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ANNUAL REPORT '75

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Bankers Securities Corporation
(Merchandising and Real Estate)
- *George H. Brown, Jr.
Director, Girard Bank
- *James L. Everett
President of the Company
- *Robert F. Gilkeson
Chairman of the Board and
Chief Executive Officer of
the Company
- *William W. Hagerty
President, Drexel University
- *William G. Hamilton, Jr.
Director, Singer Company
(Diversified Manufacturing)
- Robert D. Harrison
President, John Wanamaker,
Philadelphia
(Merchandising)
- Paul R. Kaiser
Chairman of the Board
Tasty Baking Company
(Manufacturing)
- Joseph J. McLaughlin
President, Beneficial
Mutual Savings Bank
- John R. Park
Chairman of the Board and
President
American Stores Company
(Retailing)

*Member of Executive Committee

OFFICERS

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- Vincent S. Boyer
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- Clair V. Myers
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Purchasing and General Services
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and Distribution
- Theodore S. Fetter
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- Morton W. Rimerman
Treasurer
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Assistant Secretary
- Donald P. Scott
Assistant Treasurer
- Alfred M. Newill
Assistant Treasurer
- Joseph W. Ruff
Assistant Treasurer

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ANNUAL MEETING

The annual meeting of the shareholders of the Company will be held on April 14, 1976, at eleven a.m., in the Crystal Ball Room, Benjamin Franklin Hotel, Ninth and Chestnut Streets, Philadelphia, Pennsylvania.

Shareholders of record at the close of business March 5 are entitled to vote at this meeting.

Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

GENERAL OFFICE

2301 Market Street
Philadelphia, Pennsylvania 19101

MANAGEMENT CHANGES IN 1975

On February 24, William T. Coleman, Jr. resigned from the Board of Directors to accept an appointment as United States Secretary of Transportation.

On September 2, Clifford Brenner was appointed General Manager of our newly formed Corporate Communications Department.

On December 1, Charles W. Watson retired as Senior Vice President.

FINANCIAL HIGHLIGHTS

	1975	1974	Percent Increase or (Decrease)
Operating Revenue	\$1,134,810,120	\$1,011,726,459	12.2%
Operating Expenses, including Fuel, Maintenance, Depreciation, and Taxes	937,724,740	858,719,597	9.2%
Operating Income	197,085,380	153,006,862	28.8%
Other Income, primarily Allowance for Funds Used during Construction	91,231,605	96,553,268	(5.5%)
Income before Interest Charges	288,316,985	249,560,130	15.5%
Interest Charges	144,391,513	120,463,147	19.9%
Net Income	143,925,472	129,096,983	11.5%
Preferred Stock Dividends	36,026,349	33,681,772	7.0%
Earnings Applicable to Common Stock	107,899,123	95,415,211	13.1%
Dividends on Common Stock	95,439,435	86,458,457	10.4%
Balance to Retained Earnings	\$ 12,459,688	\$ 8,956,754	39.1%
Shares of Common Stock—Average	58,135,012	52,716,813	10.3%
Earnings Per Average Share	\$1.86	\$1.81	2.8%
Dividends Paid Per Share	\$1.64	\$1.64	—

Earnings for common stock in 1975 of \$107.9 million were 13 percent higher than last year, but earnings per share increased only moderately to \$1.86 as a result of a 10 percent increase in the average number of shares outstanding.

Common stock dividends were maintained at \$1.64 a share, 30 percent of which were not taxable for federal income tax purposes.

Operating revenue exceeded \$1.1 billion, a 12 percent increase over 1974,

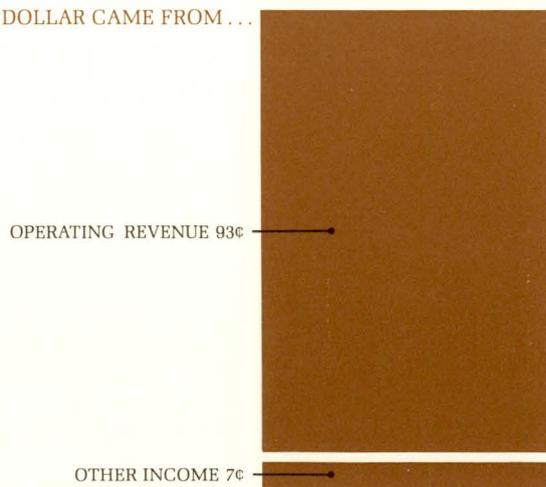
despite decreased energy sales for all services. Major elements of increased revenue were rate increases and the increase in fuel adjustment revenue required to recover higher fuel costs.

Operating expenses rose 9 percent, reflecting continued high prices for fossil fuels, higher taxes, and inflation in all areas of doing business.

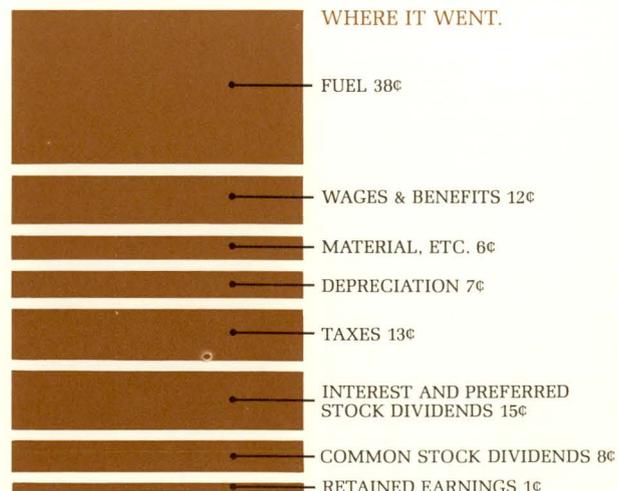
Construction expenditures amounted to \$361.4 million, increasing total investment in plant to \$3.7 billion.

Financing requirements were met by the sale of the following securities: \$100 million of debentures at 12-3/4%; two mortgage bond issues (\$65 million at 11-5/8% and \$80 million at 11%); almost 11 million shares of common stock (4 million through a public offering for \$51 million; 6 million through a rights offering for \$73.5 million; and approximately 866,000 through the Dividend Reinvestment and Employee Stock Purchase Plans for \$11.9 million).

WHERE THE DOLLAR CAME FROM . . .



WHERE IT WENT.



LETTER TO OUR SHAREHOLDERS:

The past year was one of modest successes for your Company. Our new nuclear plant at Peach Bottom performed excellently which enabled us to reduce significantly the fuel adjustment charge on our customers' bills. We were able to raise a substantial amount of new capital to finance our reduced construction program. We successfully instituted a completely new billing system which will enable us to better serve our customers and improve communications with them. A new Corporate Communications Department was established and began an aggressive program for communicating Philadelphia Electric's story to its public.

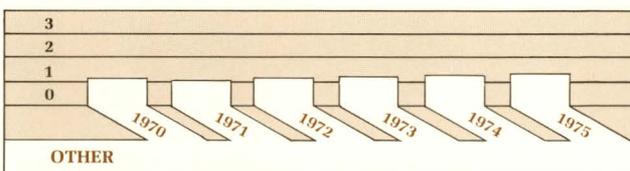
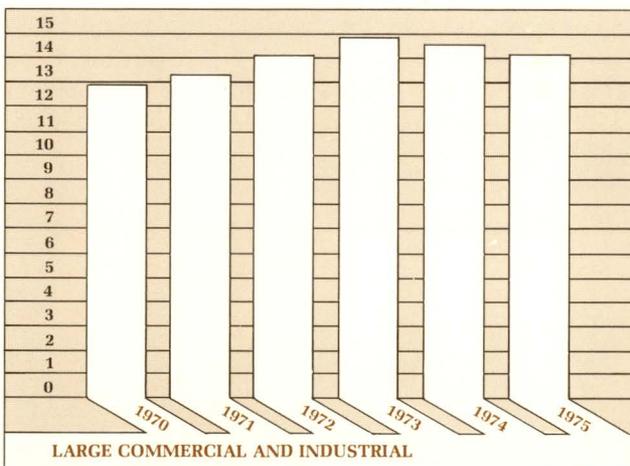
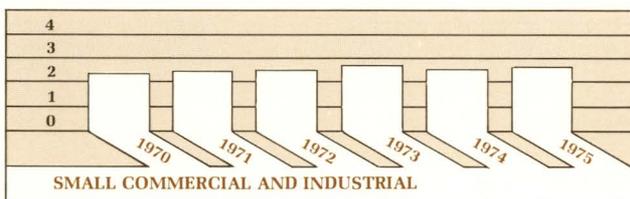
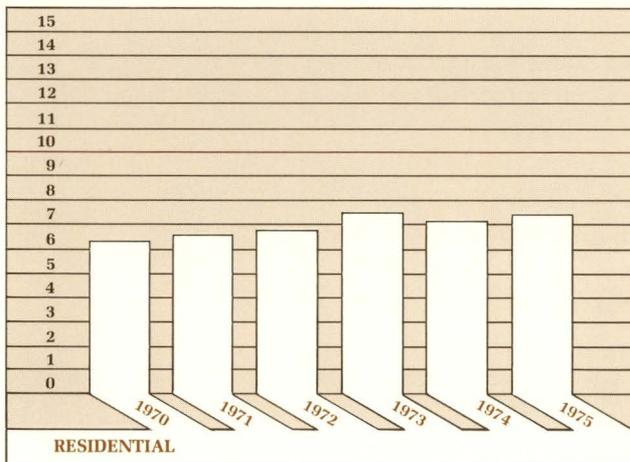
For the year, your Company's total common stock earnings amounted to \$107.9 million, an increase of approximately 13 percent over 1974. Earnings per share, however, rose only three percent to \$1.86 from last year's \$1.81 due to the increase of more than 10 percent in average shares outstanding.

Rate increases were granted by the Pennsylvania Public Utility Commission for all three of our utility services, after extensive hearings.

The impact of the recession on the large manufacturing segment of the economy in the Company's service area resulted in sharply lower electric sales to our large industrial accounts in 1975. Despite slight increases over 1974 in all other classes of sales, total kilowatt hours sold decreased about one percent. We look for a resumption of modest growth in 1976. The maximum system demand for electricity, although still below the 1973 peak, increased two percent over 1974.

Gas revenues increased eight percent over 1974 as a result of higher rates and fuel adjustment revenue, but the volume of gas sold was 14 percent lower than last year because of curtailments from pipeline suppliers and warmer weather which reduced house heating sales. The warmer weather and conservation measures by our customers caused a decrease of six percent in steam sales. However, steam revenue increased 31 percent due to higher rates, primarily to recover the higher fuel cost.

ELECTRIC SALES (BILLIONS KWH)



NUCLEAR PROGRAM

For electric generation nuclear power is still the clear economic choice, even though construction of nuclear plants has placed heavy demands on our capital requirements at a time when inflation has pushed interest rates to new highs. Nuclear fuel costs only about one-eighth as much as oil, is produced in this country and more than offsets the higher capital cost of nuclear plants. Therefore, nuclear generation in the long-run, will reduce operating costs and our dependency upon imported fuel resources.

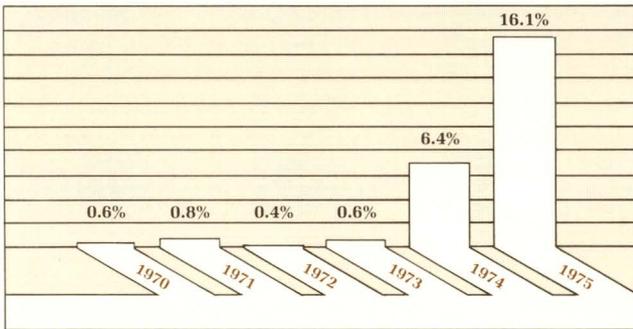
Our Peach Bottom nuclear plant has completed its first full year of operations, and even though the Nuclear Regulatory Commission temporarily restricted its maximum load to about 50 percent in the latter

part of the year until the correction of vibration of monitoring devices within the reactor, the plant still contributed 16 percent of our total kilowatt-hour output in 1975. The corrections were made and the plant returned to full service.

Construction of the two Salem nuclear units by Public Service Electric and Gas Company (New Jersey) is progressing. Your Company has a 42 percent interest in these units, having a capacity of 1,090,000 kilowatts and 1,115,000 kilowatts, respectively, and scheduled for operation in 1976 and 1979. Our two wholly-owned Limerick units with a capacity of 1,055,000 kilowatts each are scheduled for operation in 1981 and 1982. When these units are operating we expect to generate over 50 percent of our output with nuclear energy.

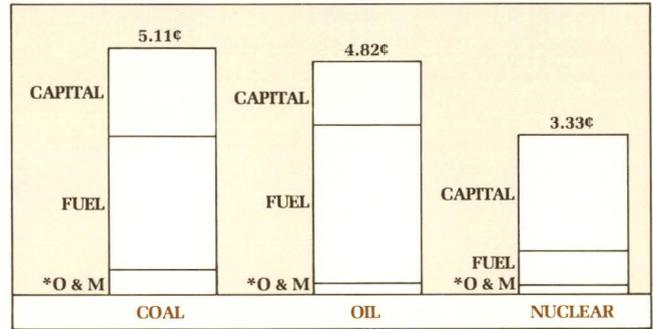
Indicative of the economy of nuclear generation,

NUCLEAR GENERATION AS A PERCENT OF TOTAL GENERATION



Peach Bottom operations increased our Company's nuclear generation dramatically in 1975.

