



DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

Global Restructuring Settlement

April 30, 1998

PECO Energy and other parties to the Company's Restructuring proceeding yesterday filed a Joint Petition for Settlement with the Pennsylvania Public Utility Commission (PUC). 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, was signed by many parties, including consumer groups, industrial users, utilities and marketers.

The Joint Petition represents a comprehensive settlement that resolves issues on appeal before Commonwealth Court and the U.S. District Court by parties to the settlement.

The following is a summary of the major elements of the settlement:

- Recovery of \$5.26 billion of stranded costs over a 12-year transition period beginning January 1, 1999 and ending December 31, 2010, with a return of 10.75 percent.
- Rate caps will vary over the transition period. (See Table on Page 2.)
- Guaranteed rate reductions in the first two years of the transition period - a total of 8 percent in 1999 and a minimum of 6 percent in 2000.
- Beginning on January 1, 1999, PECO will unbundle rates into three components:
 - a transmission and distribution rate of 2.98 cents per kWh.
 - a competitive transition charge (CTC) designed to recover the \$5.26 billion of

stranded costs. Revenue collected through the CTC will be reconciled annually based on actual sales.

- a shopping credit initially set at 4.46 cents per kWh on a system-wide basis.
- Authorization for PECO to securitize up to \$4 billion of stranded costs. The intangible transition charges associated with transition bonds must terminate no later than December 31, 2010. Rates under the settlement include the anticipated benefits of securitization. No rate adjustment will be made upon issuance of transition bonds.
- Flexible pricing, within a specified range, for residential default customers.
- Customer choice phased in between January 1, 1999 and January 2, 2000.
- Authorization for PECO to transfer its generation assets to a separate entity.
- Ability of electric generation suppliers (EGS) to provide metering and billing services to retail customers who have direct access.
- On January 1, 2001, the provider of default service for 20 percent of residential customers will be bid competitively.
- If 35 percent and 50 percent of all customers are not shopping by 2001 and 2003, respectively, a number of customers sufficient to equal those trigger points shall be randomly selected and assigned to licensed suppliers by a PUC-determined process.

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Schedule of Rates

Schedule of System Average Rates

◆/kWh

¢/kWh

Effective Date	Transmission (a)	Distribution	T&D Rate Cap (b)	CTC/ ITC	Shopping Credit	Generation Rate Cap ^(c)
	(1)	(2)	(3)	(4)	(5)	(6)
January 1, 1999	0.45	2.53	2.98	1.72	4.46	6.18
January 1, 2000	0.45	2.53	2.98	1.92	4.46	6.38
January 1, 2001	0.45	2.53	2.98	2.51	4.47	6.98
January 1, 2002	0.45	2.53	2.98	2.51	4.47	6.98
January 1, 2003	0.45	2.53	2.98	2.47	4.5 f	6.98
January 1, 2004	0.45	2.53	2.98	2.43	4.55	6.98
January 1, 2005(d)	0.45	2.53	2.98	2.40	4.58	6.98
January 1, 2006	(e)	(e)	N/A	2.66	4.85	7.51
January 1, 2007	(e)	(e)	N/A	2.66	5.35	8.01
January 1, 2008	(e)	(e)	N/A	2.66	5.35	8.01
January 1, 2009	(e)	(e)	N/A	2.66	5.35	8.01
January 1, 2010	(e)	(e)	N/A	2.66	5.35	8.01

- a. Transmission prices listed are for illustration only. The PUC does not regulate rates for transmission service.
- b. T&D Rate Cap (column 3) = sum of columns (1)+(2).
- c. Generation Rate Cap (column 6) = sum of columns (4)+(5). The cap on generation rates will be extended, at higher levels than set forth in the Competition Act, until December 31, 2010. In the Competition Act, generation rates were capped until 2005.
- d. Effective until June 30, 2005.
- e. The cap on PECO's transmission and distribution rates under the Competition Act will be extended until June 30, 2005. In the Competition Act, T&D rates were capped until 2001.

Notes:

- Average figures for CTC/ITC from 1999-2010 in column 4 are fixed, subject to reconciliation for actual sales levels.
- The shopping credit figures in column 5 will be adjusted to reflect changes due to the CTC/ITC reconciliation.

