1979 Annual Report

# DELMARVA POWER & LIGHT COMPANY


Energy
Serving the
Delmarva Peninsula

8004150260

## Service territory

The Delmarva Peninsula is our home. As depicted on the cover, we supply much of the energy for the people living, working, and playing on 5,700 square miles of both urban and rural land stretching from the industrialized Wilmington area in the Northeast Corridor to the farmland of Delaware, Maryland, and Virginia and surrounded by the beauty of the Atlantic Ocean and the Chesapeake Bay.

## Business

Our 2,500 employees supply electricity to 272,000 customers on most of the peninsula and natural gas to 72,000 customers around Wilmington. Corporate goals are to provide safe, reliable electric and gas service to all customers at the lowest possible cost and impact on the environment, to generate attractive earnings to stockholders, and to satisfy the needs of our employees.

## Facilities

We supply electricity with 2,047 megawatts of generation capacity, 1,300 miles of transmission lines and 8,400 miles of distribution lines. We supply natural gas to the Wilmington area with 1,000 miles of gas main.

Cover Illustration by C. Phillip Wikoff, Corporate Communications Department.

## Financial Highlights

| | 1979 | 1978 | Percent Increase (Decrease) |
|---|---|---|---|
| Revenues | $424.7 million | $378.7 million | 12.1 |
| Net Income | $ 53.4 million | $ 47.4 million | 12.5 |
| Earnings Per Share | $ 1.91 | $ 1.85 | 3.2 |
| Dividends Declared | $ 1.40½ | $ 1.30½ | 7.7 |
| Common Stock Outstanding (Average Shares) | 23,214,603 | 21,581,575 | 7.6 |
| Common Stock Book Value | $ 15.87 | $ 15.77 | 0.6 |
| Construction Expenditures | $112.1 million | $130.3 million | (14.0) |
| Financings | $ 98.9 million | $ 75.3 million | 31.3 |
| Electric Sales | 7.49 billion kwh | 7.25 billion kwh | 3.4 |
| Electric Customers (Average) | 269,497 | 266,042 | 1.3 |
| Average Residential Usage | 8,188 kwh | 8,406 kwh | (2.6) |
| Gas Sales | 13.96 million mcf | 13.17 million mcf | 6.0 |
| Gas Customers (Average) | 71,239 | 71,416 | (0.2) |
| Average Residential Usage | 95.3 mcf | 102.8 mcf | (7.3) |

- Quarterly dividends increased to 37 cents per share.
- Annual earnings increased to $1.91 per share.
- Rate redesign proposals were filed in Delaware and Maryland.
- The Maryland and Virginia subsidiaries were merged into the parent Delmarva Power & Light Company.
- The price of oil increased by 89% over the year, causing a major impact on the company and its customers.

## Letter to stockholders

February 15, 1980

The high price of energy is everybody's problem. Certainly, the price of oil this year had a major impact on your company as well as on all of its customers. Until this company and our nation can reduce this dependence on foreign oil, controlling energy costs will be difficult, and our nation's foreign policy options will be limited.

Therefore, we believe it is of overriding importance for us to discuss our plan for reducing the dependence on oil and to seek the active support of our customers and regulators to implement this plan. Crucial components of this plan include prompt and reasonable rate relief during 1980 and continued confidence of investors to provide capital to pay for the non-oil-using facilities needed to provide reliable electric service while minimizing future costs for the people of the Delmarva Peninsula.

During 1979, approximately 42 cents out of every dollar received went to buy our raw material — fuel. Most of that money went to pay for oil which produced 53% of the electricity we sold. The price of oil bought by Delmarva Power this year has increased 89%. Thus, the price of oil is critical to our price of electricity.

Since 1974, a strategic objective of the company has been to reduce dependence on oil. We are accomplishing this by balancing our fuel mix, mainly switching to coal. Our plan is to reduce dependence on oil from 53% in 1979 to 29% by 1981 through the addition of a 400 megawatt coal-fired generator at Indian River in the fall of 1980 and the addition of 83 megawatts of capacity at the Salem 2 Nuclear Power Station. This dependence will be reduced further to 19% in 1982 through the conversion to coal of two oil-fired units at the Edge Moor Power Station.

As these coal and nuclear plants begin operation, we expect reductions in the rate at which fuel costs rise since we expect, in the near future, the price of coal and uranium to rise at a slower rate than the price of oil. Offsetting this in 1980, we will be asking the regulatory agencies in Delaware, Maryland, and Virginia and the Federal Energy Regulatory Commission for rate hikes to begin to pay for this non-oil-fired generation capacity.

In addition to balancing our fuel mix, we plan to reduce this dependence on oil by encouraging the wise use of energy. A new rate de-

N. M. Curtis and R. D. Weimer    Photo: Action Photo

sign proposed by the company offers incentives for business and industry to reduce on-peak energy use and take advantage of lower off-peak nighttime and weekend rates. Delmarva Power's marketing efforts during the 1980's will be directed toward providing printed materials, seminars, and energy audits to help customers manage their use of energy. Research projects are directed toward developing the tools for using energy during off-peak hours. These projects will have the effect of utilizing more fully the company's most efficient generating units.

We believe this continuing commitment toward reducing our dependence on oil will lead to both more predictable costs to our consumers and increased financial stability of the company in the coming decade.

Progress on this path was made in 1979. The financial stability of the company has improved. By traditional standards of financial measurement, the year may be called one of moderate growth. However, considering the severe external pressures on your company during 1979 — a year-long inflation rate of 13%, a capital market in disarray, oil prices doubling with some question of supply, a nuclear incident casting shadows over all electric utilities whether dependent on nuclear power or not, and the threat of recession — we are pleased to report an increase in earnings to $1.91 per share from $1.85 per share in 1978. This is on target with expectations.

