summer tend to further increase summer cooling electricity demand and revenues, and temperatures below normal levels in the winter tend to further increase winter heating electricity and gas demand and revenues. Because of seasonal pricing differentials, coupled with higher consumption levels, we typically report higher revenues in the third quarter. Extreme summer conditions or storms may stress our transmission and distribution systems, resulting in increased maintenance costs and limiting our ability to bring power in to meet peak customer demand. These extreme conditions may have detrimental effects on our operations.

### **Economic conditions and activity in our service territory directly affect the demand for electricity.**

Higher levels of development and business activity generally increase the number of customers and their use of energy. Sales growth on an annual basis is expected to be 0.6% in our service territory. In the long-term, output growth for electricity is expected to be 0.6% per year. However, there is continued economic uncertainty. Recessionary economic conditions, and the associated reduced economic activity, may adversely affect our results of operations.

### **Effective management of capital projects is important to our business.**

Our business is capital intensive and requires significant investments in energy transmission and distribution facilities, and in other internal infrastructure projects.

We continue to make significant capital expenditures to improve the reliability of our transmission and distribution systems in order to provide a high level of service to our customers. Our base rate caps will generally preclude incremental rate recovery on any of these incremental investments prior to January 1, 2011 (see the section titled "We must manage our costs due to the rate caps imposed on us" above).

### **Our ability to grow our business is affected by the ability to finance capital projects.**

Our business requires considerable capital resources. When necessary, we secure funds from external sources by issuing commercial paper and, as required, long-term debt securities. We actively manage our exposure to changes in interest rates through interest-rate swap transactions and our balance of fixed- and floating-rate instruments. We currently anticipate primarily using internally generated cash flows and short-term financing through commercial paper to fund our operations as well as long-term external financing sources to fund capital requirements as the need arises. The ability to arrange debt financing, to refinance current maturities and early retirements of debt, and the costs of issuing new debt are dependent on:

- r credit availability from banks and other financial institutions;
  
- r maintenance of acceptable credit ratings;

- r investor confidence in us and Exelon;
- r general economic and capital market conditions; and
- r the success of current projects.

**Our credit ratings influence our ability to raise capital.**

We have investment grade ratings and have been successful in raising capital, which has been used to further our business initiatives. Failure to maintain investment grade ratings would require us to incur higher financing costs.

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### **Equity market performance affects Exelon's benefit plan asset values.**

The sharp decline in the equity markets since the third quarter of 2000 has reduced the value of the assets held in trusts to satisfy the obligations of pension and postretirement benefit plans. If the markets continue to decline, we may have higher funding requirements and pension and other postretirement benefit expense. Exelon will continue to manage the assets in the pension and postretirement benefit plans in order to achieve the best return possible in conjunction with its overall risk management practices and diversified approach to investment.

### **Our results of operations can be affected by inflation.**

Inflation affects us through increased operating costs and increased capital costs for transmission and distribution plant. As a result of the rate caps imposed under the legislation in Pennsylvania, we are not able to pass the costs of inflation through to customers.

### **We may incur substantial cost to fulfill our obligations related to environmental matters.**

Our business is subject to extensive environmental regulation by local, state and Federal authorities. These laws and regulations affect the manner in which we conduct our operations and make capital expenditures. We are subject to liability under these laws for the costs of remediating environmental contamination of property now or formerly owned by us and of property contaminated by hazardous substances we generated. Management believes that it has a responsible environmental management and compliance program; however, we have incurred and expect to incur significant costs related to environmental compliance and site remediation and clean-up. Remediation activities associated with manufactured gas plant operations will be one source of such costs. Also, we are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

### **Our financial performance is affected by our ability to manage costs for security and liability insurance.**

*Security.* In connection with the events of September 11, 2001, the electric and gas industries have developed additional security guidelines. The electric industry, through the North American Electric Reliability Council (NERC), developed physical security guidelines, which were accepted by the U.S. Department of Energy. In 2003, FERC issued minimum standards to safeguard the electric grid system control. These standards will be effective in 2004 and fully implemented by January 2005. The gas industry, through the American Gas Association, developed physical security guidelines that were accepted by the U.S. Department of Transportation. Exelon participated in the development of these guidelines, and we are using them as a model for our security program.