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- Average transmission and distribution service rates will not exceed the figures in column 3.
- The generation portion of bills for customers who remain with regulated PECO generation supply will not, on average, exceed figures in column 6.
- Calculation of Year 1 average rates:

9.96 0/kWh (existing rate cap) - 8 percent reduction = 9.16 0/kWh

9.16 0/kWh = 2.98 (column 3) + 1.72 (column 4) + 4.46 (column 5)

CTC Amortization

Annual Stranded Cost Amortization and Return^(a)

Year	Annual	CTC ◆kWh	Revenue Excluding GRT		
	Sales mWh		Total (\$000)	Return @ 10.75% (\$000)	Amortization (\$000)
1999	33,569,358	1.72	\$551,988	\$566,134	\$(14,146)
2000	33,837,913	1.92	621,102	564,222	56,879
2001	34,108,616	2.51	818,457	547,777	270,680
2002	34,381,485	2.51	825,004	516,869	308,135
2003	34,656,537	2.47	818,352	482,401	335,951
2004	34,933,789	2.43	811,540	444,798	366,742
2005	35,213,260	2.40	807,933	403,555	404,378
2006	35,494,966	2.66	902,623	353,070	549,553
2007	35,778,925	2.66	909,844	290,627	619,217
2008	36,065,157	2.66	917,123	220,312	696,811
2009	36,353,678	2.66	924,459	141,229	783,231
2010	36,644,507	2.66	931,855	52,381	879,474

^(a) Subject to reconciliation of actual sales and collections. Under the settlement, sales are estimated to increase 0.8 percent per year.

Other Features

<ul style="list-style-type: none"> • The transmission & distribution rate cap of 2.98 cents per kWh includes .01 cents for a sustainable energy and economic development fund during the rate cap period. 	<ul style="list-style-type: none"> • The PLR will be selected on the basis of a PUC-approved energy and capacity market price bidding process. PECO-affiliated suppliers will be prohibited from bidding for this block of customers.
<ul style="list-style-type: none"> • PECO is permitted to transfer ownership and operation of its generating facilities to a separate 	<ul style="list-style-type: none"> • As of January 1, 2001, PECO (as PLR) will price its service

generating facilities to a separate corporate entity. The generating facilities will be valued at book value at the time of the transfer.		
<ul style="list-style-type: none"> Twenty percent of residential customers will be assigned to a provider of last resort (PLR), other than PECO, on January 1, 2001. 		<ul style="list-style-type: none"> A Qualified Rate Order authorizing securitization of up to \$4 billion is included.

Background

December 3, 1996

Governor Ridge signed into law the Competition Act, which fundamentally restructures retail electric service in Pennsylvania.

January 22, 1997

PECO filed a request for authorization to securitize \$3.6 billion in stranded costs.

April 1, 1997

PECO submitted a comprehensive Restructuring Plan, which included a request for approval of the imposition of unbundled rates and the recovery of \$6.8 billion in stranded costs.

July 18, 1997

PECO submitted Rebuttal Testimony, which reflected an increase in stranded costs to \$7.5 billion.

August 27, 1997

PECO and nine other parties, including representatives of all major consumer interests, filed a Joint Petition for Partial Settlement.

October 7, 1997

Enron Energy Services Power, Inc. filed a petition requesting approval of an alternative restructuring plan.

December 11, 1997

PUC voted 3-2 to adopt a motion which rejected the Partial Settlement and the Enron Plan, and substantially modified PECO's proposed restructuring plan.

December 23, 1997

PUC issued its Restructuring Order which, among other things, determined that PECO's recoverable stranded costs were \$5.024 billion and that unbundling of PECO's rates resulted in a customer shopping credit of 4.46 cents per kWh.

January 7, 1998

PECO and five other parties filed petitions requesting rehearing, reconsideration and clarification of the Restructuring Order.

January 16, 1998

PUC issued an order denying many of the changes requested by the parties, reducing authorized stranded costs to \$4.9 billion and directing PECO to make a compliance filing.

January 20, 1998

PECO submitted its compliance filing.

February 1998

PUC rejected PECO's compliance filing and modified PECO's revised compliance filing.