In December, the Board of Directors increased dividends, indicating confidence in the performance of the company.

Progress was made in the management of the company with the completion of the merger of the Maryland and Virginia subsidiaries into the parent company; the completion of a staff reorganization for greater efficiency; the development and installation of new automated in-house programs; the on-schedule construction progress on the coal-fired unit at Indian River; the opening of a new Northern Division headquarters and system operations facility at Christiana; and increased performance of our employees.

These programs are designed to position Delmarva Power for the 1980's with a strong, flexible professional organization dedicated to providing reliable service to customers at reasonable costs.

Thus, in the year 1979, although earnings increased only modestly and operations were imp[illegible]ed substantially by the high price of oil, Delmarva Power progressed toward the crucial objectives of reducing the dependence on oil and improving the financial stability of the company. We appreciate the hard work, loyalty, and understanding of our employees, which have enabled us to make this progress.

1980 will be a pivotal year for the company, largely dependent on prompt and reasonable rate relief. We intend to work as a team utilizing the skills of all employees to meet the new decade of challenges and opportunities.

Robert D. Weimer
Chairman of the Board &
Chief Executive Officer

Nevius M. Curtis
President &
Chief Operating Officer

## Energy to the people of the peninsula

Delmarva Power & Light Company provides electricity to a diverse service territory including the industrialized area around Wilmington, Delaware, the tourist and recreation areas on the Atlantic Coast, and the commercial and rural areas of the Eastern Shore of Maryland and Virginia and lower Delaware.

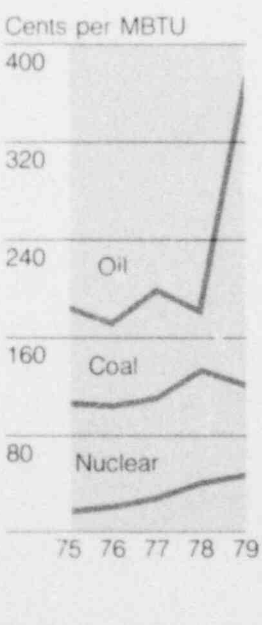
Delmarva Power projects a moderate — 3% to 4% — growth rate in kilowatt hour sales through the early 1980's. To continue to provide reliable service to the Delmarva Peninsula and to accommodate this growth, Delmarva Power has strengthened several programs to control prices, improve service, and encourage the wise use of energy.

### Balanced fuel mix

Delmarva Power, along with the rest of this nation, must reduce its dependence on foreign oil. The price of oil purchased by the company in 1979 for use at the Edge Moor Power Plant increased 89% from $14.20 per barrel in January to $26.90 per barrel in December, causing filings to the Delaware, Maryland, and Virginia regulatory agencies for substantial increases in the fuel charges.

As outlined in the letter to stockholders, the company is working to balance its fuel mix and reduce its dependence on oil from 53% in 1979 to 29% by 1981 through the completion of a 400-megawatt coal-fired plant at Indian River in 1980, the retirement of three oil-fired units at Vienna Power Plant, and the addition of 83 megawatts of generation capacity from the Salem 2 Nuclear Power Station under construction in southern New Jersey.

Fuel Cost




In addition, Delmarva Power plans to reduce this dependence on oil to 19% in 1982 by converting to coal two oil-fired units at the Edge Moor Power Station and to 14% in 1988 by building a large coal-fired plant at Vienna, Maryland.

As these new and converted power plants begin operations, the company expects a decrease in the rate at which fuel costs rise.

While coal is envisioned as the fuel for the new power plants of the 1980's, DP&L believes that the nation's nuclear option should remain open to achieve a balanced program of energy independence. The company will not construct nuclear generation until more assurance is given by the federal government that major problems such as waste disposal and fuel reprocessing are solved.

In a related move to reduce further the dependence on oil, Delmarva Power sought and received approval to make available 850 million cubic feet of natural gas and took on new natural gas customers for the first time since 1971.

### Energy management

Energy costs to customers can also be controlled through the wise use of the energy that is now available. In response to customers' needs, Delmarva Power is intensifying its efforts to encourage customers to use energy more efficiently.

New rate designs proposed by the company offer incentives for business and industry to reduce on-peak energy use and to take advantage of lower cost off-peak nighttime and weekend rates. These rates will help customers control energy costs. They also have the potential of utilizing more fully the company's most efficient generating units and of minimizing the need to build more costly generating capacity in the future.

In order to help commercial and industrial customers with their energy management, the company's marketing department offers various services including printed materials, seminars, special publications, and specialized energy management courses. Customer commitment and participation is the key to success in this area.

Residential customers have benefited from the company's Energy Efficiency Award program which encourages thermal efficiency in new home construction. More than 26,000 residents of Delmarva Peninsula have received energy conservation tips through Project Conserve, a computerized home energy audit which also promotes energy efficiency. Planning