*Insurance.* We, through Exelon, carry property damage and liability insurance for our properties and operations. As a result of significant changes in the insurance marketplace, due in part to the September 11, 2001 terrorist acts, the available coverage and limits may be less than the amount of insurance obtained in the past, and the recovery for losses due to terrorists acts may be limited. Exelon is self-insured to the extent that any losses may exceed the amount of insurance maintained.

### **The possibility of attack or war may adversely affect our results of operations, future growth and ability to raise capital.**



Any military strikes or sustained military campaign may affect our operations in unpredictable ways, such as increased security measures. Just the possibility that infrastructure facilities, such as electric transmission and distribution facilities, would be direct targets of, or indirect casualties of, an act of terror or war may affect our operations. War and the possibility of war may have an adverse effect on the economy in general. A lower level of economic activity might result in a decline in energy consumption, which may adversely affect our

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revenues or restrict our future growth. Instability in the financial markets as a result of war may affect our ability to raise capital.

**The introduction of new technologies could increase competition within our markets.**

While demand for electricity is generally increasing throughout the United States, the rate of construction and development of new, more efficient, electric generation facilities and distribution methodologies may exceed increases in demand in some regional electric markets. The introduction of new technologies could increase competition, which could lower prices and have an adverse affect on our results of operations or financial condition.

**We are subject to control by Exelon.**

We are ultimately controlled by Exelon and, therefore, Exelon controls decisions regarding our business and has control over our management and affairs. In circumstances involving a conflict of interest between Exelon, on the one hand, and our creditors, on the other, Exelon could exercise its power to control us in a manner that would benefit Exelon to the detriment of our creditors, including the holders of our debt securities.

**Conflicts of interest may arise between us and our affiliate.**

We rely on purchases from our affiliate Generation under long-term contracts in order to supply electricity to our customers. Conflicts of interest may arise if we need to enforce the terms of agreements between us and Generation. Decisions concerning the interpretation or operation of these agreements could be made from perspectives other than the interests solely of our company or its creditors.

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**PECO ENERGY COMPANY**

We are a subsidiary of Exelon Corporation (Exelon), described below, and are engaged principally in the purchase, transmission, distribution and sale of electricity to residential, commercial, industrial and wholesale customers and in the purchase, distribution and sale of natural gas to residential, commercial and industrial customers. We deliver electricity to approximately 1.5 million customers and natural gas to approximately 450,000 customers.

Our traditional retail service territory covers 2,100 square miles in southeastern Pennsylvania. We provide electric delivery service in an area of 2,000 square miles, with a population of approximately 3.8 million, including 1.5 million in the City of Philadelphia. We supply natural gas service in a 2,100 square mile area in southeastern Pennsylvania adjacent to Philadelphia, with a population of 2.3 million.

The Pennsylvania Electricity Generation Customer Choice and Competition Act required the unbundling of retail electric services in Pennsylvania into separate generation, transmission and distribution services with open retail competition for generation services. Since the commencement of deregulation in 1999, we have served as the local distribution company providing electric distribution services to all customers in our service territory and bundled electric service to provider-of-last-resort customers, who are customers who do not or cannot choose an alternate electric generation supplier.

As a result of deregulation, Exelon undertook a corporate restructuring to separate its unregulated generation and other competitive businesses from its regulated energy delivery businesses. As part of the corporate restructuring, effective January 1, 2001, our unregulated operations were transferred to separate subsidiaries of Exelon. The transferred assets and liabilities related to nuclear, fossil and hydroelectric generation and wholesale services and unregulated gas and electric sales activities, and administrative, information technology and other support for all other business activities of Exelon and its subsidiaries. In connection with the restructuring, we entered into a power purchase agreement with Generation, a wholly owned subsidiary of Exelon, to supply us with all of our electric load requirements for customers through 2010.