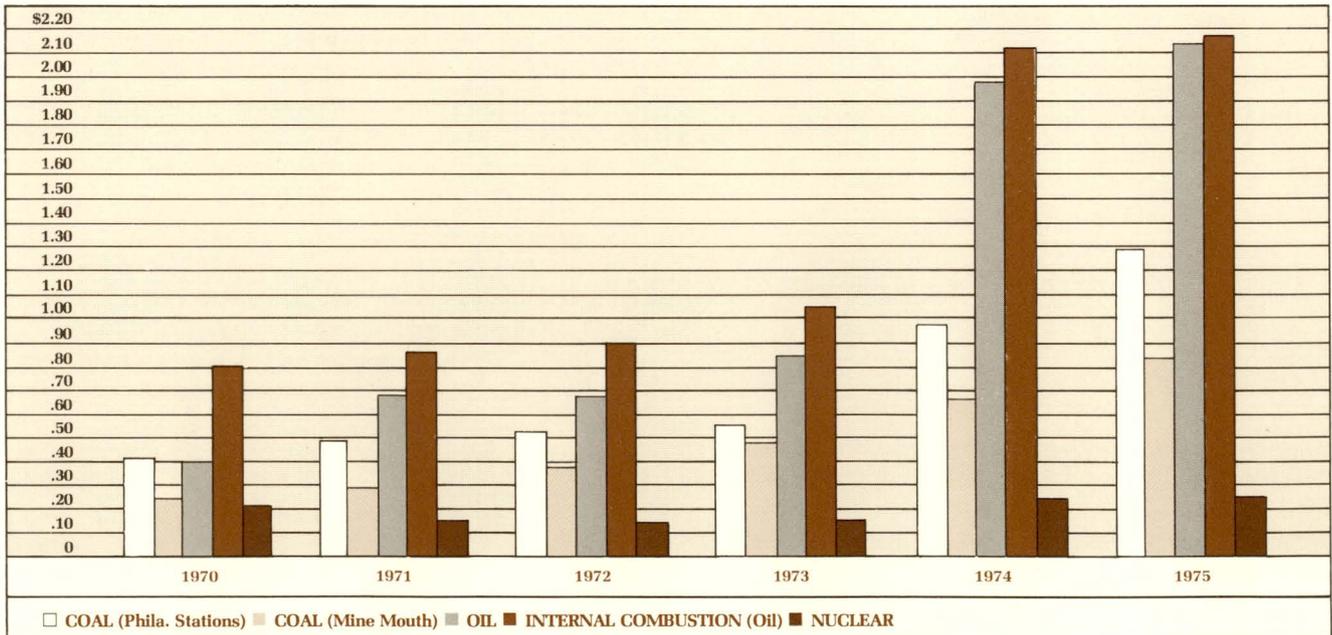
GENERATING COSTS (CENTS PER KWH) 1985 ESTIMATED



*Operation and Maintenance Expense.

Projections through 1985 indicate nuclear power will remain the economical choice.

COST OF FUEL PER MILLION BTU (DOLLARS)



Nuclear fuel costs are substantially lower than alternative sources of energy.

Peach Bottom saved the equivalent of approximately 18 million barrels of oil in 1975. Our customers received the benefits of these savings, coupled with other generation economies.

ADVANCEMENTS THROUGH RESEARCH

Research played a vital role in our success at Peach Bottom, and it continues to be a keystone for our future. In this Bicentennial Year, as we look back over our nation's history, we might also glance at our Company's own heritage. Electrical equipment and appliances that we now accept as everyday items in our industry and homes were not too long ago just experiments on the drawing board or in the laboratory. Likewise, today as scientists and engineers explore technology to utilize heat pumps, solar energy and waste disposal in the production of electrical energy, our Company supports these and other projects through its participation in the Electric Power Research Institute and other research organizations. Also, while we are going ahead with our nuclear program, we are investing in technology which will permit us to burn coal economically and still adhere to the strict air quality regulations prevailing in Pennsylvania.

NATURAL GAS SUPPLY

Due to a national natural gas shortage, your Company's pipeline suppliers curtailed about 25 percent of their contract amounts in 1975 and anticipate a curtailment of approximately 33 percent in 1976. However, we are taking action to alleviate these gas supply problems. For example, we have purchased both synthetic gas and liquefied petroleum gas and produced substitute gas from oil. Also, along with other gas utilities, we have entered into a joint venture with an independent producer to explore and drill for gas in the Gulf Coast area.

CONSTRUCTION PROGRAM

Your Company continued to operate under tight financial controls; prompted by continued inflation, the high cost of funds to finance our construction program, the regulatory lag in granting adequate rate relief and the impact of the recession on sales.

In May of 1975 we trimmed our planned construction expenditures for 1976-79 by \$230 million on top of a \$600 million reduction in 1974. In addition, we curtailed operating expenses to minimum levels without seriously jeopardizing the reliability of service for our customers.

FINANCING/RATE INCREASES

During the year, we sold \$145 million of mortgage bonds, \$100 million of debentures, and almost 11 million shares of common stock. The sale of these securities was essential to continued construction of our nuclear plants and provided a financing mix which preserved the strong equity capital position so necessary to maintaining the long standing good credit of Philadelphia Electric Company.

In an effort to keep pace with spiraling costs, your Company continued to make timely applications to the Pennsylvania Public Utility Commission for rate increases. Our last rate increase was settled on March 25, 1975 when the Commission gave final approval to \$105 million out of our \$136 million electric rate request which had been in effect since January 1, 1975. However, due to the addition of over \$200 million of new plant and equipment and continuing inflation, on November 19, 1975 we filed a two-step \$95 million electric rate increase for all classes of service. The Commission allowed a \$24.3 million interim rate increase to become effective on February 6, 1976, but suspended the remainder of the requested rate increase to July 21, 1976 pending completion of its investigation.

OUTLOOK

In summary, although rate increases have temporarily halted the downward trend in earnings, additional increases will be necessary as long as inflation persists in the United States economy. Full financial recovery will also be dependent on a resumption of growth in sales coupled with curtailed capital spending until we are again making optimum economic use of our plant investment.

We appreciate your confidence and loyal support — manifested through your oversubscription of our rights offering in October and your continuing purchases of common stock through our Dividend Reinvestment and Employee Stock Purchase Plans.

We are convinced that with an upswing in the economy of the Philadelphia region, an increase in nuclear generation, and adequate pricing of our products, we can look forward optimistically to increased sales and improved earnings.



March 1, 1976
CHAIRMAN OF THE BOARD

RATES

At our Nation's Bicentennial Year, perhaps nothing is more symbolic of conditions today in the electric utility industry than the cover design of this report. It depicts a storm center, ringed by high velocity winds which can hurt, damage, disrupt and halt.

Electric utilities today are literally at the center of a storm. Around them swirl the forces of opposition, delay, hostility, mistrust and misunderstanding. This is the storm electric utilities must weather, while at the same time they must continue to deliver their services with the reliability that is the industry's hallmark.

Of the many issues facing the industry, five are the most crucial. They are:

- Rates
- Nuclear Generation
- Availability and Cost of Fuels
- Conservation of Energy
- Environmental Concerns

This report tells about the ways in which Philadelphia Electric has attempted to deal with these issues.

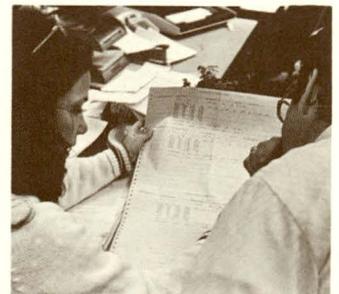
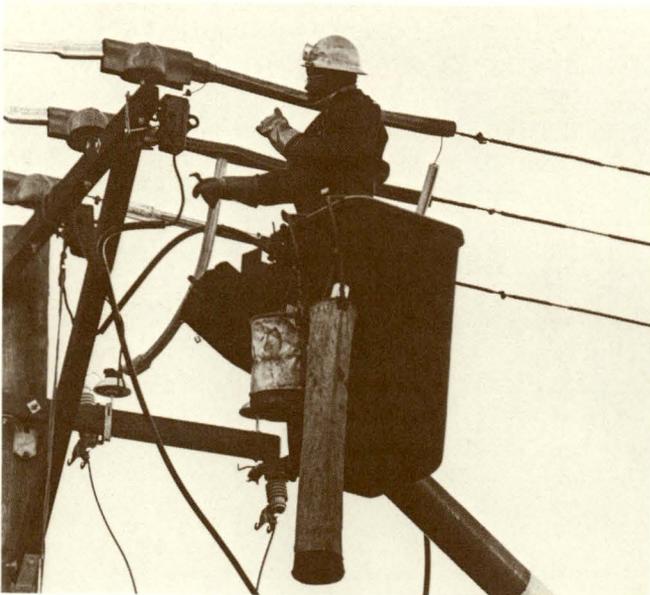
The key issue facing Philadelphia Electric and other investor-owned electric utilities across the nation is the matter of rates. And not only rate increases, but the rate-making process itself, inflation, high interest rates and the misunderstood fuel adjustment clause, which has boosted customers' bills without a penny of profit for the Company.

Rates must produce revenues sufficient to attract the capital required to modernize and expand our system and provide shareholders with a fair return on their investments.

Our current rate increase request reflects the effects of inflation. The filing consists of a two-stage electric rate increase totaling \$95 million, an overall increase of 8.3 percent to residential customers, and an increase of about 12 percent to larger commercial and industrial users.

By holding the total increase to 9.9 percent, the Company was able to demonstrate that the increase was actually less than the rise in the cost of living since the Company's last request for increased rates.

The first stage of \$47 million was needed to provide a fair return on over \$200 million of new plant since the Company's last rate increase, including \$150 million for the carrying costs of Peach Bottom Nuclear Unit No. 3 which went into service in December, 1974.



Philadelphia Electric takes pride in the loyalty and dedication of its employees. Not only have they done an outstanding job in providing our customers with excellent service—our reliability rating for 1975 was 99.988%—but they remain one of our best resources in confronting the issues facing the Company.

The second stage of \$48 million was requested to bring the Company's earnings up to the level approved by the PUC in the rate case filed in January, 1974, in which we received \$105 million of a requested \$136 million.

Early this year, the PUC suspended the entire \$95 million request pending further investigation, but granted the Company an interim rate increase of \$24.3 million, with the proviso that none of it be applied to residential customers using less than 500 kilowatt-hours per month.

A \$14 million gas rate increase request was filed with the PUC in 1975 to become effective in two stages, affecting only larger commercial and industrial customers. The first stage, \$6.4 million, was permitted to go into effect on June 2, subject to possible refund. The second stage, \$7.6 million, was suspended to March 1976.

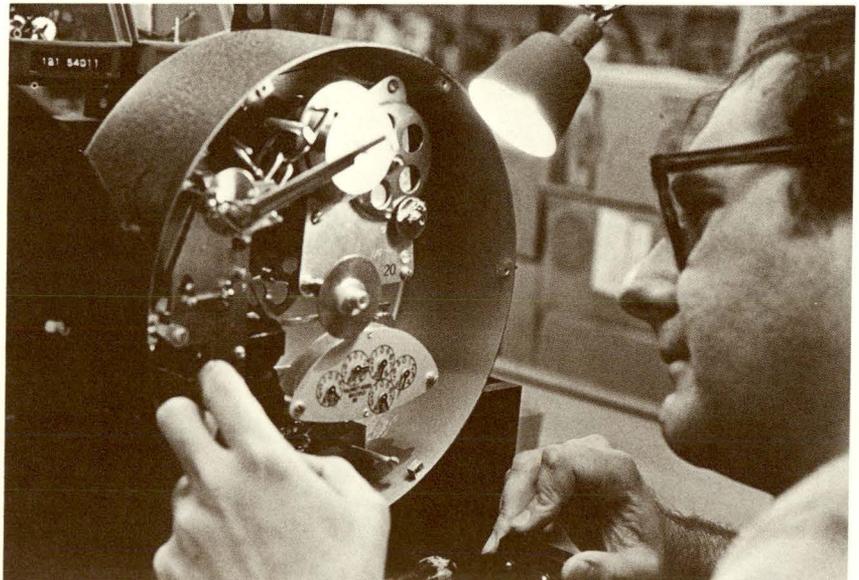
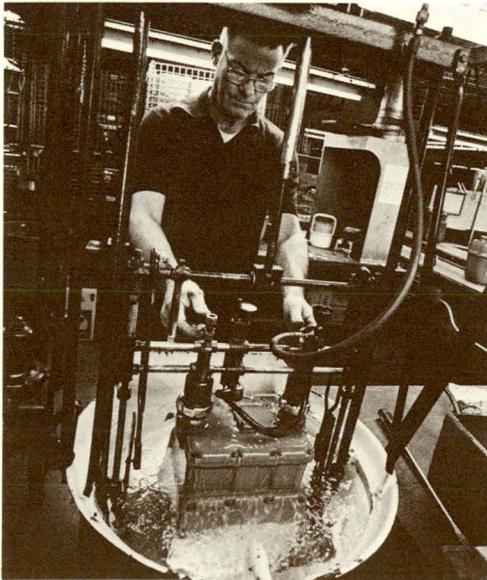
Another rate request, filed with the Federal Power Commission (FPC), was for an increase of approximately \$5.7 million in the wholesale electric power rate to Conowingo Power Company, a wholly-owned subsidiary. Initially, the FPC permitted the new rate to be placed into effect on August 18, subject to refund pending a hearing and final decision. The FPC has now granted \$3.5 million of the requested increase.

These rate increase requests have naturally provoked consumer resistance, and sometimes anger, an understandable response during a time when the

cost of virtually all necessities has been rising steadily. No one would be more pleased than your Company if the need for rate increases could be avoided—as they were for several decades prior to the imposition of severe environmental constraints, rising interest rates, high priced oil and double-digit inflation. These factors, largely beyond our control, continue to drive up the cost of reliable service to the public.

To minimize the effects of those factors, your Company is using every means at its disposal—financial, managerial and technical—to reduce the cost of providing electric, gas and steam service. As an example, the Company's work force has been reduced by over 700 regular employees in the past three years, as new labor-saving methods and equipment make it possible to continue to perform efficiently with less manpower. Savings have also been produced in other ways. For example:

- The useful life of wooden utility poles is being extended about ten years through steel reinforcement. In 1975, 870 poles were reinforced, saving about \$380,000. Another 800 wooden poles will be reinforced during 1976 at an estimated saving of \$320,000 and as an ongoing program, about 500 poles per year are to be reinforced.
- Older, high mileage cars in PE's transportation fleet are being recycled to save dollars through longer highway use. The Company's Transportation



The Company's General Meter Shop in King of Prussia is a very modern, efficient installation—unique to the utility industry. It represents the consolidation in one building of all electric, gas and steam meter testing and repair activities which assures accuracy in recording our customers' usage. Its location at the center of the Company's System is essential to serve all sections of our service area efficiently.

Center in Berwyn is spending about \$600 to put a reconditioned car back on the road instead of purchasing a new car with an average price of \$3,000. On the four-year purchase cycle about 200 cars would be bought every year. Now, each year of extended life is a capital savings of \$600,000 offset by the maintenance expense of \$200,000.