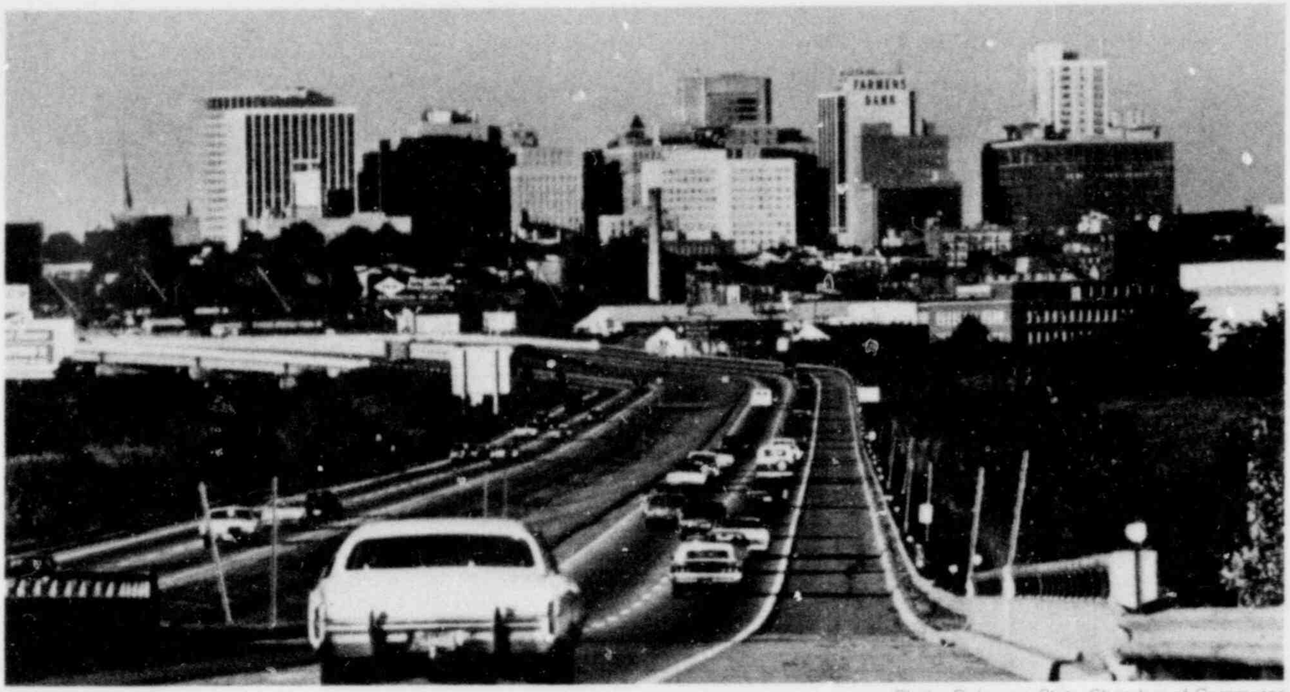
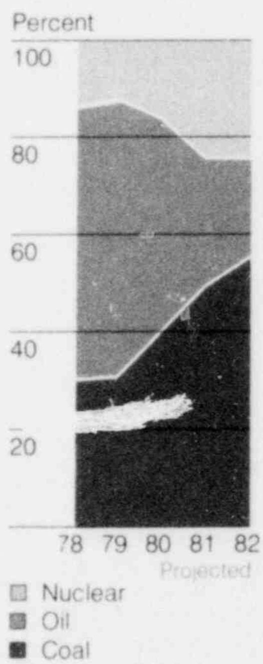


Photo: Delaware State Chamber of Commerce

Generation Output
By Fuel Source




The contrast between the busy skyline of Wilmington, Delaware, and a solitary farmer indicates the diversity of Delmarva Power & Light Company's service territory. Delmarva Power provides much of the energy to the people of the Delmarva Peninsula.

