



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

Restructuring Settlement

August 27, 1997

PECO and a group of other parties today filed a Joint Petition for Partial Settlement in the Pennsylvania Public Utility Commission (PUC) industry restructuring proceeding. The proceeding, which began April 1, 1997, with PECO's filing of its comprehensive restructuring plan, is pursuant to the Electricity Generation Competition and Customer Choice Act (Competition Act). The settlement, which must be approved by the PUC, includes the following parties: PECO Energy; Senator Vincent J. Fumo; Lance S. Haver; the Consumers Education and Protective Association et al. (CEPA); the Office of Trial Staff (OTS); the Office of Consumer Advocate (OCA); the Office of Small Business Advocate (OSBA); the Philadelphia Area Industrial Energy Users Group (PAIEUG); the American Association of Retired Persons (AARP) and the Department of the Navy.

<ul style="list-style-type: none"> ● Recovery of \$5.46 billion in stranded assets and costs through a Competitive Transition Charge (CTC) or an Intangible Transition Charge (IT,-) over a period of 10 years beginning January 1, 1999. PECO will begin to amortize these costs (11 -year amortization period) upon approval of the settlement. ● A write-off of at least \$2 billion of stranded costs (approximately \$5.40 per share) in 1997. ● Rate reduction of 10 percent on September 1, 1998. ● Approval to securitize up to \$4 billion of authorized stranded costs. ● Separation of generation by establishment of a separate corporate entity or entities. ● Customer choice phased in for all customers in three steps: one-third of the peak load of each customer class on January 1, 1999, one-third on January 2, 1999 and the remainder on January 2, 2000. 	<p>Background</p> <p>On December 3, 1996, Governor Tom Ridge signed into law the Competition Act, which fundamentally restructures retail electric service in Pennsylvania by mandating the phase-in of customer choice of generation supplier.</p> <p>As required by the Competition Act, PECO submitted a comprehensive Restructuring Plan in which it requested the PUC to approve:</p> <ul style="list-style-type: none"> ● The imposition of unbundled rates, Competitive Transition Charges (CTCs) and specific tariff provisions to ensure direct access to licensed electric generation suppliers; ● The recovery of \$6.8 billion of transition and stranded costs; and ● The implementation of universal service obligations and consumer education programs. <p>Thirteen intervening parties filed direct testimony June 20, 1997. PECO responded on July 18, 1997 in its rebuttal filing. The procedural schedule has been suspended to allow for settlement discussions.</p>
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Stranded Cost Recovery

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	April 1, 1997 Restructuring Filing (000)	July 18,1997 Rebuttal Filing (000)	Settlement (000)
Generation Plant	\$6,688,384	\$ 6,787,296 ¹	\$6,787,296
Market Value	(2,862,913)	(2,303,000)	(2,303,000)
Stranded Generation Assets	3,825,471	4,484,296	4,484,296
Regulatory Assets ³	2,589,057	2,589,057	2,589,057
Regulatory Liabilities	(5,319)	(5,319)	(5,319)
Nuclear Decommissioning	236,929	233,827	233,827
Fossil Decommissioning	126,605	126,605	126,605
Other Transition Costs	32,661	32,661	32,661
Disallowance	<u>0</u>	<u>0</u>	(2,000,000) 2
Total	\$6,805,404	\$7,461,127	\$5,461,127

¹Adjusted for additional common plant.

²Represents \$2 billion of stranded regulatory assets.

3 Regulatory Assets

Description (000)

Carrying charges on 50 percent of Limerick
common plant not included in ratebase \$ 175,812

Carrying charges on 50 percent of common
plant of Peach Bottom, Salem and Eddystone 17,400

Unamortized loss on reacquired debt 158,311

Nuclear design basis documentation 28,852

Limerick "early window" deferred costs 86,286

Deferred fuel costs 311,468

Deferred SFAS 106 costs 100,580

Deferred SFAS 109 tax expense 1,687,069

Other 23,279

Total Regulatory Assets \$ 2,589,057

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Rate Reductions

The Company commits to guaranteed across-the-board reductions in the retail rates that were effective December 31, 1996. The CTC is not subject to reconciliation or true-up.

Schedule of Average Rates

¢/kWh

Effective Date	Transmission (1)	Distribution (2)	CTC/ ITC (3)	Cumulative Rate Decrease ^(a) (3')	Energy & Capacity Cap (4)	Total Bill Rate Cap (b) (5)	Generation Rate Cap ^(c) (6)
Sept. 1, 1998	N/A	N/A	N/A	N/A	N/A	8.95	N/A
Jan. 1, 1999	0.47	2.64	3.04	10%	2.80	8.95	5.84
Jan. 1, 2000	0.47	2.64	3.04	10%	2.80	8.95	5.84
Jan. 1, 2001	0.47	2.64	3.14	9%	3.20	9.45	6.34
Jan. 1, 2002	0.47	2.64	3.14	9%	3.50	9.75	6.64
Jan. 1, 2003	0.47	2.64	3.14	9%	3.70	9.95	6.84
Jan. 1, 2004	(d)	(d)	2.87	12%	3.97	N/A	6.84
Jan. 1, 2005	(d)	(d)	2.77	13%	4.07	N/A	6.84
Jan. 1, 2006	(d)	(d)	2.57	15%	4.77	N/A	7.34
Jan. 1, 2007	(d)	(d)	2.47	16%	5.37	N/A	7.84
Jan. 1, 2008	(d)	(d)	2.27	18%	5.57	N/A	7.84
(end	-	-	-	40%	-	-	-