- In our 26-story headquarters building energy use has been cut by more than six million kilowatt-hours, or enough to provide electric service to about 1,000 typical residential customers for an entire year. This was achieved principally by using waste heat generated by computers and by the reduction of lighting levels throughout the building.

On the subject of rate design it should be noted that the rates approved in March, 1975, provided a *reduction* to customers using 250 kilowatt-hours or less per month. Our present filing includes a major step toward implementing "time of day" pricing for electricity, a new rate for residential appliance usage limited to off-peak hours. This rate is about half the proposed kilowatt-hour cost for regular residential usage.

Your Company recently modernized its billing system to provide substantially more information to customers. Their response has been gratifying, with a clear overall acceptance of the change. The new

bills, now sent bi-monthly, are mailed in envelopes and include return envelopes for convenience in making payments.

When the cost of fuel rises, the adjustment charge to the customer rises; when the cost of fuel drops, the charge drops. While customers' bills rose dramatically after the oil embargo of 1973-74 as fuel costs soared, 1975 witnessed a downward trend in our fossil fuel expense and consumers benefited accordingly. The decreases were made possible primarily because of the operation of the two new units at Peach Bottom, more hydroelectric output at Conowingo, more generation from the mine-mouth coal plants in western Pennsylvania, and the judicious, timely purchases of power generated at cost cheaper than if our Company generated the same electricity. The latter savings, through the operation of the Pennsylvania-New Jersey-Maryland Interconnection, amounted to \$36 million in 1975.

Utilities in Pennsylvania carry a disproportionate share of State taxes. The Pennsylvania Economy League study of taxation of public utilities in Pennsylvania concluded that they are taxed "on a basis different from other forms of business and their taxes are more burdensome when measured against income and assets and have been increasing much more rapidly in recent years than those imposed on other classes of business." Your Company has, on its own motion and through industry associations, registered strong protests against discriminatory taxation policies.



A PE decal is affixed to a new-looking 1970 compact car that has been reconditioned as part of a recycling effort designed to squeeze every mile and every dollar out of the cars we now have.

NUCLEAR GENERATION

In making a choice of power plants, an electric utility has the responsibility to select the type which will provide electricity reliably and at the least overall cost to our customers. Right now, nuclear power is the clear choice and your Company expects that half of our power generation will be nuclear by 1982. Continuation of the Company's nuclear construction program is essential to avoid higher costs in future years with the use of plants employing more expensive and perhaps unobtainable fuels. Nuclear power also is the keystone of Project Independence—the national effort to reduce dependence on foreign oil, which Philadelphia Electric strongly supports.

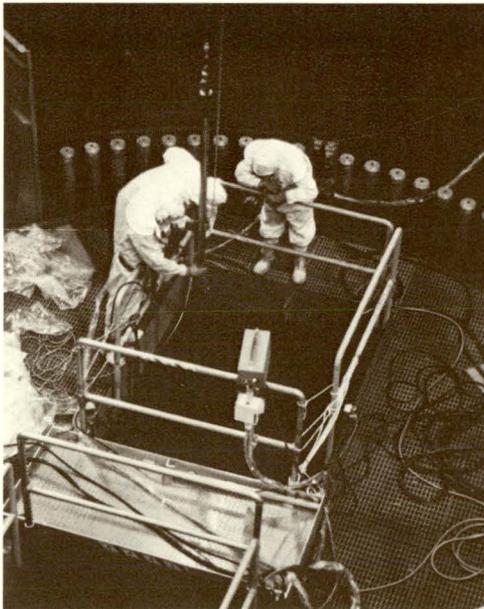
Nuclear plants continue to demonstrate an economic benefit to our customers. The Company's share of the Peach Bottom plant makes up about 12 percent of our total generating capacity, but produced more than 16 percent of our total output in 1975 at a saving to customers of \$90 million and the equivalent of 18 million barrels of oil.

In July 1975, Peach Bottom Units Nos. 2 and 3 were limited to about 50 percent of capacity because of vibration in certain monitoring devices within the reactor core. In late October, Unit No. 2 was taken out of service for correction of the vibration problem. The unit was returned to service late in November and proceeded to full power. Unit No. 3 was taken out of service for similar correctional work in January 1976, and returned to full power operation in February.

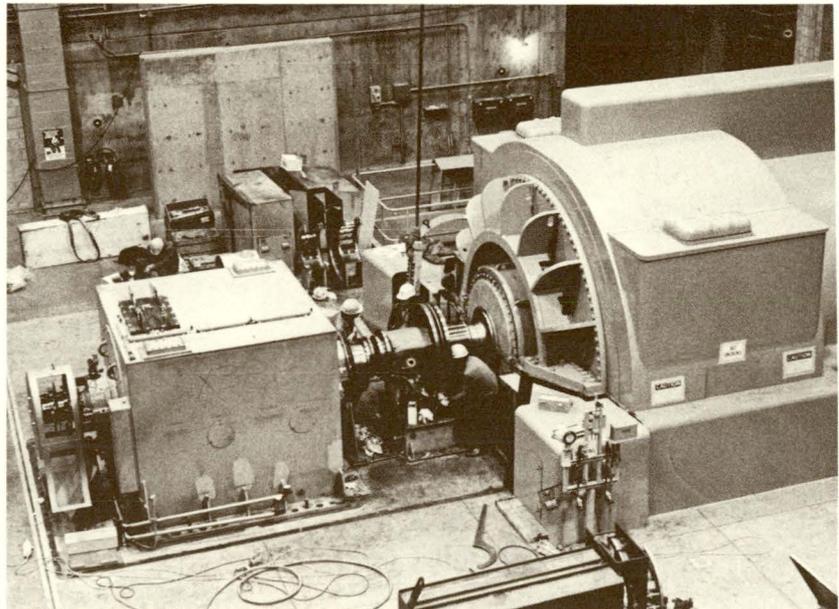
Construction of two additional cooling towers at Peach Bottom was started in 1975 under an agreement with the Pennsylvania Department of Environmental Resources. During the construction period the station will operate in accordance with interim river water temperature limitations.

Construction is rapidly nearing completion on the first unit of Public Service Electric and Gas Company's twin pressurized-water reactors in Salem, New Jersey, of which Philadelphia Electric has a 42 percent ownership. Unit No. 1 at Salem is scheduled to go into commercial operation by late 1976, with Unit No. 2 scheduled for commercial operation in 1979.

Progress continues on construction of our Limerick nuclear generating station. When completed in 1982, this 2,110 megawatt station will save the equivalent of more than 20 million barrels of oil each year and, like the Peach Bottom experience, result in substantial fuel cost savings, which will be reflected in the



Workmen make modifications within the reactor core of Peach Bottom Unit 3, following similar work completed on Unit 2, to correct an instrument vibration problem.



A continuous program of maintenance assures operating efficiency and reliability of our nuclear units.

Fuel Adjustment Clause then in effect.

In September 1975, the Company was notified by General Atomic Company that it was unwilling to continue work on the nuclear steam supply system for the Fulton Generating Station, and that it was suspending work on this project. The Fulton Station reactors were to have been in commercial operation in 1984 and 1986.

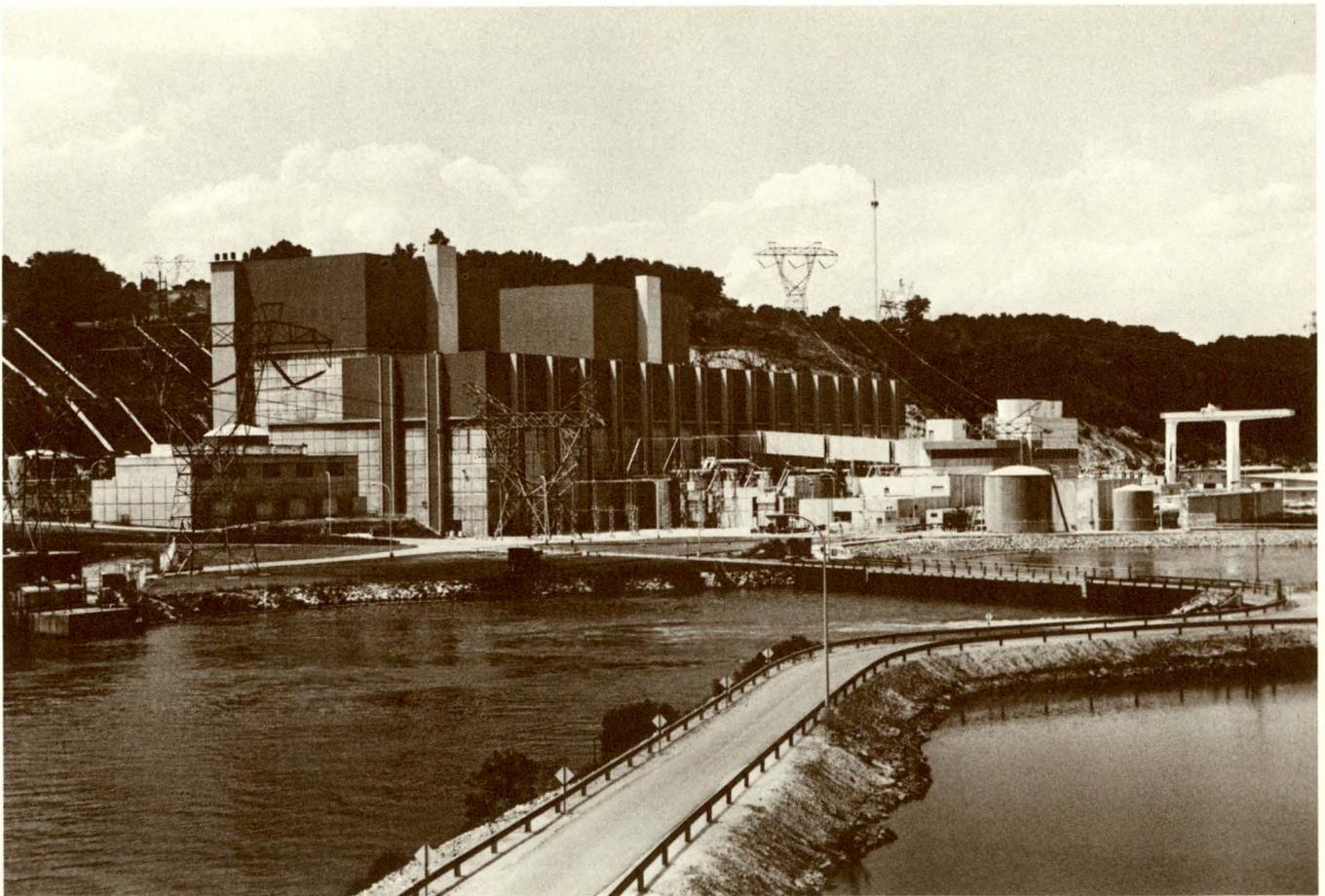
In view of the action taken by General Atomic Company, your Company suspended its work at the site in Lancaster County, Pennsylvania, pending a complete review of the project and alternate plans to provide electric generating capacity in the mid-to-late 1980's.

On February 13, 1976, General Atomic agreed to pay \$64 million to reimburse your Company for substantially all its costs incurred in the Fulton Station. Although construction had not begun, there had been

considerable work performed in the areas of design, engineering, environmental impact studies and safety analysis. In addition, General Atomic has agreed to provide, at its acquisition cost, two million pounds of uranium to PE, to be delivered in 1982, 1983 and 1984 representing substantial savings to the Company.

General Atomic Company also cancelled construction of the Summit Nuclear Station, which was to have been built on the system of Delmarva Power and Light Company in Delaware. Philadelphia Electric owned a 15 percent share of Summit's proposed capacity. Our Company has recovered its investment in this plant.

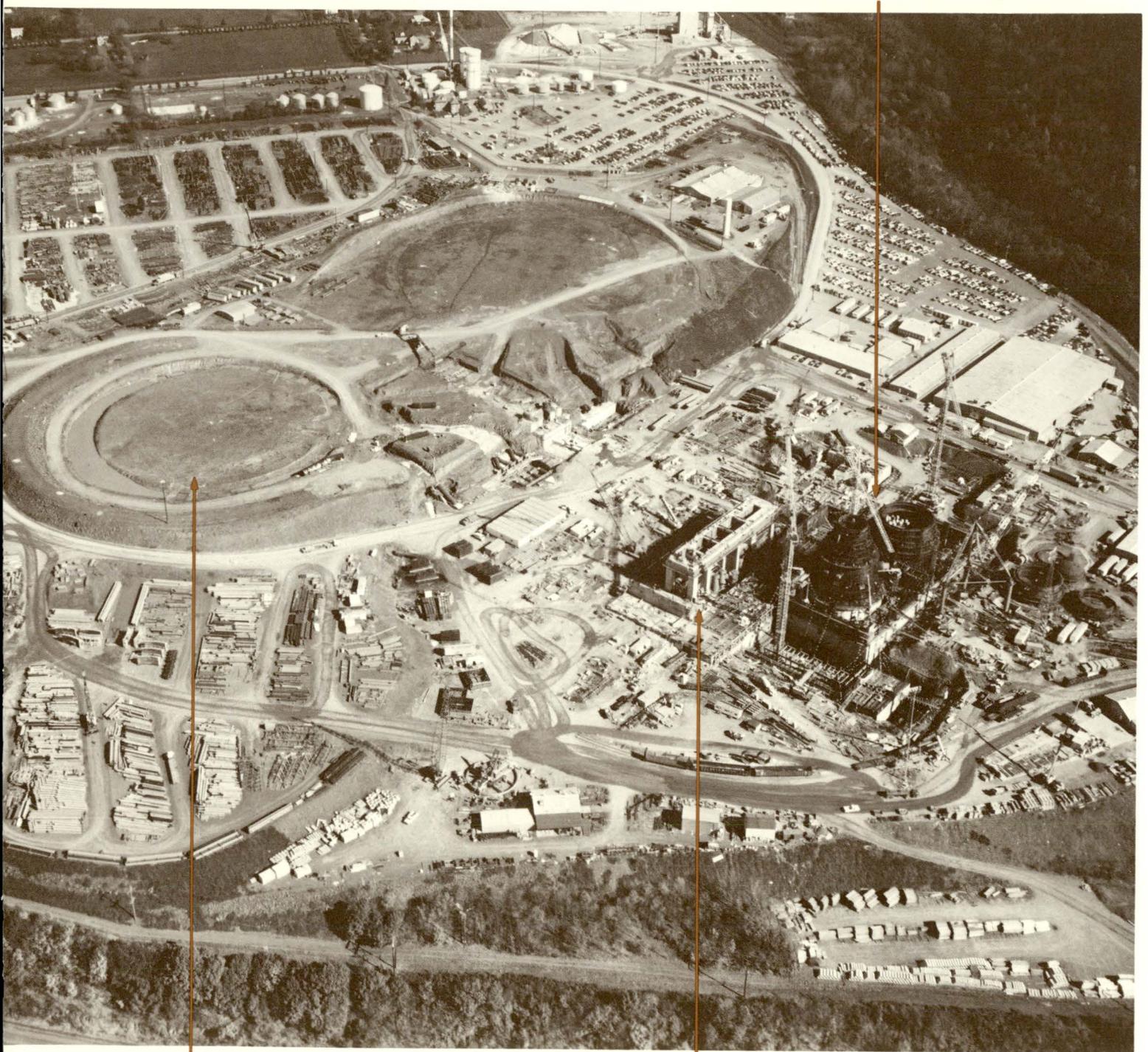
The critical question is whether your Company will be able to supply the future power needs of the community it serves. Inability to finance new construction and delays in present and planned construction can lead to power shortages.