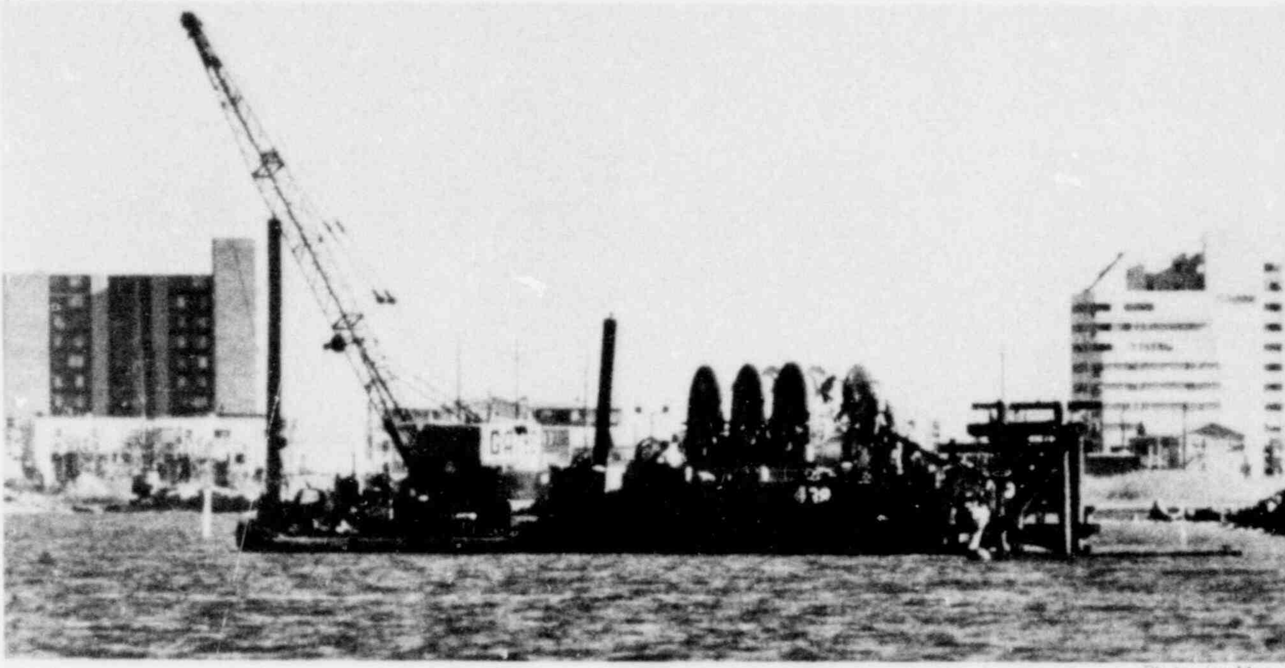


Photo: Jay Mason

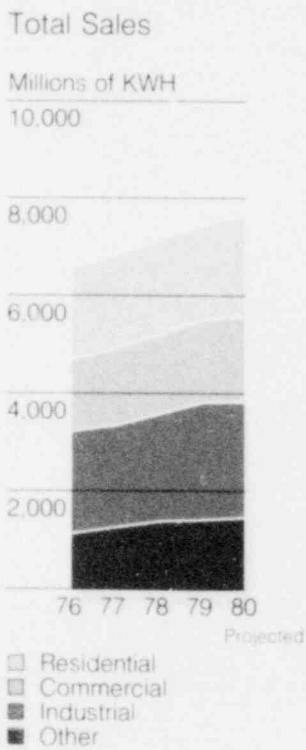



Photo: Action Photo

Environmental protection and energy management are important concepts to the people of the peninsula. Workmen for Delmarva Power (top) lay a submarine power cable across the Assawoman Bay to help provide additional reliable electric service to the tourist and recreation area around Ocean City, Maryland, while not interfering with the esthetic beauty of the bay. Above, F. Larry Golt, (left) vice president for building management for the Concord Plaza Associates, shows Delmarva Power engineers, Tim Smith (center) and Richard Garvine (right), the additional energy savings he has made at his Wilmington office building through Delmarva Power's energy management action course.

has begun for a more extensive energy audit program to be conducted in customer homes by company representatives.

Looking to the future, the company is sponsoring research projects which should help give customers the ability to take full advantage of lower cost off-peak energy. Although most of Delmarva Power's research is conducted through the Electric Power Research Institute, the company invests in several local research programs including a project with chemists and engineers at the University of Delaware's Institute of Energy Conversion to allow homeowners to store the cold air generated by air conditioners running at night for use during the heat of the next day and a project with researchers at the University of Maryland and the Delmarva Poultry Institute to encourage poultry farmers to use electricity at night for heat instead of propane. Also, with Public Service Commission approval, the Company will offer 1,000 customers in Delaware the opportunity to test new residential rate designs which encourage efficient energy use.

Delmarva Power realizes that energy costs are of crucial importance to the economic well-being of the peninsula. The company intends to continue providing customers the assistance and the options to better control these costs.

### Customer services

Delmarva Power works hard to avoid service disconnections. DP&L recognizes both the potential danger of service cutoffs to people and property of the peninsula during the cold winter season and the cost to the company and its stockholders of the termination and resumption of service. Therefore, the company takes extra precautions to avoid disconnections for nonpayment of bills. Customers having difficulties in paying bills are encouraged to use several programs the company has developed to help in hardship cases. These include the installment payment of overdue bills; notification of a friend or relative of the intention to disconnect service; budget billing; life-support and medical emergency listing; the distribution of energy conservation information; and referrals to social agencies which can help people with these problems.

### Environmental considerations

Delmarva Power appreciates the beauty of the Delmarva Peninsula and works hard to produce energy with minimal impact on the air and water.

During 1979, the company received $17.7 million from the sale of tax exempt pollution control bonds through the Delaware Department of Community Affairs and Economic Development to provide the funds for pollution control equipment at the Indian River and Edge Moor Power Stations needed to meet both national and state water and air quality standards. A key part of that program is an $8 million project to upgrade precipitators to reduce stack emissions at Indian River.

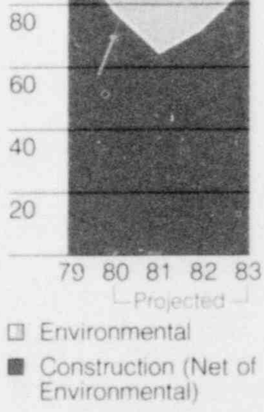
Another program completed this year was the placing of a three mile cable under the Assawoman Bay. This will improve the reliability of electric service in the Ocean City, Maryland, area.

Delmarva Power is also participating in the planning of the Merrill Creek Reservoir in Harmony Township, New Jersey, which will provide additional cooling water to utilities throughout the Delaware Valley at times of low water flow on the Delaware River.

### Stockholders

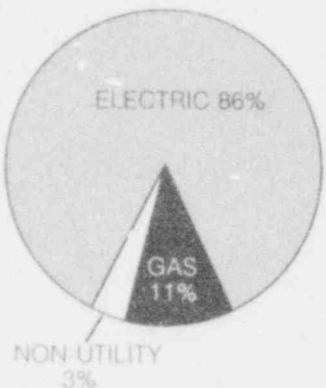
A key resource to Delmarva Power is its nearly 70,000 stockholders, 14,000 of whom live on the Delmarva Peninsula. These shareholders are part of the energy solution for both the Delmarva Peninsula and the nation because they help provide the capital needed to support these efforts.

Construction Expenditures Including Environmental

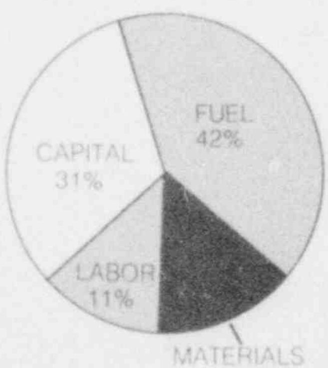


## 1979 Financial review

Revenue by Operation for 1979




Cost of Service for 1979




1979 was a year of moderate financial growth. Earnings applicable to common stock increased 10.9% to $44.3 million from $40.0 million. Earnings per share increased 3.2% to $1.91 from $1.85. The quarterly dividend was increased in December to 37 cents per share from 34 1/2 cents per share. Coverage of fixed charges (SEC) increased to 2.86 times in 1979 from 2.79 times in 1978.