As a public utility under the Pennsylvania Public Utility Code, we are subject to regulation by the PUC, including regulation as to electric distribution rates, retail gas rates, issuances of securities and certain other aspects of our operations. As a subsidiary of Exelon, a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA), we are subject to a number of restrictions. As an electric utility under the Federal Power Act, we are also subject to regulation by FERC as to transmission rates and certain other aspects of our business, including interconnections and sales of transmission related assets.

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

**PECO ENERGY CAPITAL TRUST IV, PECO ENERGY CAPITAL TRUST V AND**

**PECO ENERGY CAPITAL TRUST VI**

Each of PECO Energy Capital Trust IV, PECO Energy Capital Trust V and PECO Energy Capital Trust VI is a Delaware statutory trust that was formed on May 9, 2003. Each of the trust's businesses is defined in a declaration of trust, dated as of May 9, 2003, executed by us, as sponsor, and the trustees specified below. The declaration of trust for a trust will be amended and restated in its entirety as of the date trust preferred securities are initially issued by the applicable trust. Each declaration, as amended and restated, is referred to in this prospectus individually as

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the trust agreement, and collectively as the trust agreements. The trust agreements will be qualified under the Trust Indenture Act of 1939, as amended.

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The trusts exist for the exclusive purposes of:

- r issuing and selling their trust preferred securities and trust common securities;
- r using the proceeds from the sale of the trust common securities and trust preferred securities to acquire the subordinated debt securities from us; and
- r engaging in only those other activities necessary or incidental to these purposes.

The trusts will have no assets other than the subordinated debt securities. The trusts will have no revenue other than payments under the subordinated debt securities. Each trust has a term of 30 years, but may dissolve earlier as provided in the trust agreements.

We will, directly or indirectly, acquire all of the trust common securities of each trust, which will have an aggregate liquidation amount equal to at least 3% of the total capital of the issuing trust.

Each trust's business and affairs will be conducted by its trustees, as provided in the trust agreements. At the time of the issuance of the trust preferred securities, the trustees for the issuing trust will be Wachovia Trust Company, National Association, as the property trustee and the Delaware trustee, and three of our employees as administrative trustees. We, as holder of the trust common securities, or, if an event of default under the applicable trust agreement has occurred and is continuing, the holders of not less than a majority in liquidation amount of the trust preferred securities, will be entitled to appoint, remove or replace the property trustee and the Delaware trustee. In no event will the holders of the trust preferred securities have the right to vote to appoint, remove or replace the administrative trustees. Only the holder of the trust common securities will be entitled to do that.

For so long as the trust preferred securities remain outstanding, we will:

- r maintain directly or indirectly 100% ownership of the trust common securities;
- r use our reasonable efforts to cause the issuing trust to remain a statutory trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the applicable trust agreement; and
- r use our reasonable efforts to cause the issuing trust to continue to be treated as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

We will pay all of the issuing trust's fees and expenses, including those related to the offering of the trust preferred securities. In addition, we guarantee payments on the trust preferred securities to the extent that the issuing trust has funds to make payments on the trust preferred securities. See Description of Guarantees below.

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The rights of the holders of the trust preferred securities are set forth in the trust agreements and the Delaware Statutory Trust Act.

The location of each trust's principal executive office is 2301 Market Street, P.O. Box 8699, Philadelphia, PA 19101-8699, and the telephone number is (215) 841-4000.

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**FORWARD-LOOKING STATEMENTS**

This prospectus and the documents we have filed with the SEC, which we have referenced under **Where You Can Find More Information** and **Documents Incorporated by Reference** contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this prospectus that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections, future capital expenditures, business strategy, competitive strengths, goals, expansion, market and industry developments and the growth of our businesses and operations, are forward-looking statements. These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. These statements involve a number of risks and uncertainties, many of which are beyond our control. The following are among the most important factors that could cause actual results to differ materially from the forward-looking statements:

- r the risk factors discussed in this prospectus;
  
- r general and local economic, market or business conditions;
  
- r fluctuations in demand for electricity, capacity and ancillary services in the markets in which we operate;
  
- r uncertain obligations due to customers' right to choose generation suppliers;
  
- r changes in laws or regulations that are applicable to us;
  
- r environmental constraints on construction and operation; and
  
- r access to capital.