In 1975, the successful operation of our nuclear power plant at Peach Bottom accounted for 16 percent of PE's total electric output. This generation of electricity by nuclear power resulted in a saving to our customers of \$90 million and the equivalent of 18 million barrels of oil, and continues to demonstrate that it is the economical way to meet our customers' present and future requirements for electricity.

Construction progressed during 1975 at the site of our nuclear powered Limerick Generating Station which is located in Limerick Township, Montgomery County, Pennsylvania. Limerick will have two boiling water reactors, each capable of producing 1,055,000 kilowatts of electric power. Unit 1 is scheduled for operation in 1981 and Unit 2 in 1982.

The reactor containment building is a thick, air-tight shell of metal and reinforced concrete which completely surrounds the reactor vessel. Enclosed in the thick steel reactor vessel are the fuel element bundles which make up the reactor core. A fuel bundle is made up of sixty-three 12-foot long metal zircaloy tubes which contain the nuclear fuel uranium oxide in the form of small pellets. Each pellet is about the size of the eraser on a pencil yet contains as much equivalent energy as a ton of coal.



This circular area will be the construction site for one of two natural draft cooling towers which will prevent overheating the Schuylkill River, assuring that fish or other aquatic life will not be harmed. Cooling water passes through tubes inside condensers where it absorbs heat from condensing steam. This water is pumped to the cooling towers where the water gives up its heat to the air.

Steel reinforced concrete forms will support the turbine buildings which will house large turbine-generators that produce electricity. The basic difference between a nuclear plant and a fossil-fueled electric generating plant is the source of heat. Instead of burning coal or oil, nuclear plants produce heat by the controlled splitting of uranium atoms. Water circulating through the reactor boils and the steam produced drives the turbine-generators. The steam is then condensed back to water and returned to the reactor in a continuous cycle.

AVAILABILITY AND COST OF FUELS

The electric utility industry is basically a converter of the energy of various fuels into the most versatile form of energy, electricity.

It is of prime importance, therefore, to know the status of reliable and environmentally acceptable fuels to be used in the conversion process. Here is the mid-range outlook:

Uranium—As far as supply is concerned, your Company has long-term contracts with uranium producers which will provide adequate fuel for the continued operation of all its nuclear units.

While prices for uranium ore concentrate have more than doubled since 1973, it is such a small part of the cost of production that nuclear power still maintains a substantial cost advantage over power generated from fossil fuels. Company studies have shown that the cost of nuclear power generation is much less sensitive to uranium ore price increases than the cost of fossil fuel generation is to price increases of oil or coal.

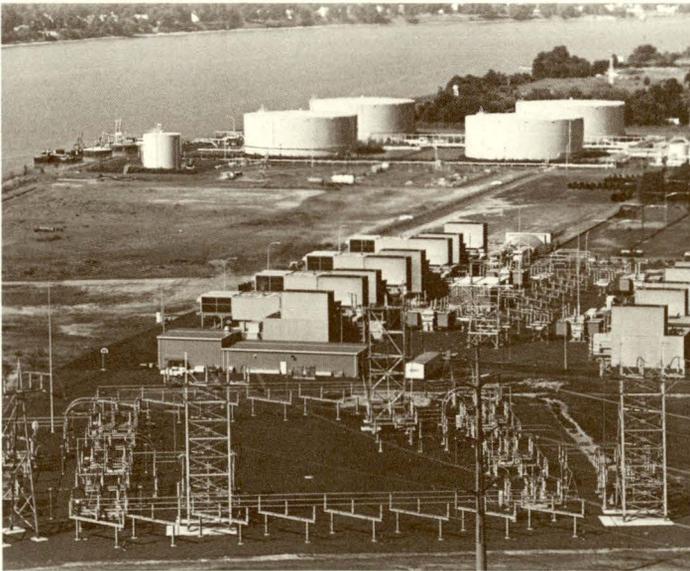
Oil—Heavy oil, used in generating stations principally in the City of Philadelphia, and light oil, used in combustion turbine peaking generators, were both available in adequate quantity during 1975.

Heavy oil decreased in price about \$1.20 a barrel—about nine percent—largely through the Federal Government's removal of a 60-cent-a-barrel import fee. Light oil, on the other hand, increased in price about \$.98 a barrel, or eight percent, to a level more in balance with heavy oil by year's end.

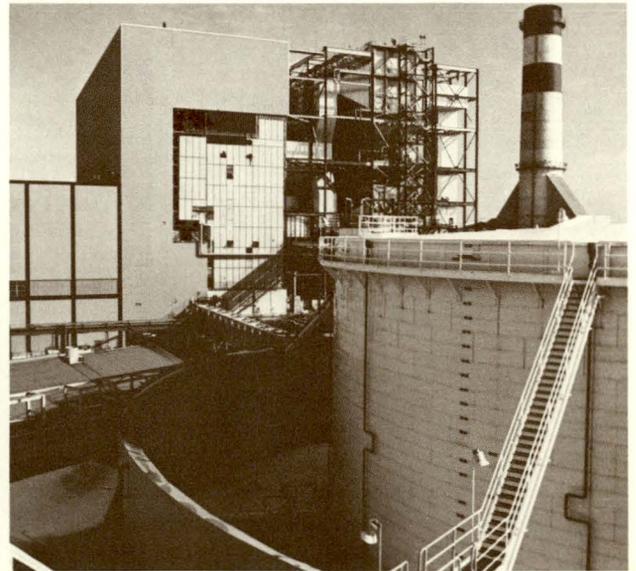
Although both types of oil were readily available in 1975, actions by the Organization of Petroleum Exporting Countries (OPEC) could, at any time, again create serious shortages or price escalation, or both, as it did in 1973.

Coal—During 1975, there were ample supplies of coal for our present needs. Due to substantial wage rate and fringe benefit increases granted United Mine Workers, prices on annual orders by our major suppliers rose about six percent, or by about \$1 to \$1.50 a ton. Prices on the "spot market," however, dropped several dollars a ton for good quality coal.

Gas—Because deliveries of interstate pipeline natural gas for 1975 remained below contract quantities, Philadelphia Electric announced in January, 1975, a curtailment of sales to some industrial customers. In February of 1976, however, it became possible to terminate these curtailments for the 1975-1976 winter period. Conservation efforts by customers, abnormally



The Company's Croydon Generating Station has eight high-efficiency combustion turbine generators which can be operated economically with a variety of oils.



Eddystone Unit 4, scheduled for commercial operation in the spring of 1976, will add 400,000 kilowatts of oil-fired generating capacity to our System.

warm temperatures in early winter, and a depressed economy significantly reduced the need to withdraw gas from storage. Purchase of additional emergency supplies from intrastate pipeline suppliers also helped to reduce our supply shortfall. In addition, propane supplies were ample for the 1975-1976 winter period.

The average price of firm contract-purchased natural gas delivered to PE increased during 1975 from 68 cents per thousand cubic feet at the beginning of the year to 99 cents per thousand cubic feet in December, and prices are expected to continue to rise as old contracts with producers expire and new contracts are negotiated.

Deregulation of wellhead pricing of newly-found natural gas is important to the gas industry and to the consumer. The gas supply of the United States has

been declining since 1972 and, without realistic wellhead prices to generate the incentive for the producer to explore and develop new supplies, the declining trend will continue. Deregulation would spur exploration, increase proven reserves and more effectively allocate a valuable resource in the marketplace.

Even if present price ceilings are maintained, the cost of gas would increase to the consumer, since fixed costs of transmission pipelines and compressor stations would have to be applied to a declining volume of delivery. Further, distribution companies, such as Philadelphia Electric, faced with maintaining service to its present customers, would have to increase the amount of high-cost supplemental fuels to offset the increased curtailments of pipeline gas.



Coal, as a source of heat for steam generation, accounted for over 30 percent of the Company's electric output. Its continued production

and use play an important role in providing the energy requirements of our customers.

CONSERVATION OF ENERGY

"Conservation is everybody's business" has been a watchword at Philadelphia Electric for many years. Your Company not only has offered conservation advice to its customers, but has practiced what it preached. Recognition of its efforts came in late 1975 when the Federal Energy Administration (FEA) presented the Company with five separate awards for reductions in energy use on its own system. Energy savings were obtained by reducing heating, cooling and lighting levels.

In presenting the awards, Joseph A. LaSala, regional director, said: "These programs were completely voluntary and have resulted in savings of more than three and one-half million kilowatt-hours. It is significant that one of the nation's leading energy firms should be the recipient of these awards."

As early as 1966, PE stopped promotional programs for air-conditioning, and in 1970 halted promotional advertising for all energy use. It has initiated many

programs to show consumers how to conserve energy and thus save on their bills.

Conservation efforts, however, ran head-on into the rising cost of electricity. Admittedly, we have had rate increases, and have emphasized repeatedly that the biggest jump in bills has resulted from the increased cost of fuel, which has added to the consumers' burden, but not to Company profits. Explanations, however, have had only soft impact on a great many customers who have framed in their minds these four words: "Using less, paying more."

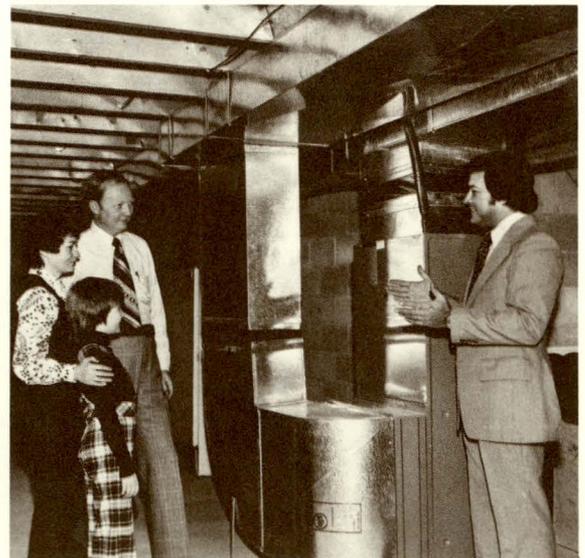
We have continued our conservation efforts with consumers' programs, seminars and meetings with builders, contractors, architects and engineers on the efficient use of energy in lighting, heating and air-conditioning.

Three years ago, in cooperation with the Electrical Association of Philadelphia, a high-efficiency air-conditioning program was initiated which has achieved national recognition. It is conservatively estimated that this program will result in a saving of 600,000 kilowatts of air-conditioning load connected to our system over the next ten years, and that the equivalent saving in fuel will be nearly one and one-half million barrels of oil.

A growing interest in the heat pump, the most energy-efficient alternate method for heating and cooling that is commercially available today has been given special attention. At the same time, a compre-



Computers, which have greatly increased efficiency and productivity in many facets of Company operations, are now helping to conserve energy by using the waste heat created by their operation to aid in heating our headquarters building.



Company representatives helped our customers—homeowners and operators of businesses alike—to save money by checking for possible energy wasting areas and by advising them on how to use energy wisely.

hensive education program was instituted for consumers on the heat pump's energy conservation benefits.

In the lobby of the Company's headquarters building and in our merchandise showrooms throughout our service area, exhibits, booklets and brochures give valuable information to the public on the selection of energy-saving electric appliances.