The return on average common equity in 1979 increased to 11.9% from 11.8% in 1978. This rate is still well below that found "fair and reasonable" by all of Delmarva Power's regulatory authorities.

### Sales and revenues

Electricity sales increased 3.4% over the previous year to 7.49 billion kwh. This growth was slightly less than anticipated because of cooler summer and warmer winter weather than normal and conservation. Residential sales decreased 0.6% in 1979 to 1.97 billion kwh. However, this was more than offset by a nearly 9% increase in industrial demand.

Electric operating revenues increased 14.3% to $363.7 million in 1979, primarily due to rate increases which became effective in late 1978, greater kwh sales and increases in fuel adjustment rates.

Natural gas sales increased 6.0% over 1978 to 14.0 million mcf. Delmarva Power began adding new customers for the first time since 1971. Gas operating revenues of $49.3 million were approximately the same as those of 1978.

### Operating expenses

Despite the company's stringent programs to control costs, operating and maintenance expenses increased by 15.7% during 1979 to $275.0 million. The increases are due mainly to inflation, the delays in the nuclear power plants at Salem, New Jersey, and increases in fuel prices. However, the repeal of the Pennsylvania Gross Receipt tax increased reported earnings in 1979 (see Note 3 to financial statements).

### Financing and capitalization

During 1979, the company continued financing in the public market to provide funds for its construction program. Total construction requirements for the year amounted to $112.1 million and $98.9 million of that was raised from external sources. The company sold two million shares of common stock for $24.2 million and received $17.7 million from the sale of 6.6% Series tax exempt pollution control bonds through the Delaware Department of Community Affairs and Economic Development. The bonds were sold to finance pollution control equipment at the company's Indian River and Edge Moor Power Stations to meet both national and state water and air quality standards.

Because of the poor financial markets, the company replaced the planned sale of first mortgage bonds and preferred stock by obtaining a $50 million five-year term loan. This loan provides the company with flexibility to refinance any time during the five-year term without prepayment penalty.

In addition to these three issues, the company raised $6.0 million with the sale of 476 thousand shares of common stock through the Dividend Reinvestment and Common Share Purchase Plan. The company established an Investment Tax Credit Employee Stock Ownership Plan (TRASOP) in 1979. Under this plan, the company raised $1.0 million in 1979 through the issuance of 75 thousand shares of common stock.

Photo: Getty Refining & Marketing Co.

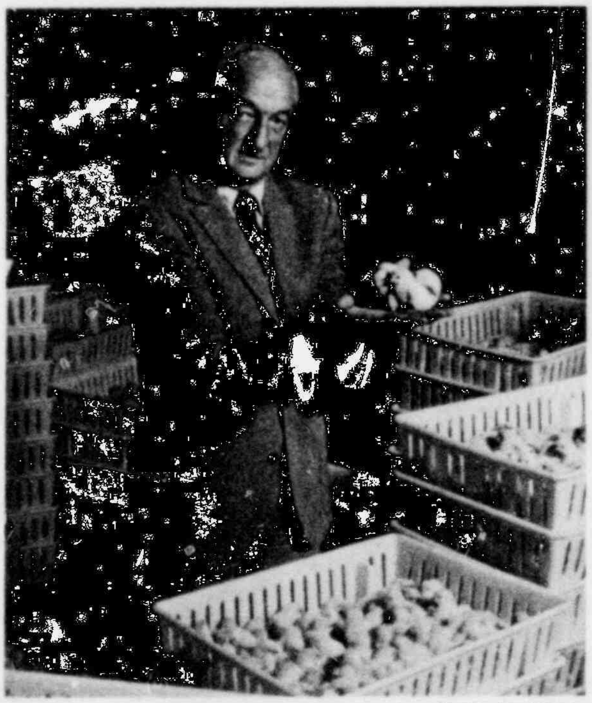
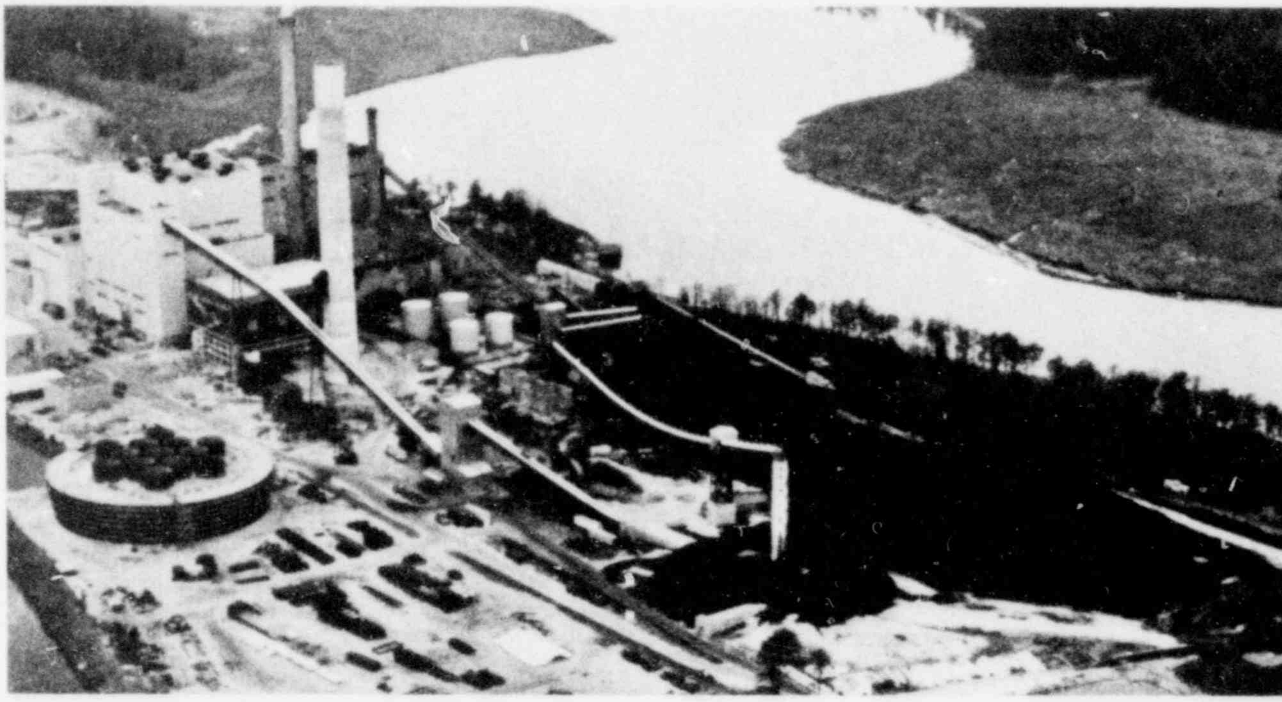
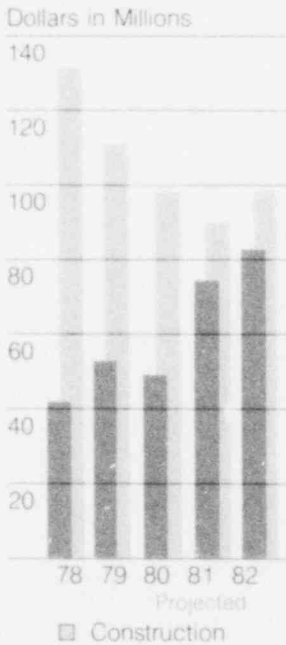