Consequently, all of the forward-looking statements made in this prospectus are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by us will be realized or, even if realized, will have the expected consequences to or effects on us or our business prospects, financial condition or results of operations. You should not place undue reliance on these forward-looking statements in making your investment decision. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to these forward-looking statements to reflect events or circumstances that occur or arise or are anticipated to occur or arise after the date hereof. In making an investment decision regarding the securities described in this prospectus, we are not making, and you should not infer, any representation about the likely existence of any particular future set of facts or circumstances.

**USE OF PROCEEDS**

Unless we indicate otherwise in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities for general corporate purposes, including to discharge or refund (by redemption, by purchase on the open market, by purchase in private transactions, by tender offer or otherwise) outstanding long-term debt and preference stock, to finance capital improvements and to supplement working capital. Any proceeds of securities issued by the trusts will be used by the trusts to purchase subordinated debt securities from us. We

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will describe in the applicable prospectus supplement any specific allocation of the proceeds to a particular purpose that we have made at the date of that prospectus supplement. Please refer to our annual and quarterly reports incorporated by reference into this prospectus and any prospectus supplement for information concerning our outstanding long-term debt and preference stock. See [Where You Can Find More Information](#).



**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following are our consolidated ratios of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods indicated:

	Years Ended December 31,					Three	Three
	1998	1999	2000	2001	2002	Months	Months
						Ended	Ended
						March 31,	March 31,
	1998	1999	2000	2001	2002	2002	2003
Ratio of earnings to fixed charges	3.38	3.37	2.66	2.46	3.00	2.36	3.36
Ratio of earnings to combined fixed charges and preferred stock dividends	3.20	3.22	2.58	2.37	2.90	2.29	3.25

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 (AFUDC), 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 interest portion of all rental expense.

The ratio of earnings to fixed charges and preferred stock dividends represents, on a pre-tax basis, the number of times earnings cover fixed charges and preferred stock dividends. Earnings consist of pre-tax net income from continuing operations after adjustment for income from equity investees and capitalized interest or AFUDC to which has been added fixed charges. Combined fixed charges and preferred stock dividends consist of interest costs and amortization of debt discount and premium on all indebtedness, preferred stock dividends (increased to reflect the pre-tax earnings required to cover such dividend requirements) and the interest portion of all rental expense.

**DESCRIPTION OF FIRST AND REFUNDING MORTGAGE BONDS****General.**

We will issue the first and refunding mortgage bonds in series under our First and Refunding Mortgage, dated May 1, 1923, as amended and supplemented by supplemental mortgage indentures and as proposed to be further amended and supplemented by a supplemental mortgage indenture relating to the offered series of bonds (mortgage). Wachovia Bank, National Association (formerly First Union National Bank) is trustee under the mortgage (mortgage trustee). The following summary of the mortgage does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the mortgage. Certain terms used in this section are defined in the mortgage. Copies of the First and Refunding Mortgage and the supplemental mortgage indentures are on file with the SEC. Copies of supplemental mortgage indentures under which any series of bonds is to be issued will be filed with the SEC.

**Principal, Maturity and Interest.**

The aggregate principal amount of any series of bonds to be issued will be specified in the related prospectus supplement. Unless otherwise provided in the prospectus supplement, the bonds will be issued in book-entry form only. The bonds will be in denominations specified in the related prospectus supplement.

The bonds will mature on the date or dates set forth in the related prospectus supplement. Interest will be payable on the bonds as set forth in the prospectus supplement until the principal is paid or made available for payment. Interest on the bonds will accrue and be calculated as set forth in the related prospectus supplement.