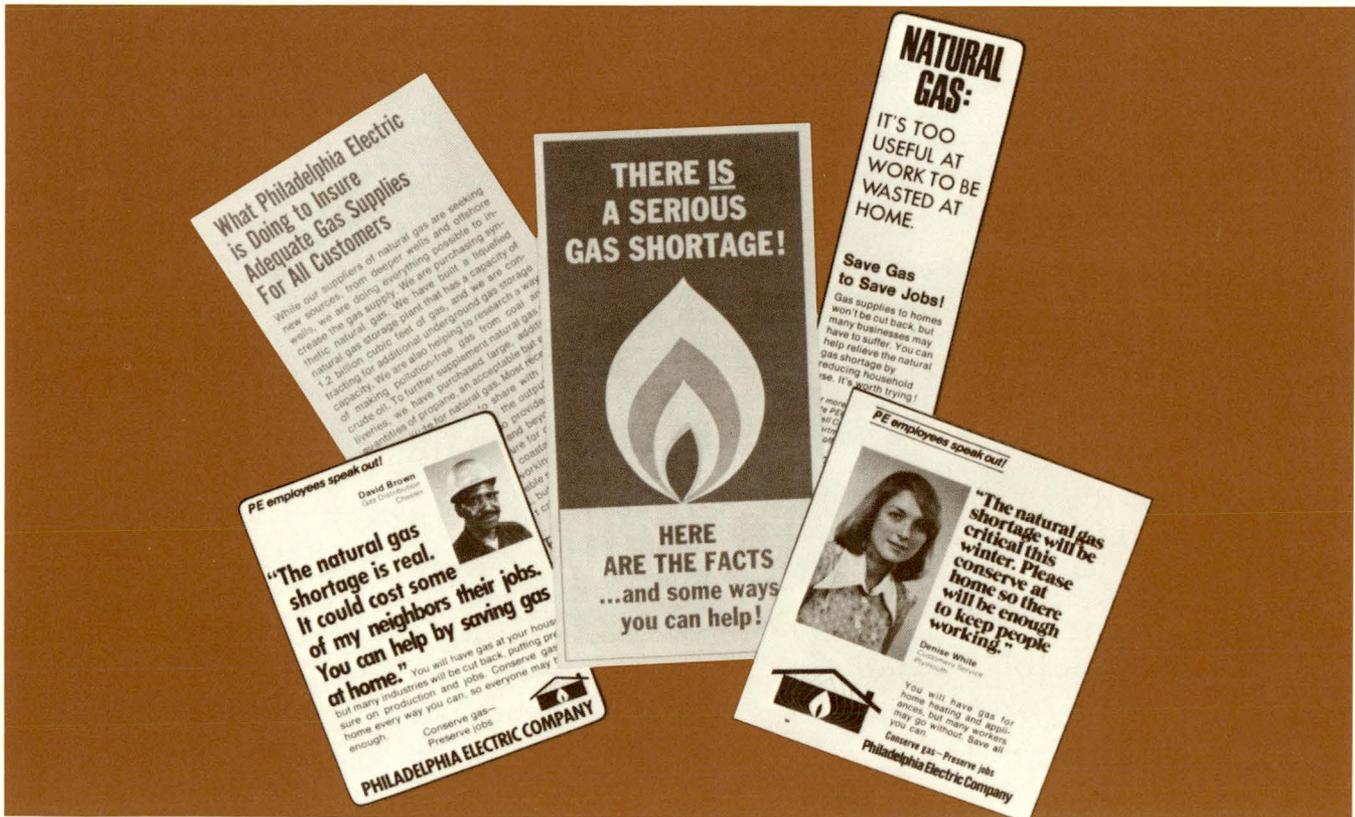
An informative folder on the conservation of gas for home appliances has been distributed to all residential customers. The folder emphasizes the serious need for conservation, as well as itemizing pointers on how to save gas in the use of specific appliances. It also describes the measures Philadelphia Electric is taking to increase gas supplies. Additional information on energy-saving gas replacement appliances and equipment is given to the public through your Company's representatives.

Much is heard these days about alternate energy sources such as solar, geothermal and fusion, and the question often arises why these sources are not in the immediate energy future. These alternatives are not likely to make significant contributions to our total

national energy requirements for several decades—and in the meantime we must do with the available sources at hand.

Philadelphia Electric is actively involved in the development of new energy sources and in the maximum utilization of existing sources. This is a dual commitment, both as a Company and as part of the electric utility industry, in cooperation with private and governmental efforts. Included is the development of the liquid metal fast-breeder nuclear reactor which will greatly extend the supply of uranium fuel, participation in a major program to develop a fuel cell for electric utility application and the conversion of coal to a pipeline quality natural gas.

Conservation of all energy must continue and its wise use must be promoted in order to stretch present available supplies, but for the long term the only solution to the energy crunch is to increase the domestic supplies of all energy sources—oil, coal, uranium and natural gas. To assure an adequate supply of electric energy, and maintain our present standard of living, more generating plants must be built and nuclear power must be expanded.



A comprehensive campaign was begun in October 1975, urging residential gas customers to conserve natural gas during the winter months. The effort, focused on job-saving, was prompted by notification to the Company of curtailments by our pipeline suppliers. Although residential gas customers were not to be curtailed, the gas they save through conservation efforts would help ease the curtailments to commercial and industrial customers that supply jobs for thousands of residents of the Delaware Valley.

ENVIRONMENTAL CONCERNS

Philadelphia Electric has had a long-standing interest in maintaining high standards of air and water quality, evidenced well before much of the environmental regulations were enacted. However, our continuing concern is whether the benefits to be obtained by recent and much stricter regulations will be commensurate with the substantial costs to our customers, as environmental controls are having an increasing impact on the cost of Company operations.

In the five year period, 1976-80, it is estimated that your Company will spend approximately \$77 million for air and water quality control facilities at its fossil fuel power plants. Air quality regulations have, since 1970, limited our choice of fuel. Expensive low-sulfur oil, most of which is imported, is required to be burned in our generating stations.

Coal-burning power plants have a dual problem in meeting air quality regulations: the removal of both

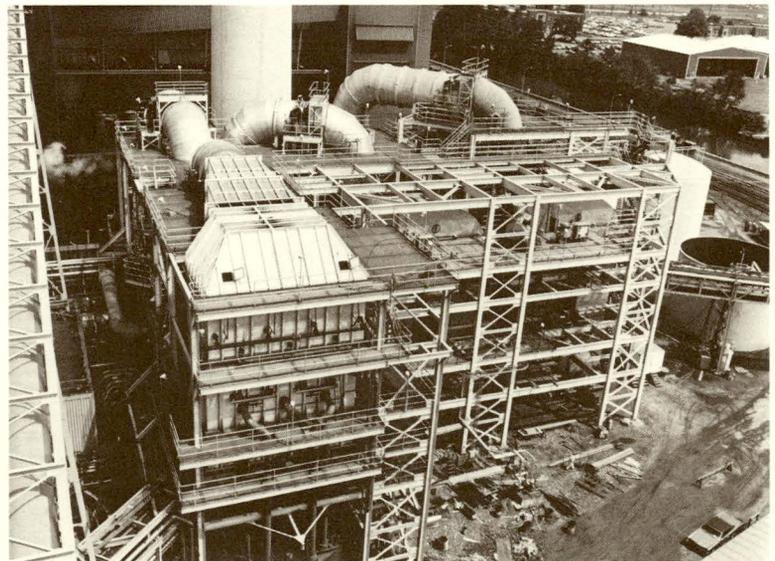
particulate matter and of sulfur dioxide emissions from the flue gas. Your Company was a national leader with a particulate emissions abatement program that began in 1935 when one of the industry's first electrostatic precipitators was put into operation. Installation of double collector systems—electrostatic and mechanical—was begun in 1948.

The electric utility industry has spent more than \$300 million and operated nearly 50 pilot plants and prototypes in an effort to develop a commercially successful system to remove both particulates and sulfur dioxide. Their operation has been disappointing, and a number of them have had to be abandoned after expenditures of millions of dollars.

Your Company has completed a newly-designed particulate and sulfur removal system at its Eddystone Station, our largest coal-fired plant.

If, after thorough tests, this scrubber demonstrates that it is commercially reliable, the system will be expanded to serve the two coal-fired boilers at the Eddystone plant and similar scrubbers will be installed at our Cromby station. The total cost of the scrubbers is estimated at \$76 million, and will reduce the efficiency of generation by seven percent.

In December 1975, Philadelphia Electric and the City of Philadelphia signed an agreement to design an energy conservation project to convert trash into steam for our steam heat distribution system in center city Philadelphia. Trash will produce energy cleanly



PE's long-standing concern for maintaining high standards of air and water quality is reflected by the continuous monitoring by Company chemists and technicians the impact our power plant operations have

on the environment (left) and the extensive program of developing, installing and now testing of a particulate and sulfur removal system at our coal-burning units at Eddystone Generating Station. (right)

and economically, meeting air quality regulations and reducing the City's land requirements for refuse disposal. The plant will conserve 630,000 barrels of oil a year. Philadelphia Electric and the City both will realize savings from the project, and PE will have a new source of steam.

While your Company will continue to develop and use every source of energy that is environmentally acceptable, Philadelphia Electric is committed principally to nuclear energy which has the least impact on the environment.

Nuclear power plants do not pollute the air, but like all steam power plants they must have facilities to control the heat discharged to the river water used for condensing steam. To maintain river quality at the Peach Bottom plant, the discharge system utilizes cooling towers to partially remove heat from water used in the plant before it is returned to the river.

Ecological studies have been underway for a number of years on the thermal effect of power plant operation on aquatic life in the Susquehanna River. Philadelphia Electric also is taking part in an intensive investigation, with Johns Hopkins University, of cooling water discharges and their environmental impact.

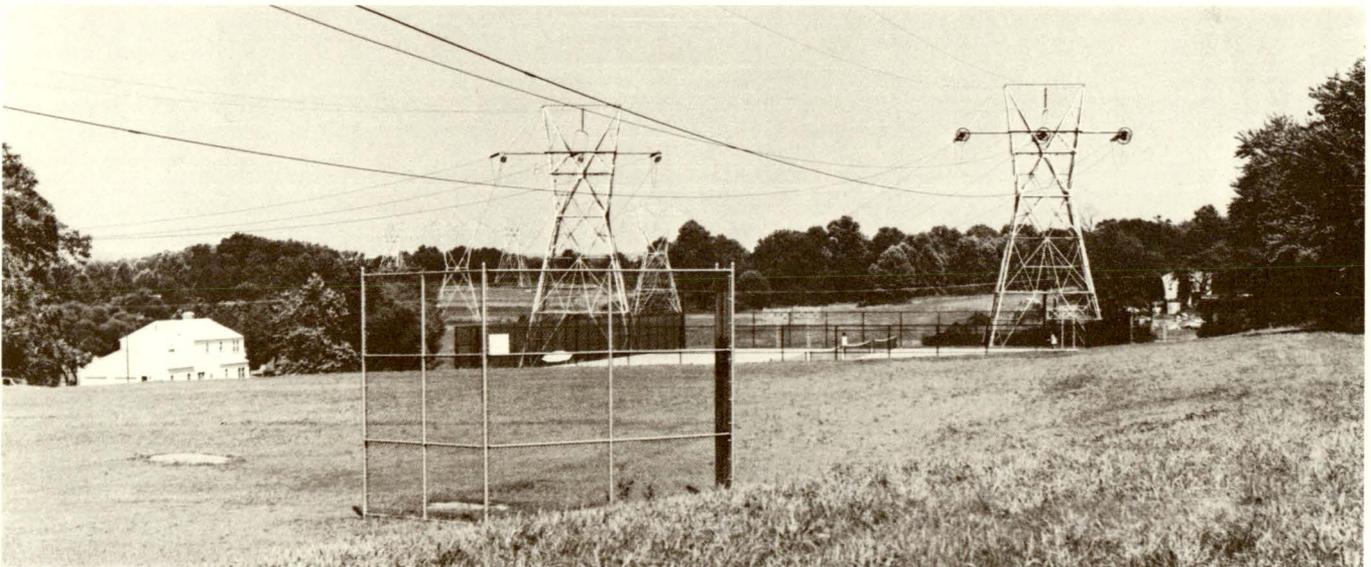
Facilities for public recreation have been provided along the 14-mile lake created by Conowingo Dam on the Susquehanna River. More than 600 cottage sites are leased to individuals. The area includes four marinas and several boat launching sites, wild-life sanctuaries, fishing and camping activities.

On February 4, 1976, the Federal Power Commission granted your Company a new annual license for the Conowingo Project, expiring February 19, 1977.

At the Muddy Run Pumped Storage Hydroelectric Plant a recreation park was developed with facilities for camping, boating, fishing and picnicking. Along the river, adjacent to the powerhouse, a fishermen's park features a fishing walkway near the water's edge, a fish cleaning shed, modern restrooms and a public observation deck. In 1975, nearly 250,000 visitors took advantage of the facilities at Muddy Run.

Another concept in the use of land for recreation is demonstrated under the Company's high voltage transmission lines. Licenses to use this land for recreation have been granted to county and municipal governments, school districts, civic organizations and adjacent property owners.

About 25 years ago, your Company began a program of landscaping its facilities. Careful consideration is given to the aesthetics of an area when planning buildings, transmission lines, generating plants and substations. One outstanding example of how our facilities' impact on the community in which they must be located can be reduced is the underground substation beneath Independence Hall Mall, which has been in operation a number of years, hidden from sight, and with no effect on the beauty of the area. Millions of visitors to the historic site in the Bicentennial Year will be completely unaware of its existence.



On our transmission right-of-way in Chester County, a park provides recreational facilities such as baseball, tennis, soccer and picnicking for the residents of Tredyffrin Township.

SERVING OUR CUSTOMERS

By J. L. Everett, III, President

In this report we've talked a lot about problems and what your Company is doing about them. As president of Philadelphia Electric, I'd like to say a few words about a "non-problem"—the people who make up the Philadelphia Electric Company.

It's no accident that our record for reliability is 99.988 percent. That kind of performance takes a talented and dedicated organization of men and women. They do a tremendous job for our customers, and they make me proud to be one of them!

Our customers have suffered a series of shocks in recent years. We've had to ask the PUC for price increases five times in six years. The cost of poles, wires, transformers, cable and other supplies and equipment has gone up from 80 percent to 200 percent in the last six years. Fuel costs, which account for about 40 percent of each customer dollar, have increased 400 percent for coal and 700 percent for oil in the six-year period.

One thing that hasn't changed, though, is our service. It's still reliable and it's still provided by cheerful,

helpful people. And we're going to do everything we can to keep it that way.

When I came to the Company 25 years ago, the late R. G. Rincliffe, who was then president, said:

"When we talk about our advanced technology, our modern methods and equipment, our sound financial policies, and our outstanding employee group, we do it to give form and shape to the number-one test of our success as a Company, to provide the very best possible service to our customers. If we do that job well, we'll be able to pay investors an attractive return and provide our employees with good wages and benefits."

That's the way it still is.

The efficiency of our Customers Service department has served as a model for the utility industry. Its quick, courteous response to customers is outstanding and of considerable importance in maintaining a favorable public attitude.

With the increasing cost of electricity, there has been a corresponding increase in the number of customer inquiries. Last year, our Customers

Service department had more than 2,600,000 customer contacts. Nearly two million of these represented telephone calls which were handled by a force of more than 400 service representatives, using highly sophisticated electronic retrieval equipment that placed information about each customer's account literally at their fingertips.

About 350,000 customers made personal visits to our offices. There, in seconds, our representatives used the same electronic equipment to bring billing records to a television screen for quick resolution of problems.

Besides the nearly two million phone conversations with customers, we received about 160,000 letters, many of which told us that customers do appreciate the kind of service of which our people are so proud.

On the following page are excerpts from some of the many letters we have received from our customers. Taken together, they convey the strong sense of community and "service to our customers" that has been the basic philosophy of the Company and its employees down through the years.