Photo: Jay Mason

Growth in electricity sales from the industrial and commercial sectors of the peninsula was an important part of Delmarva Power's progress during 1979 and will continue to be a priority of the 1980's. A major user of Delmarva Power's electricity is the peninsula's prestigious broiler industry. Franklin P. Perdue (left), Chairman of Perdue Incorporated headquartered in Salisbury, Maryland, is one of Delmarva Power's largest customers. Another major user of Delmarva's electricity and steam is the Getty Refining & Marketing Co. refinery at Delaware City, Delaware.



Construction
Expenditures &
Internal Financing



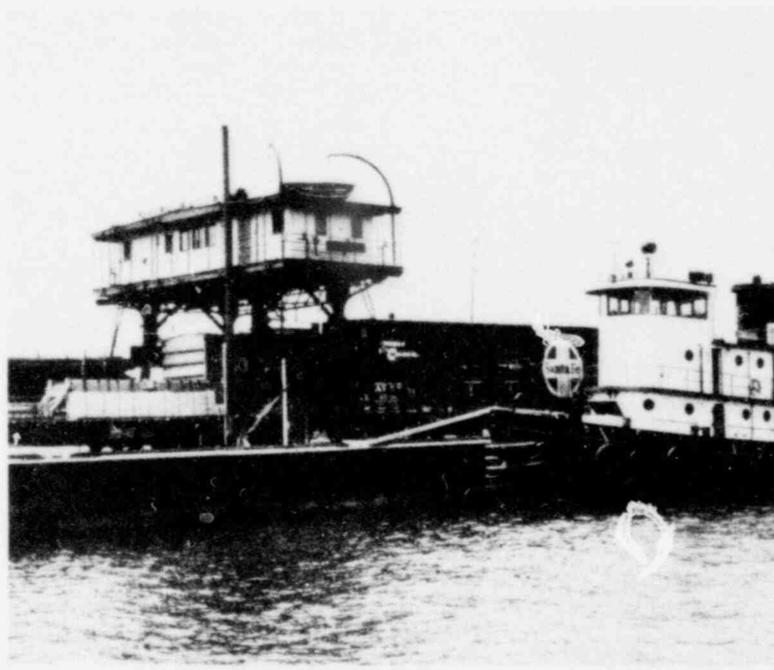



Photo: Carl H. Sturner

The key to minimizing costs for electric service is to reduce, as quickly as possible, Delmarva Power's dependence on oil for the generation of electricity. A major coal-fired unit (above and behind the circular cooling tower) is nearing completion at the company's Indian River plant near Millsboro, Delaware. Delmarva Power's use of the railroads, including crossing the Chesapeake Bay to bring the coal to the plant, will have a substantial impact on the long-term preservation of rail service for the peninsula.

### Construction and capital needs

Capital needs peaked in 1978-1979 with the coal-fired Indian River 4 and the nuclear Salem 2 nearing completion.

Projected construction expenditures will decrease through 1982 before beginning to rise in the mid 1980's. The planned decline in construction expenditures coupled with requested rate relief will provide increased cash flow. Internally generated cash as a percent of construction expenditures, which provided about 35% of the funds needed for construction in the 1977-1979 period, will provide about 72% of the cash for construction in the 1980 to 1982 period.

### Organization

Effective October 1, 1979, Thomas C. Roe retired as Chairman of the Board of Directors. Mr. Roe served the company with distinction since 1936. For more than 40 years, he held several key positions in Delmarva Power's southern subsidiaries. For the last three years, Mr. Roe served as Delmarva Power's Chairman during the time when the southern subsidiaries were merged into the parent company. He will continue as a director.