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For so long as the bonds are issued in book-entry form, payments of principal and interest will be made in immediately available funds by wire transfer to The Depository Trust Company (DTC) or its nominee. If the bonds are issued in certificated form to a holder other than DTC, payments of principal and interest will be made by check mailed to such holder at such holder's registered address. Payment of principal of the bonds in certificated form will be made against surrender of those bonds at the office or agency of our company in the City of Philadelphia, Pennsylvania and an office or agency in the Borough of Manhattan, City of New York. Payment of interest on the bonds will be made to the person in whose name the bonds are registered at the close of business on record dates fixed by us which must be not more than 14 days prior to the relevant interest payment date. Default interest will be paid in the same manner to holders as of a special record date established in accordance with the mortgage.

All amounts paid by us for the payment of principal, premium (if any) or interest on any bonds that remain unclaimed at the end of two years after such payment has become due and payable will be repaid to us and the holders of such bonds will thereafter look only to us for payment thereof.

## **Redemption.**

The redemption provisions, if any, for each series of bonds will be set forth in the related prospectus supplement.

## **Security.**

The bonds will be secured equally with all other mortgage bonds outstanding or hereafter issued under the mortgage by the lien of the mortgage. The lien of the 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. The 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.

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 bonds after we acquire it, all additional bonds issued under the prior lien must be pledged with the mortgage trustee as additional security under the mortgage.

## **Authentication and Delivery of Additional Bonds.**

The mortgage permits the issuance from time to time of additional mortgage bonds, without limit as to aggregate amount. Additional mortgage bonds may be in principal amount equal to:

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

(3) the principal amount of 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 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;

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(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 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 the 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 bonds, that our net earnings, after deductions for amounts set aside for renewal and replacement or depreciations reserves and before provision for income taxes, must have been equal to at least twice the annual interest charges on all 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 mortgage 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 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 PUC.

### **Defaults.**

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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.

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### **Rights of Bondholders upon Default.**

Upon the occurrence of an event of default, the holders of a majority in principal amount of all the outstanding mortgage bonds may require the mortgage trustee to accelerate the maturity of the mortgage bonds and to enforce the lien of the mortgage. Prior to any sale 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 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; (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 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.

### **Governing Law.**

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

### **Mortgage Trustee.**

Wachovia Bank, National Association (formerly First Union National Bank), the trustee under the mortgage, is the registrar and disbursing agent for our mortgage bonds. Wachovia Bank, National Association is also our depository, from time to time makes loans to us and is trustee for a series of senior unsecured notes of Generation.





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**DESCRIPTION OF PREFERRED STOCK**

**General.**

As of March 31, 2003, our authorized capital stock consists of 500,000,000 shares of common stock, without par value, and 15,000,000 shares of preferred stock, without par value. As of March 31, 2003, there were 170,478,507 shares of common stock outstanding and 1,374,720 shares of preferred stock outstanding.

Our Board of Directors is authorized, without further shareholder action, to divide the preferred stock into one or more series and to determine the following designations, preferences, limitations and special rights of any series (which for any series will be set forth in the related prospectus supplement):

- r the annual dividend rate or rates;
  
- r the rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, dissolution or winding up of our company;
  
- r the terms and conditions upon which shares may be converted into shares of other series or other capital stock, if issued with the privilege of conversion;
  
- r the price at and the terms and conditions upon which shares may be redeemed;
  
- r the terms and amount of any sinking fund for the purchase or redemption of shares of a series; and
  
- r the exchange or exchanges on which the preferred stock will be listed, if any.

**Dividend Rights.**

The annual dividend rate for each new series of preferred stock will be set forth in the applicable prospectus supplement. Dividends will be cumulative from the date of issuance and will be payable, when declared, quarterly on the first day of February, May, August and November. The dividends on shares of all series of preferred stock will be cumulative. Any limitations on our rights to pay dividends will be described in the applicable prospectus supplement.

Unless dividends on all outstanding shares of preferred stock of all series shall have been paid for all past quarterly dividend periods, no dividends are paid or declared and no other distribution is made on the common stock, and no common stock shall be purchased or otherwise acquired for value by us.