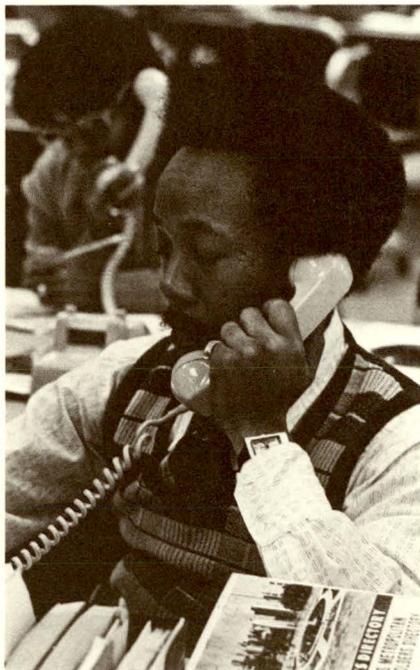
Here are a few:

"The Essington Fire Company would like to extend its thanks for the Gas Fire School. . . . Companies such as yours who have seen the problems of firemen and who have taken the time and money to research and improve their own training programs are to be commended."



One of our Gas Division employees witnessed the theft of a woman's handbag, called police and then chased two thieves until the alerted police arrived. The police expressed their thanks and appreciation for his community interest and willingness to 'get involved', and added "Action such as his is a credit to him and to the fine caliber of men working for the Philadelphia Electric Company."

In a similar case, two Transmission and Distribution employees captured a young man who snatched an envelope containing vacation money from a Germantown woman. Said she, "They were wonderful."



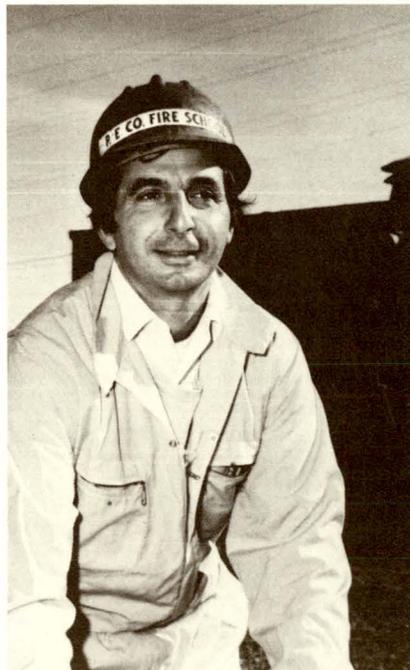
"Last week the electric circuits into my home developed several problems which repeatedly interrupted service. We live far from the road—and my wife had just returned from the hospital . . . Your service crews went beyond the 'call of duty' to insure that we had power . . . I did not expect the personal and rapid service I received in these days of bureaucracy."



"Last Thursday night all our lights went out in our house and also the farm house on our place. We phoned your office and you had a man out here promptly, followed by a lot more men and they worked all night in the rain and finally, after about twelve hours of work we had lights. I would just like to write a note of thanks and appreciation to all your nice men."



"On New Year's Eve a tree toppled over and our electricity was cut off. Two very nice men came in short order and were still there at 2:30 A.M. . . . So many times people forget to mention



when something good happens and all a company gets are gripes. Please thank again the very prompt and especially nice young men."



"You have two wonderful guys employed by your company. Refusing to give their names and refusing my offer of money, they repaired my car, enabling three frightened women to get home safely. With all the traffic, it was a dangerous place to break down. Tell them how grateful we are for the help they gave."



There is a general thought that big companies are cold, impersonal and remote. Actually, a big company is people. At Philadelphia Electric there are some 9,700 men and women who do their jobs with others in mind—men and women who are dedicated to serve, who are friendly, who are interested and concerned, who try to treat each customer as they would a neighbor and who try at all times to be helpful and understanding.

To me, a recent editorial reproduced on the following page says it very well.



• *Mayfair*
• *Northeast*

News

SERVING: MAYFAIR, TACONY, HOLMESBURG, WISSINOMING, TORRESDALE

NEWS OFFICE 1612 MARGARET ST.—JE 5-4274

Philadelphia, Pa., Thursday, February 5, 1976

We Salute Phila. Electric Linemen

The Philadelphia Electric linemen are to be congratulated on the wonderful work they accomplished Monday after a sudden storm caused a power failure affecting 17,000 homes.

The storm, which dropped one to three inches of snow and brought winds of up to 65 miles an hour, knocked down power lines throughout the city, the suburbs and South Jersey. We understand Ocean City, New Jersey, was entirely without electric power for a period of time.

Philadelphia Electric Co. reported that "practically all" power in Philadelphia and the suburbs had been restored by 10 p.m. Monday night.

This is a wonderful response to the needs of the people. These P.E. linemen risked their lives to restore power despite 65 m.p.h. winds and 10 degree temperatures. By nightfall most of the lights were on and once again electric power was at the "fingertips" of the P.E. customer.

We all complain about the high cost of electric bills but this revenue provides us with the expert service we receive.

As long as Philadelphia Electric remains a private utility we can be assured of efficient service and an almost constant flow of electrical power. The actions of the company Monday exemplify the advantages of having the company private and not under government regulation.

Hats off to the people at Philadelphia Electric!!

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

Operating revenue in 1974 increased by \$245 million over the previous year and a further increase of \$123 million was experienced in 1975. Major elements of increased revenue were increases in fuel adjustment revenue required to recover higher fuel costs, amounting to \$214 million in 1974 and a further \$23 million in 1975, and rate increases amounting to \$45 million in 1974 and a further \$88 million in 1975.

Kwh sales of electricity in 1974 were approximately 3 percent lower than in 1973, reflecting reduced usage by all major classes of customers. Electric sales in 1975 were slightly below 1974 due to lower sales to large industrial customers which were partially offset by higher sales to residential and other commercial customers. MCF sales of gas decreased approximately 4 percent in 1974 from 1973 due to conservation by customers. A further decrease of 14 percent in 1975 reflects curtailments to certain large industrial customers and warmer weather.

Fuel and energy interchange expense in 1974 increased by \$179 million over the previous year, primarily due to

substantial increases in fossil fuel prices, and a further increase of \$19 million was experienced in 1975.

Other operation and maintenance expenses rose \$16 million over 1973 and an additional \$17 million over 1974. These increases are primarily attributable to inflationary pressures and increases in rentals.

Depreciation expense increased \$13 million in both 1974 and 1975, reflecting the effect of placing almost \$650 million of new facilities in service during 1974.

Taxes charged to operations increased \$32 million in 1974 and \$30 million in 1975. Taxes on income rose by \$22 million in 1974 and by \$19 million in 1975. Taxes, other than income taxes, increased \$10 million in both 1974 and 1975, primarily due to state gross receipts taxes on higher revenues. The Company accrued \$49 million of deferred income taxes in 1974 and \$33 million in 1975 as a result of normalizing the tax reductions resulting from liberalized depreciation and investment tax credit.

Allowances for Funds Used During Construction totaled \$71 million in 1974 and \$67 million in 1975. The decrease in the allowance for 1975 as compared with 1974, resulted from the full year effect in 1975 of new plant

placed in service during late 1974.

Income tax reductions credited to Other Income amounted to \$25 million in 1974 and \$22 million in 1975. Allocation of these credits to Other Income began on October 1, 1973, pursuant to a Pennsylvania Public Utility Commission order, and represents an additional source of cash flow.

Interest charges and Preferred Stock dividends continued to rise increasing \$36 million in 1974 and \$26 million in 1975 due to higher interest rates and new securities issued to finance the Company's construction program.

Earnings available for Common Stock remained essentially the same at \$95 million for 1973 and 1974, but increased to \$108 million for 1975. The sales of approximately 7.5 million shares of Common Stock in 1973, almost 950,000 shares in 1974, and almost 11 million shares in 1975 increased the average number of shares outstanding by 10 percent in 1974 and an additional 10 percent in 1975. Earnings per average share fell from \$1.99 in 1973 to \$1.81 in 1974, but rose to \$1.86 in 1975. Dividends remained at \$1.64 a share.

CONSOLIDATED STATEMENT OF INCOME

Philadelphia Electric Company and Subsidiary Companies

		For the Year Ended December 31	
		1975	1974
		(Thousands of Dollars)	
Operating Revenue	Electric	\$ 978,368	\$ 873,474
	Gas	117,989	108,929
	Steam	38,453	29,323
	Total Operating Revenue	<u>1,134,810</u>	<u>1,011,726</u>
Operating Expenses	Fuel and Energy Interchanged	457,783	439,231
	Other Operation Expenses	162,504	145,415
	Maintenance	62,313	61,971
	Depreciation	91,221	77,802
	Taxes, Other than Income	77,567	67,143
	Taxes on Income	86,337	67,157
	Total Operating Expenses	<u>937,725</u>	<u>858,719</u>
Operating Income		<u>197,085</u>	<u>153,007</u>
Other Income	Allowance for Funds Used During Construction	66,874	70,841
	Income Tax Credits, net	22,271	25,441
	Other, net	2,087	271
	Total Other Income	<u>91,232</u>	<u>96,553</u>
Income Before Interest Charges		<u>288,317</u>	<u>249,560</u>
Interest Charges	Long-Term Debt	136,507	106,298
	Short-Term Debt	7,885	14,165
	Total Interest Charges	<u>144,392</u>	<u>120,463</u>
Net Income	143,925	129,097	
Preferred Stock Dividends	36,026	33,682	
Earnings Applicable to Common Stock	<u>\$ 107,899</u>	<u>\$ 95,415</u>	
Shares of Common Stock-Average (Thousands)	58,135	52,717	
Earnings Per Average Share (Dollars)	\$1.86	\$1.81	
Dividends Per Share (Dollars)	\$1.64	\$1.64	

The notes and schedules to financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Philadelphia Electric Company and Subsidiary Companies

		For the Year Ended December 31	
		1975	1974
		(Thousands of Dollars)	
Source of Funds	Net Income	\$143,925	\$129,097
	Charges (Credits) Not Affecting Funds		
	Depreciation	91,221	77,802
	Deferred Income Taxes, net	24,472	28,313
	Investment Tax Credit Adjustments, net	8,353	20,691
	Allowance for Funds Used During Construction	<u>(66,874)</u>	<u>(70,841)</u>
	Total from Operations	201,097	185,062
	Sale of		
	Long-Term Debt	245,000	375,000
	Preferred Stock	—	75,000
Common Stock	133,723	11,151	
Increase (Decrease) in Short-Term Debt	(69,970)	30,192	
Proceeds from sale of contracts for nuclear plant	<u>18,750</u>	<u>—</u>	
Total	<u>\$528,600</u>	<u>\$676,405</u>	
<hr/>			
Use of Funds	Additions to Utility Plant	\$361,368	\$476,696
	Allowance for Funds Used During Construction (Deduction)	(66,874)	(70,841)
	Dividends on Preferred and Common Stock	131,465	120,730
	Retirement of Long-Term Debt	95,193	69,313
	Pollution Control Funds	—	(12,239)
	Increase (Decrease) in Working Capital†	(2,032)	90,600
	Other, net	<u>9,480</u>	<u>2,146</u>
	Total	<u>\$528,600</u>	<u>\$676,405</u>
<hr/>			
† Changes in Working Capital (Other than reflected in Source and Use of Funds)			
		\$ 9,827	\$ 54,348
Accounts Receivable		(3,722)	21,655
Deferred Fuel Expense		14,855	29,103
Material and Supplies—Fuel		(1,256)	(11,455)
Accounts Payable and Dividends Declared		(16,143)	1,614
Taxes Accrued		<u>(5,593)</u>	<u>(4,665)</u>
Other, net		<u>\$ (2,032)</u>	<u>\$ 90,600</u>
Total			

The notes and schedules to financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

Philadelphia Electric Company and Subsidiary Companies

ASSETS	December 31	
	1975	1974
	(Thousands of Dollars)	
Utility Plant, at original cost		
Electric	\$2,889,428	\$2,807,956
Gas	272,944	265,728
Steam	48,919	42,256
Common, used in all services	115,855	114,796
Construction Work in Progress	1,118,471	893,161
	<u>4,445,617</u>	<u>4,123,897</u>
Less: Accumulated Depreciation	775,856	717,808
	<u>3,669,761</u>	<u>3,406,089</u>
Nonutility Property and Other Investments	<u>12,273</u>	<u>12,701</u>
Current Assets		
Cash	17,429	15,986
Accounts Receivable		
Customers	113,647	102,553
Refundable Federal Income Taxes	—	18,089
Other	26,157	9,335
Deferred Fuel Expense	17,933	21,655
Materials and Supplies, at average cost		
Fuel (Coal, Oil and Gas)	61,522	46,667
Operating and Construction	26,497	25,830
Prepayments	2,439	3,085
	<u>265,624</u>	<u>243,200</u>
Deferred Debits	<u>13,805</u>	<u>6,036</u>
	Total	
	<u>\$3,961,463</u>	<u>\$3,668,026</u>

The notes and schedules to financial statements are an integral part of this statement.

LIABILITIES		<u>December 31</u>	
		1975	1974
		(Thousands of Dollars)	
<hr/>			
Capitalization	Stockholders' Equity		
	Preferred Stock—See Schedule, page 29	\$ 485,864	\$ 486,383
	Common Stock—See Schedule, page 29	916,639	782,916
	Other Paid-In Capital	1,498	1,306
	Retained Earnings	<u>304,678</u>	<u>293,747</u>
		1,708,679	1,564,352
	Long-Term Debt—See Schedule, page 29	<u>1,776,936</u>	<u>1,597,690</u>
		<u>3,485,615</u>	<u>3,162,042</u>
<hr/>			
Current Liabilities	Short-Term Debt		
	Bank Loans	50,200	115,100
	Commercial Paper	57,754	62,824
	Accounts Payable	67,618	66,125
	Taxes		
	Accrued	34,650	16,512
	Deferred	9,476	11,471
	Interest Accrued	37,829	30,462
	Dividends Declared	12,457	12,694
	Current Maturities of Long-Term Debt	60,894	91,866
	Other	<u>3,549</u>	<u>3,859</u>
		<u>334,427</u>	<u>410,913</u>
<hr/>			
Deferred Credits	Accumulated Deferred Income Taxes	83,001	56,533
	Accumulated Deferred Investment Tax Credits	40,203	32,551
	Other	<u>18,217</u>	<u>5,987</u>
		<u>141,421</u>	<u>95,071</u>
<hr/>			
	Total	<u>\$3,961,463</u>	<u>\$3,668,026</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Philadelphia Electric Company and Subsidiary Companies

	For the Year Ended December 31	
	1975	1974
	(Thousands of Dollars)	
Balance, January 1	\$293,747	\$286,230
Net Income (from page 22)	143,925	129,097
	<u>437,672</u>	<u>415,327</u>
Cash Dividends Declared		
Preferred Stock	36,026	34,272
Common Stock	95,439	86,458
Expenses of Capital Stock Issues	1,529	850
	<u>132,994</u>	<u>121,580</u>
Balance, December 31	<u>\$304,678</u>	<u>\$293,747</u>

The notes and schedules to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS—Thousands of Dollars

1. Significant Accounting Policies:

General: All utility subsidiary companies of Philadelphia Electric Company are wholly-owned and are included in the consolidated financial statements. The accounts are maintained in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction.