Robert D. Weimer was elected Chairman of the Board of Directors. Mr. Weimer, formerly president of the company, will continue as Chief Executive Officer. Nevius M. Curtis was elected President and Chief Operating Officer. Howard E. Cosgrove was elected Vice President of Finance and Accounting, and Chief Financial Officer, replacing Mr. Curtis. Charles Marchyshyn, formerly of West Penn Power Co., was named Comptroller.

### Merger

The stockholders approved the merger of the Maryland and Virginia subsidiaries into the parent Delmarva Power & Light Company. The merger will lead to more efficient service to customers through improved cash management, better utilization of facilities, streamlined record keeping, and greater organizational consistency.

### Rate matters

New rate design proposals were filed in Delaware which will reflect more accurately the cost of service to each class of customers. These new rates, if approved, will cause some shifts in costs both between and within customer classes. The rates also will be higher in summer than in winter and will include incentives for off-peak usage.

This proceeding in Delaware has drawn 12 active participants including the State of Delaware and the Federal Department of Energy. A decision is expected in mid 1980.

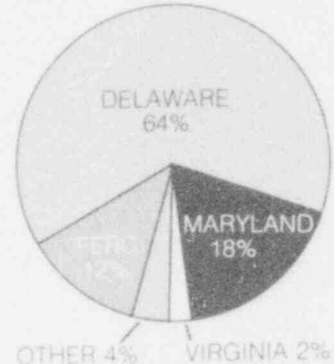
Also in Delaware, the Public Service Commission approved an increase in the fuel adjustment charge which went into effect in June and another increase in January, 1980, subject to refund after formal proceedings in early 1980. The Commission also approved effective January 1, 1980, an increase, subject to refund, in the gas production charge.

In Maryland, rate redesign proposals were filed similar to those in Delaware. Also, the company filed for a $7.6 million increase in revenues to recover higher operating and capital costs caused by inflation and to make system improvements. The company also requested recovery of deferred fuel costs.

In Virginia, the State Corporation Commission has approved the requested increase in fuel adjustment charges, effective January 1, 1980.

The Federal Energy Regulatory Commission (FERC) approved settlements of a 1978 rate case between the company and three electric cooperatives and five municipalities and has yet to act on a settlement proposal with another municipality. The settlements were for about 64% of what was originally sought by the company. The case is still pending for six municipalities.

Revenue by Jurisdiction



## Financial Contents



Trustees — First Mortgage and Collateral Trust Bonds, Chemical Bank, New York, NY. Pollution Control Revenue Bonds, Farmers Bank of the State of Delaware, Wilmington, DE, and Bank of Delaware, Wilmington, DE.

Transfer Agents — **Preferred Stock** — Wilmington Trust Company, Wilmington, DE. **Common Stock** — Wilmington Trust Company, Wilmington, DE, and Irving Trust Company, New York, NY.

Registrars — **Preferred Stock** — Delaware Trust Company, Wilmington, DE. **Common Stock** — Delaware Trust Company, Wilmington, DE, and Irving Trust Company, New York, NY.

Stock Symbol — **Common Stock, DEW** — listed on the New York and Philadelphia Stock Exchanges.

Regulatory Commissions — Federal Energy Regulatory Commission, 825 North Capital Street, N.E., Washington, D.C. 20426

Delaware Public Service Commission, 1560 S. du Pont Highway, Dover, DE 19901

Maryland Public Service Commission, American Building, 231 E. Baltimore St., Baltimore, MD 21202

Virginia State Corporation Commission, P.O. Box 1197, Richmond, VA 23209

Corporate Address — Delmarva Power, 800 King Street, P.O. Box 231, Wilmington, DE 19899. Telephone (302) 429-3011

Annual Meeting — Will be held on April 15, 1980, at 12:30 p.m., in the Grand Opera House, 818 Market Street Mall, Wilmington, DE

To supplement information in this Annual Report, a Financial and Statistical Review (1969-1979) and the Form 10-K are available upon request. Please write to Stockholder Relations, Delmarva Power, 800 King Street, P.O. Box 231, Wilmington, DE 19899

### Quarterly Common Stock Dividends and Price Ranges

The company's common stock is listed on the New York and Philadelphia Stock Exchanges and has unlisted trading privileges on the Cincinnati, Midwest, and Pacific Stock Exchanges.

| | 1979 | | | | 1978 | | |
|---|---|---|---|---|---|---|---|
| | Dividend Declared | Price High | Price Low | | Dividend Declared | Price High | Price Low |
| First Quarter | $.34½ | 14⅛ | 12⅞ | First Quarter | $.32 | 14⅜ | 13⅝ |
| Second Quarter | .34½ | 13⅝ | 12⅛ | Second Quarter | .32 | 14⅛ | 13⅜ |
| Third Quarter | .34½ | 14 | 12⅝ | Third Quarter | .32 | 14½ | 13¼ |
| Fourth Quarter | .37 | 13¾ | 11⅝ | Fourth Quarter | .34½ | 14⅛ | 12⅜ |