**Voting Rights.**

Our articles of incorporation provide that the board of directors is to be classified into three classes. Holders of preferred stock and common stock elect an entire class for three-year terms. If and when dividends payable on all shares of the preferred stock are in default in an amount equal to four full quarterly dividends, and until all dividends then in default are paid or declared and set apart for payment, the holders of all shares of preferred stock, voting separately as a class, are entitled to elect the smallest number of directors necessary to constitute a majority of the full board of directors, and the holders of the common stock, voting separately as a class, are entitled to elect the remaining directors.

Holders of preferred stock will be entitled to vote on certain matters relating to:

- (1) authorization of stock (other than a series of preferred stock) ranking prior to or on a parity with the preferred stock or any security convertible into shares of stock of such kinds;
  
- (2) change the express terms of the preferred stock or of any series thereof in a manner prejudicial to the holders thereof;

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(3) issuance of additional shares of preferred stock unless, for any twelve consecutive calendar months within the fifteen calendar months immediately preceding the calendar month within which such additional shares are issued, net earnings applicable to the payment of dividends on the preferred stock and net income before payment of interest charges on indebtedness and after provision for depreciation and taxes shall have been, respectively, at least two times the dividend requirements upon the entire amount of preferred stock to be outstanding immediately after the proposed issue of such additional shares, and at least one and one-half times the aggregate of such dividend requirements and interest charges for such period on the entire amount of indebtedness then to be outstanding;

(4) issuance of additional shares of preferred stock, unless our capital represented by the common stock together with its surplus is in the aggregate at least equal to the involuntary liquidating value of the preferred stock;

(5) increase in the total authorized amount of preferred stock of all series; and

(6) merger or consolidation with or into any corporation, or division, unless ordered, exempted, approved, or permitted by the SEC or other federal regulatory authority.

Except as otherwise provided in the express terms of any series of preferred stock, the number of authorized shares of preferred stock of any series may be increased without vote or consent of the holders of the outstanding shares of the series affected, subject to the aggregate limit on the authorized number of shares of preferred stock. With respect to (1), (2), (3) and (4) above, the consent or affirmative vote of the holders of shares of the preferred stock entitled to cast at least two-thirds of the votes which all holders of preferred stock of all series then outstanding are entitled to cast (or of the affected series in the case of a change prejudicial to less than all series) is required; and with respect to (5) and (6), the consent or affirmative vote of the holders of shares of the preferred stock entitled to cast at least a majority of the votes which all holders of preferred stock of all series then issued and outstanding are entitled to cast is required.

The preferred stock of all series constitutes one class in any vote of shareholders except as stated above, or some mandatory provision of law is controlling. At all meetings of the holders of preferred stock at which such holders have the right to vote, each holder of preferred stock of each series shall be entitled to one vote or fraction thereof, for each \$100 or fraction thereof of involuntary liquidating value represented by the shares of preferred stock of such series held by each such holder.

**Liquidation Rights.**

Upon liquidation or dissolution of our company, holders of the preferred stock then outstanding are entitled to receive a cash payment per share equal to the liquidation value provided for the respective series, plus accrued and unpaid dividends to the date of liquidation, before any payment shall be made to holders of common stock.

No dividend payment or distribution shall be made to holders of common stock, if, after giving effect to such dividend payment or distribution, our capital represented by the common stock, together with surplus, is less than the involuntary liquidating value of all outstanding preferred stock.

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The amount per share payable on each series of the new preferred stock in the event of any voluntary or involuntary liquidation will be set forth in the applicable prospectus supplement.

### **Redemption Provisions.**

The redemption provisions, if any, with respect to each series of new preferred stock will be set forth in the applicable prospectus supplement. After payment of all dividends on all series of preferred stock for past dividend periods, we, by action of our Board of Directors, may redeem the whole or any part of any series of the

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preferred stock, to the extent permitted by the terms of that series of preferred stock, at any time or from time to time at the applicable redemption price of the shares of the particular series together with accrued and unpaid dividends.

**Sinking Fund.**

The sinking fund provisions, if any, with respect to each series of new preferred stock will be set forth in the applicable prospectus supplement.