Revenues: Revenues are recorded in the accounts upon billing to the customer. Rate increases are billed from dates authorized or permitted to become effective by regulatory authorities. The revenues billed under rate increases permitted to become effective pending final approval of the regulatory authorities are subject to possible refund. (See Note 7)

Fuel Expense: The Company currently defers that portion of fuel expense which is recoverable under fuel adjustment clauses until it is subsequently billed as fuel adjustment revenue in order to effect a better matching of fuel expense with related

revenue. The Company adopted this accounting practice for its fuel adjustment clauses on January 1, 1974 for electric, on January 1, 1975 for steam and on October 1, 1975 for gas. The amounts involved prior to the respective dates were considered immaterial to operations. Amounts of fuel expense recovered currently under the electric fuel adjustment clause in excess of the amounts of expense previously deferred are charged to operations with an equivalent credit to the deferred fuel expense. Accordingly, the deferred fuel expense has been reduced to an amount less than the amount to be recovered under the fuel adjustment clauses. For income tax purposes, fuel expense is considered an expense when incurred. The resultant tax deferrals are normalized and classified as a current liability. The deferral of fuel expense until reflected in customers' billings under fuel adjustment clauses had the effect of decreasing earnings per share \$.03 for 1975 and of increasing earnings per share \$.19 for 1974.

The Company's share of nuclear energy costs, relating to the Peach Bottom nuclear generating station, is charged to fuel expense on the basis of the number of units of thermal energy produced as they relate to the total thermal units to be produced over the estimated four-year life of the fuel.

Depreciation: For financial reporting purposes, depreciation is provided over the estimated service lives of the plant on a straight-line basis. Higher depreciation deductions are taken for tax purposes based on the use of a liberalized method of computing depreciation and of shorter lives permitted by the Internal Revenue Service. Prior to 1971 the resultant tax deferrals flowed through to income. However, beginning in 1971 the Company normalizes the effect of the tax deferrals resulting from the liberalized method of computing depreciation and from timing differences between guideline and asset depreciation range lives in accordance with the regulatory treatment

for rate-making purposes. These tax deferrals will be credited to income in years when depreciation expense for financial reporting purposes exceed that deductible for tax purposes.

Investment Tax Credit: Federal income tax expense reflects reductions for investment tax credits which were deferred by equivalent charges to income and subsequently amortized by credits to income over a five-year period for credits deferred prior to 1971 and over the estimated useful life of the plant for credits thereafter.

Allowance for Funds Used During Construction: Allowance for funds used during construction is defined in the applicable regulatory system of accounts as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used." For financial reporting purposes the allowance is recorded as a non-cash charge to construction in the plant accounts with a corresponding non-cash credit to "Other Income," thereby deferring the estimated cost of the capital employed in construction work in progress. For income tax purposes, the allowance accrued is not included in taxable income, nor is the depreciation of the capitalized allowance a tax deductible expense. The allowance is determined using a "net after tax rate" for borrowed funds and the income tax reductions arising from interest charges associated with debt used to finance construction are allocated to other income. Such income tax reductions allocated from operating expenses to other income tax credits were \$22,520 for 1975 and \$25,134 for 1974. The allowance is reviewed for change in rate every six months whereby the rates used during 1974 and 1975 were 7½%, 7¾%, 8% and 8¼%, respectively. The estimated portions of the allowance attributable to funds provided by common stock equity, without regard to the tax effect of interest on debt, were equivalent to 9 percent in 1975 and 16 percent in 1974 of earnings applicable to common stock.

Retirement Plan: The Companies have a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned to normal retirement age. The annuities are paid out of an irrevocable trust fund, to which the Companies make contributions to fund current and prior service costs over a twenty year period. (See Note 5)

2. Taxes, Other than Income:

	1975	1974
Gross Receipts	\$48,263	\$43,407
Capital Stock..	10,667	9,087
Realty.....	10,687	7,138
Other, principally social security....	<u>7,950</u>	<u>7,511</u>
	<u>\$77,567</u>	<u>\$67,143</u>

3. Taxes on Income:

Applicable to:	1975	1974
Operations		
Federal income.....	\$42,161	\$10,986
State income..	11,351	7,167
Deferred income, net...	24,472	28,313
Investment tax credits, net.	<u>8,353</u>	<u>20,691</u>
	<u>86,337</u>	<u>67,157</u>
Other Income..	<u>(22,271)</u>	<u>(25,441)</u>
Total income tax provisions.....	<u>\$64,066</u>	<u>\$41,716</u>

The aforementioned income tax provisions are equivalent to effective income tax rates for financial reporting purposes which were less than the federal statutory rate due to timing differences between tax and book income as follows:

	1975	1974
Federal statutory rates.....	48.0%	48.0%
Incr. (decr.) in effective tax rate due to:		
Allowance for funds used during construction	(15.5%)	(19.9%)
Excess of tax depreciation over book depreciation not normalized....	(2.0%)	(2.8%)
State income taxes, including portion deferred, net of federal income tax benefits....	4.0%	3.8%
Amortization of investment tax credits.....	(1.2%)	(1.5%)
Other miscellaneous differences....	(2.5%)	(3.2%)
Effective income tax rates.....	<u>30.8%</u>	<u>24.4%</u>
Provisions for deferred income taxes consist of the following tax effects of timing differences between tax and book income:		
	1975	1974
Tax depreciation in excess of book depreciation.....	\$26,030	\$18,307
Deferred fuel expense....	(1,995)	11,471
Other.....	<u>437</u>	<u>(1,465)</u>
	<u>\$24,472</u>	<u>\$28,313</u>

Investment tax credits of \$10,843 and \$23,221 applicable to new plant and equipment placed in service in 1975 and 1974, respectively, have been reflected as reductions of federal income tax expense with equivalent amounts reflected in investment tax credits, net. For federal income tax purposes the 1974 investment tax credits reduced current taxes payable to the extent allowable, \$5,132, and resulted in a refund of prior years' federal income taxes of \$18,089.

4. Short-Term Debt:

The average short-term borrowings during 1975 aggregated \$97,044 at an average rate of 7.85% and during 1974 aggregated \$118,744 at an average rate of 11.13%; the maximum short-term borrowings outstanding were \$183,900 in January, 1975 and \$202,579 in May, 1974. The average rate of interest on short-term borrowings at December 31, 1975 was 7.25% for bank loans and 6.07% for commercial paper. As of December 31, 1975 the Company had informal lines of credit with banks aggregating \$212,575. The Company generally does not have formal compensating balance arrangements with these banks. The Company maintains deposits with banks for working funds for normal operations.

5. Retirement Plan:

Annuities under the Companies' Retirement Plan are funded through a Trust Fund. Contributions by the Companies aggregated \$14,315 in 1975 and \$9,856 in 1974. Of such amounts approximately 73 percent was charged to operating expense and 27 percent, associated with construction labor, was included in the cost of new utility plant. Based upon actuarial assumptions, the estimated prior service liability of the Plan was substantially fully funded at December 31, 1975. The Companies' compliance with the Employee Retirement Income Security Act is not expected to have a significant effect upon pension costs, funding and vested benefits in future years.

6. Contract Terminations— Nuclear Projects:

In October 1975, Delmarva Power & Light Company and the supplier for nuclear systems and fuel at their Summit Power Station, in which the Company has a 15% participation, terminated their contractual arrangements and the supplier purchased

the contracts for construction and the related fuel supply. The Company's share of the proceeds from the sale of the contracts, net of expenditures, is included in other deferred credits at December 31, 1975 in the amount of \$11,848. It is the intention of the Company to apply this credit to the cost of subsequent plant expenditures.

This supplier was also the supplier of the nuclear systems and fuel for the Company's Fulton Station. On February 13, 1976, the Company and the supplier signed an agreement whereby the supplier will pay \$64,000 to reimburse the Company for substantially all its costs incurred in the Fulton Project. In addition, the supplier has agreed to provide two million pounds of uranium to the Company to be delivered at future dates, at the supplier's acquisition cost.

7. Commitments and Contingent Liabilities:

The Companies have incurred substantial commitments in connection with their construction program. Construction expenditures for the year 1976 are estimated to be \$437,000.

The Company's proportionate share of a commitment for nuclear fuel at the Peach Bottom Atomic Power Station (owned by the Company and three contiguous utilities) as of December 31, 1975, was \$44,944. Under a contract, an independent fuel company will acquire and own up to a maximum of \$150,000 of such fuel at any one time and will sell the energy therefrom to the Company, as the operator of this Station.

Rentals charged to operating expenses were \$25,854 in 1975 and \$18,539 in 1974, which include nuclear fuel contract payments of \$12,455 in 1975 and \$4,553 in 1974.

Minimum rental commitments as of December 31, 1975, under all non-

cancelable agreements are \$19,200 for 1976, \$18,100 for 1977, \$17,200 for 1978, \$16,400 for 1979, \$4,100 for 1980, \$27,000 for 1981-85, \$27,000 for 1986-90, \$26,200 for 1991-95 and a remainder of \$6,500. The minimum rental commitments are applicable to the following types of property: nuclear fuel \$51,600 (estimated to be charged to operations over a four year period); combustion turbine generators \$83,000; computer equipment \$4,700; other, principally rights-of-way \$22,400.

Operating revenues for 1974 include \$16,300 billed under an interim electric rate increase. With respect to this revenue, the Commonwealth of Pennsylvania has filed an appeal from the decision of the PUC. Argument on this appeal has been heard by the Commonwealth Court, but a decision has not been announced. The Company does not believe it will be required to make any refunds to its customers. However, a decision unfavorable to the Company could result in a refund of \$16,300 plus interest, which would require a restatement of the related accounts for 1974. Such restatement, if required, would be to reduce earnings applicable to common stock previously reported for 1974 by approximately \$7,700 (\$.15 per share).

Complaints have been filed with the PUC against the Electric Fuel Adjustment Clause and an action has been filed in the U.S. District Court against the Company with respect to alleged discrimination in its employment or promotion practices. Counsel representing the Company in these matters are of the opinion that no refunds will be required of revenues collected under the fuel adjustment clause and that the Company has meritorious defenses to the suit with respect to its employment or promotion practices.

SCHEDULE OF CAPITAL STOCK—DECEMBER 31, 1975

Philadelphia Electric Company

Preferred Stock (\$100 par) cumulative:

Series	Redemption Price (A)	Number of Shares		Amount (Thousands of Dollars)
		Authorized	Outstanding	
9.50% (Sold 1974 at \$100 per share) . . .	\$109.50	750,000	750,000	\$ 75,000
8.75%	110.00	650,000	650,000	65,000
7.85%	108.00	500,000	500,000	50,000
7.80%	108.00	750,000	750,000	75,000
7.75%	108.00	200,000	200,000	20,000
7.325%	106.74	750,000	750,000 (B)	75,000
7%	107.00	400,000	383,915 (C)	38,392
4.68%	104.00	150,000	150,000	15,000
4.4%	112.50	274,720	274,720	27,472
4.3%	102.00	150,000	150,000	15,000
3.8%	106.00	300,000	300,000	30,000
Unclassified		5,125,280	—	—
Total Preferred Stock		10,000,000	4,858,635	\$485,864

Common Stock—no par (D) 100,000,000 64,196,338 \$916,639

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

(B) 30,000 shares to be redeemed annually at \$100 per share commencing May 1, 1979.

(C) 8,000 shares to be redeemed annually at \$100 per share. The Company purchased 5,200 shares in 1975 and 6,370 shares in 1974 for this purpose and at December 31, 1975 had applied 8,085 shares to future redemption requirements. The excess of aggregate par value of such shares is reflected in Other Paid-In Capital (\$192 in 1975 and \$62 in 1974).

(D) The Company sold 10,866,340 shares for \$133,723 in 1975 and 949,434 shares for \$11,151 in 1974. At December 31, 1975 there were 410,264 shares reserved for issuance under the Employee Stock Purchase Plan and 1,808,475 shares under the Dividend Reinvestment and Stock Purchase Plan.

SCHEDULE OF LONG-TERM DEBT—DECEMBER 31, 1975

Philadelphia Electric Company

First and Refunding Mortgage Bonds (A):

Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)	Series	Due	Amount (Thousands of Dollars)
8½%	1976	\$ 46,700	3½%	1985	\$ 50,000	8¼%	1996	\$ 80,000
6¼%	1976	11,000	4¾%	1986	50,000	6⅞%	1997	75,000
5¾%	1977	34,000	4⅝%	1987	40,000	7½%	1998	100,000
2⅞%	1978	25,000	3¾%	1988	40,000	7½%	1999	100,000
11%	1980	125,000	5%	1989	50,000	7¾%	2000	78,325
2¾%	1981	30,000	6½%	1993	60,000	11%	2000	80,000
3¼%	1982	35,000	4½%	1994	50,000	11⅝%	2000	65,000
3⅞%	1983	20,000	9%	1995	76,069	7⅜%	2001	80,000
						8½%	2004	125,000
Total First and Refunding Mortgage Bonds								1,526,094
Note Payable—Bank	(B)	1979						125,000
Pollution Control Note	5.5%	1976-97						38,000
Debentures	12¾%	1981						100,000
Debentures	4.85%	1986						28,453
Unamortized Debt Discount and Premium, Net								(4,008)
Total Philadelphia Electric Company								1,813,539

Philadelphia Electric Power Company—A Subsidiary:

Sinking Fund Debentures	4½%	1995						24,416
Unamortized Debt Discount								(125)
Total Long-Term Debt								1,837,830
Current Maturities included in Current Liabilities								(60,894)
Long-Term Debt included in Capitalization								\$1,776,936

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

(B) Interest at a rate of 114% of the base rate of the bank on 90-day loans to responsible and commercial borrowers in effect from time to time through May 27, 1976 and at accelerating rates up to 118% of such base rate through maturity.

REPORT OF ACCOUNTANTS

To Shareholders and the Board of Directors
Philadelphia Electric Company
Philadelphia, Pennsylvania

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1975, the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1974.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1975 and 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

1900 Three Girard Plaza
Philadelphia, Pennsylvania
February 13, 1976

COOPERS & LYBRAND

FINANCIAL STATISTICS

Summary of Earnings (Millions of dollars)

	1975	1974	1973	1972	1971	1970	1965
Operating Revenue (for details see pages 32 and 33)	\$1,134.8	\$1,011.7	\$766.6	\$685.0	\$608.1	\$504.4	\$340.9
Operating Expenses							
Fuel and Energy Interchanged	457.8	439.2	260.3	212.0	189.8	137.3	77.1
Labor	152.2	134.0	125.6	120.4	108.8	103.0	73.3
Other Materials, Supplies and Services	72.6	73.4	65.5	55.0	45.2	42.6	27.1
Total Operation and Maintenance	682.6	646.6	451.4	387.4	343.8	282.9	177.5
Depreciation	91.2	77.8	64.3	60.5	55.9	53.9	38.1
Taxes	163.9	134.3	102.5	93.6	80.8	59.9	47.7
Total Operating Expenses	937.7	858.7	618.2	541.5	480.5	396.7	263.3
Operating Income	197.1	153.0	148.4	143.5	127.6	107.7	77.6
Other Income							
Allowance for Funds Used							
During Construction	66.9	70.8	58.7	42.5	31.7	18.5	1.5
Income Tax Credits, net	22.3	25.5	3.4	(0.4)	(1.7)	0.2	(0.5)
Other, net	2.0	0.3	2.7	0.2	3.2	—	0.7
Total Other Income	91.2	96.6	64.8	42.3	33.2	18.7	1.7
Income Before Interest Charges	288.3	249.6	213.2	185.8	160.8	126.4	79.3
Interest Charges							
Long-Term Debt	136.5	106.3	84.8	73.4	60.9	50.3	22.4
Short-Term Debt	7.9	14.2	5.5	4.4	6.3	7.7	0.4
Total Interest Charges	144.4	120.5	90.3	77.8	67.2	58.0	22.8
Net Income	143.9	129.1	122.9	108.0	93.6	68.4	56.5
Preferred Stock Dividends	36.0	33.7	27.6	21.6	15.3	8.6	3.7
Earnings Applicable to Common Stock	107.9	95.4	95.3	86.4	78.3	59.8	52.8
Dividends on Common Stock	95.4	86.4	78.4	67.7	60.7	53.7	39.6
Earnings Retained	\$ 12.5	\$9.0	\$16.9	\$18.7	\$17.6	\$6.1	\$13.2
Earnings per Average Share (dollars)	\$1.86	\$1.81	\$1.99	\$2.08	\$2.10	\$1.84	\$1.92
Dividends Paid per Share (dollars)	\$1.64	\$1.64	\$1.64	\$1.64	\$1.64	\$1.64	\$1.44
Shares of Common Stock—Average (Millions)	58.1	52.7	47.8	41.5	37.3	32.6	27.5

See page 21 for Discussion and Analysis of the Consolidated Statement of Income.

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

	1975				1974			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
High Price	\$15½	\$15	\$15½	\$14¾	\$12¼	\$12¾	\$18¼	\$19½
Low Price	\$12⅞	\$12¾	\$12⅞	\$11⅞	\$ 9⅜	\$ 9¾	\$10	\$18
Earnings	41¢	50¢	47¢	48¢	37¢	42¢	49¢	53¢
Dividends	41¢	41¢	41¢	41¢	41¢	41¢	41¢	41¢

Summary of Financial Condition—December 31 (Millions of dollars)

	1975	1974	1973	1972	1971	1970	1965
Assets							
Utility Plant, at Original Cost	\$4,445.6	\$4,123.9	\$3,672.1	\$3,222.6	\$2,851.0	\$2,521.6	\$1,553.4
Less: Accumulated Depreciation	<u>775.8</u>	<u>717.8</u>	<u>665.4</u>	<u>624.2</u>	<u>585.7</u>	<u>549.5</u>	<u>402.5</u>
Total Utility Plant	3,669.8	3,406.1	3,006.7	2,598.4	2,265.3	1,972.1	1,150.9
Nonutility Property and Other Investments	12.3	12.7	11.5	9.5	6.0	3.9	9.7
Current Assets							
Cash	17.4	16.0	16.2	17.8	25.2	24.2	14.2
Pollution Control Funds	—	—	12.2	38.0	—	—	—
Accounts Receivable	139.8	111.9	75.6	72.1	63.0	50.8	31.8
Deferred Fuel Expense	17.9	21.7	—	—	—	—	—
Materials and Supplies	88.0	72.5	40.2	38.8	34.2	33.6	21.4
Other	2.5	21.1	3.8	2.8	2.0	1.8	3.5
Deferred Debits	<u>13.8</u>	<u>6.0</u>	<u>9.9</u>	<u>7.5</u>	<u>6.6</u>	<u>5.5</u>	<u>4.9</u>
Total Assets	<u>\$3,961.5</u>	<u>\$3,668.0</u>	<u>\$3,176.1</u>	<u>\$2,784.9</u>	<u>\$2,402.3</u>	<u>\$2,091.9</u>	<u>\$1,236.4</u>
Liabilities							
Preferred Stock	\$ 485.9	\$ 486.4	\$ 412.0	\$ 337.5	\$ 262.5	\$ 192.5	\$ 87.5
Common Stock	916.6	782.9	771.8	622.5	528.2	424.9	256.3
Other Paid-In Capital	1.5	1.3	1.3	1.2	1.2	1.2	1.2
Retained Earnings	<u>304.7</u>	<u>293.7</u>	<u>286.2</u>	<u>271.0</u>	<u>254.7</u>	<u>239.5</u>	<u>182.5</u>
Total Stockholders' Equity	1,708.7	1,564.3	1,471.3	1,232.2	1,046.6	858.1	527.5
Long-Term Debt	<u>1,776.9</u>	<u>1,597.7</u>	<u>1,319.1</u>	<u>1,287.2</u>	<u>1,161.8</u>	<u>1,019.8</u>	<u>612.9</u>
Total Capitalization	3,485.6	3,162.0	2,790.4	2,519.4	2,208.4	1,877.9	1,140.4
Current Liabilities							
Bank Loans	50.2	115.1	83.5	41.1	1.8	14.6	10.5
Commercial Paper	57.8	62.8	64.2	62.7	47.5	60.9	—
Accounts Payable and Dividends Declared	80.1	78.8	67.4	49.5	40.7	42.7	20.5
Taxes Accrued	34.7	16.5	18.1	18.4	22.3	9.4	19.0
Taxes Deferred	9.5	11.5	—	—	—	—	—
Current Maturities of Long-Term Debt	60.9	91.9	67.3	13.5	17.1	33.9	1.0
Other	41.3	34.3	27.4	23.7	20.7	18.4	8.0
Deferred Credits	141.4	95.1	57.8	44.0	31.8	22.4	26.8
Contributions in Aid of Construction	—	—	—	12.6	12.0	11.7	10.2
Total Liabilities	<u>\$3,961.5</u>	<u>\$3,668.0</u>	<u>\$3,176.1</u>	<u>\$2,784.9</u>	<u>\$2,402.3</u>	<u>\$2,091.9</u>	<u>\$1,236.4</u>

OPERATING STATISTICS

	1975	1974	1973	1972	1971	1970	1965
ELECTRIC OPERATIONS							
Output (millions of kilowatt-hours)							
Steam	12,814	16,649	18,536	20,181	19,849	19,446	15,133
Nuclear	4,387	1,745	176	97	206	137	—
Hydraulic	2,275	1,938	2,132	2,242	1,738	1,877	1,117
Pumped Storage Output	1,275	1,075	1,318	1,430	1,639	1,829	—
Pumped Storage Input	(1,785)	(1,515)	(1,876)	(2,018)	(2,302)	(2,523)	—
Purchase and Net Interchange	7,363	5,300	7,094	3,472	2,889	2,886	1,606
Internal Combustion	914	1,200	688	946	940	744	6
Other	—	1,016	27	1	86	45	—
Total Electric Output	27,243	27,408	28,095	26,351	25,045	24,441	17,862
Sales (millions of kilowatt-hours)							
Residential	7,424	7,159	7,493	6,856	6,649	6,381	4,168
Small Commercial and Industrial	2,624	2,558	2,663	2,503	2,428	2,365	2,003
Large Commercial and Industrial	14,060	14,622	14,953	14,011	13,296	12,970	9,470
All Other	1,227	1,217	1,192	1,136	1,085	1,097	1,097
Total Electric Sales	25,335	25,556	26,301	24,506	23,458	22,813	16,738
Number of Customers, December 31							
Residential	1,120,981	1,113,036	1,103,163	1,090,921	1,079,585	1,070,312	986,304
Small Commercial and Industrial	114,896	117,237	118,009	118,522	119,203	120,034	148,760
Large Commercial and Industrial	5,719	5,724	5,663	5,645	5,517	5,465	4,630
All Other	2,305	2,248	2,207	2,163	2,130	2,101	1,909
Total Electric Customers	1,243,901	1,238,245	1,229,042	1,217,251	1,206,435	1,197,912	1,141,603
Operating Revenue (millions of dollars)							
Residential	\$ 364.7	\$ 314.4	\$ 254.4	\$ 222.7	\$ 198.3	\$ 161.7	\$ 99.1
Small Commercial and Industrial	138.9	122.0	97.5	88.1	78.6	66.3	51.7
Large Commercial and Industrial	418.3	388.1	257.5	228.6	198.2	158.4	103.5
All Other	56.5	49.0	37.4	35.0	31.6	26.1	19.8
Total Electric Revenue	\$ 978.4	\$ 873.5	\$ 646.8	\$ 574.4	\$ 506.7	\$ 412.5	\$ 274.1
Operating Income Before Income Taxes (millions of dollars)							
	\$ 261.5	\$ 196.5	\$ 170.1	\$ 166.1	\$ 141.8	\$ 111.7	\$ 98.2
Average Use per Residential Customer (kilowatt-hours)	6,645	6,460	6,829	6,317	6,187	5,990	4,263
Electric Peak Load, Net Hourly Demand (thous. kw)	5,530	5,431	5,760	5,313	4,922	4,712	3,366
Net Electric Generating Capacity (thous. kw)	7,186	7,808	6,650	6,348	6,366	5,564	3,663
Cost of Fuel per Million Btu	\$1.23	\$1.42	\$0.71	\$0.62	\$0.59	\$0.41	\$0.30
Btu per Net Kilowatt-hour Generated	10,523	10,676	10,523	10,666	10,782	11,079	10,397

GAS OPERATIONS

	1975	1974	1973	1972	1971	1970	1965
Sales (millions of cubic feet)							
Residential	2,334	2,281	2,317	2,418	2,441	2,454	2,233
House Heating	20,817	23,793	24,125	26,026	25,165	24,949	19,642
Commercial and Industrial	30,012	35,913	37,868	41,490	40,624	40,360	30,354
All Other	74	79	90	104	102	124	61
Total Gas Sales	53,237	62,066	64,400	70,038	68,332	67,887	52,290

Number of Customers, December 31

Residential	90,117	90,870	91,682	94,035	95,478	97,250	101,238
House Heating	162,914	163,093	163,096	159,780	154,902	149,800	128,345
Commercial and Industrial	19,874	20,276	20,518	20,312	19,778	19,063	19,641
Total Gas Customers	272,905	274,239	275,296	274,127	270,158	266,113	249,224

Operating Revenue (millions of dollars)

Residential	\$ 8.1	\$ 7.1	\$ 6.7	\$ 6.2	\$ 6.2	\$ 6.0	\$ 5.5
House Heating	54.8	55.4	51.3	48.4	45.8	43.1	33.4
Commercial and Industrial	54.5	45.7	42.0	38.2	34.8	31.3	19.7
All Other	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Subtotal	117.5	108.3	100.1	92.9	86.9	80.6	58.7
Other Revenue	0.5	0.6	0.4	0.4	0.4	0.4	0.2
Total Gas Revenue	\$ 118.0	\$ 108.9	\$ 100.5	\$ 93.3	\$ 87.3	\$ 81.0	\$ 58.9

Operating Income Before Income Taxes

(millions of dollars)	\$ 19.6	\$ 26.9	\$ 22.8	\$ 16.9	\$ 21.7	\$ 18.5	\$ 15.4
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STEAM OPERATIONS

Sales (millions of pounds)	7,117	7,600	7,762	8,328	8,223	8,172	6,528
Number of Customers, December 31	689	710	723	737	733	939	1,139
Total Steam Revenue (millions of dollars)	\$ 38.5	\$ 29.3	\$ 19.4	\$ 17.3	\$ 14.2	\$ 10.9	\$ 7.8
Operating Income Before Income Taxes (millions of dollars)	\$ 2.3	\$ (3.2)	\$ 0.7	\$ 1.2	\$ (2.2)	\$ (1.1)	\$ 1.1

FISCAL AGENTS FOR STOCKS AND BONDS**PHILADELPHIA ELECTRIC COMPANY—Preferred and Common Stocks**

Registrars	Transfer Agents
GIRARD BANK	PHILADELPHIA ELECTRIC COMPANY
One Girard Plaza, Philadelphia, Pa. 19101	2301 Market Street, Philadelphia, Pa. 19101
CHEMICAL BANK	MORGAN GUARANTY TRUST CO. of N.Y.
20 Pine Street, New York, N.Y. 10015	30 West Broadway, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

Trustee	New York Agent
THE FIDELITY BANK	MORGAN GUARANTY TRUST CO. of N.Y.
Broad & Walnut Streets, Philadelphia, Pa. 19109	23 Wall Street, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—Debentures	
Trustee	New York Agent
THE PHILADELPHIA NATIONAL BANK	IRVING TRUST COMPANY
Broad & Chestnut Streets, Philadelphia, Pa. 19101	One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds and Preferred Stock which were sold privately to institutional investors, are listed on the PBW Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company Debentures are listed on the PBW Stock Exchange.



PHILADELPHIA ELECTRIC COMPANY