## Management Review of Operations

Consolidated Summary of Earnings
For the years ended December 31
(Dollars in Thousands)

| | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Electric | $363,666 | $318,106 | $291,568 | $242,279 | $239,355 |
| Gas | 49,322 | 49,640 | 36,233 | 32,248 | 25,673 |
| Steam | 11,711 | 10,956 | 10,017 | 11,861 | 10,998 |
| | 424,699 | 378,702 | 337,818 | 286,388 | 276,026 |
| **Operating Expenses** | | | | | |
| Operation | 246,547 | 212,498 | 198,020 | 167,215 | 165,165 |
| Maintenance | 28,475 | 25,214 | 24,989 | 21,596 | 17,769 |
| Depreciation | 33,866 | 31,383 | 28,046 | 25,367 | 24,579 |
| Taxes | 40,952 | 38,044 | 24,736 | 17,857 | 16,689 |
| | 349,840 | 307,139 | 275,791 | 232,035 | 224,202 |
| **Operating Income** | | | | | |
| Electric | 69,503 | 66,257 | 57,438 | 49,281 | 48,516 |
| Gas | 4,425 | 4,381 | 3,666 | 4,152 | 2,394 |
| Steam | 931 | 925 | 923 | 920 | 914 |
| | 74,859 | 71,563 | 62,027 | 54,353 | 51,824 |
| **Other Income** | 12,670 | 8,044 | 8,069 | 8,519 | 6,203 |
| **Income Before Interest Charges** | 87,529 | 79,607 | 70,096 | 62,872 | 58,027 |
| **Interest Charges** | 34,153 | 32,159 | 30,768 | 26,437 | 26,488 |
| **Net Income** | 53,376 | 47,448 | 39,328 | 36,435 | 31,539 |
| **Dividends on Preferred Stock** | 9,050 | 7,474 | 7,250 | 7,250 | 7,250 |
| **Earnings Applicable to Common Stock** | 44,326 | 39,974 | 32,078 | 29,185 | 24,289 |
| **Dividends on Common Stock** | 33,124 | 28,189 | 24,127 | 22,618 | 21,107 |
| **Addition to Retained Earnings** | $ 11,202 | $ 11,785 | $ 7,951 | $ 6,567 | $ 3,182 |
| **Common Stock** | | | | | |
| Average shares outstanding (thousands) | 23,215 | 21,582 | 19,403 | 18,821 | 17,580 |
| Earnings per share | $1.91 | $1.85 | $1.65 | $1.55 | $1.38 |
| Dividends declared per share | $1.40½ | $1.30½ | $1.22 | $1.20 | $1.20 |

## Operating Revenues

Operating revenues were up 12.1% in 1979 and 1978 primarily because of the following:

| Cause | Revenue Increase (decrease) from the Prior Year (in millions) 1979 | 1978 |
|---|---|---|
| Electric | | |
| Changes in | | |
| Base rates due to rate increases | $11.8 | $17.6 |
| Sales | 5.9 | 8.6 |
| Recovery of fuel costs | 28.5 | ( 1.4) |
| Other electric revenues | (0.6) | 1.8 |
| | $45.6 | $26.6 |
| Gas | | |
| Changes in | | |
| Base rates due to rate increase | $ — | $ 3.0 |
| Sales | (0.1) | 1.9 |
| Recovery of purchased gas costs | (0.2) | 8.5 |
| | $(0.3) | $13.4 |

Electric sales increased 3.4% in 1979, reflecting increased usage by the industrial class of customers, and 5.0% in 1978 as usage increased by all classes of customers. Although total gas sales increased 6.0% in 1979 due to an increase in the availability of gas which was sold to the industrial-interruptible and seasonal off-peak customers, gas revenues decreased $0.1 million due largely to a decrease in sales to residential and commercial customers as a result of fewer heating degree days. The increase in 1978 sales is primarily due to increased usage by commercial and industrial classes of customers.

## Operation and Maintenance

Operation (which includes fuel, energy interchange, gas purchased and other operation costs) and maintenance expenses increased $37.3 million and $14.7 million during the year 1979 and 1978, respectively. The increase in 1979 reflects higher fuel costs, primarily oil. The larger expenses in 1978 resulted from increased costs of gas purchased and greater generation of electricity which was partially offset by an increase in interchange sales to the PJM pool as a result of the coal strike in early 1978.

## Taxes

Taxes on income in 1979 increased due to higher pre-tax operating income which was partially offset by a reduction in the statutory tax rate from 48% to 46%. The increase in 1978 is primarily due to higher pre-tax operating income which was generated by the rate increases placed into effect. Taxes other than income decreased in 1979 due to the reversal of the Pennsylvania gross receipts tax (see Note 3 to the financial statements).

## Other Income

Other income increased in 1979 due mainly to an increase in the AFUDC rate, semi-annual compounding of AFUDC and increased construction expenditures at Indian River power plant.

## Interest Charges

Interest charges increased in each of the comparable years due to an increase in long-term debt through the sale of first mortgage bonds in 1979 and 1978. Short-term debt interest expense also increased as a result of higher interest rates incurred by the company in providing interim financing for its operations.

## Earnings Applicable to Common Stock

Earnings applicable to common stock and earnings per share increased 10.9% and 3.2%, respectively, in 1979. The increase in earnings applicable to common stock was greater than the increase in earnings per share due to the dilutive effect of the increased average number of shares outstanding resulting from the sale of 2,000,000 shares of common stock in June 1979.

## Consolidated Statements of Income

For the years ended December 31
(Dollars in Thousands)

| | 1979 | 1978 |
|---|---|---|
| **Operating Revenues** | | |
| Electric | $363,666 | $318,106 |
| Gas | 49,322 | 49,640 |
| Steam | 11,711 | 10,956 |
| | 424,699 | 378,702 |
| **Operating Expenses** | | |
| Operation: | | |
| Fuel and energy interchange, net | 148,922 | 122,760 |
| Gas purchased | 29,801 | 31,135 |
| Other operation | 67,824 | 58,603 |
| Maintenance | 28,475 | 25,214 |
| Depreciation | 33,866 | 31,383 |
| Taxes on income | 23,304 | 18,858 |
| Taxes other than income | 17,648 | 19,186 |
| | 349,840 | 307,139 |
| **Operating Income** | 74,859 | 71,563 |
| **Other Income** | | |
| Allowance for other funds used during construction | 12,576 | 7,916 |
| Other, net | 94 | 128 |
| | 12,670 | 8,044 |
| **Income Before Interest Charges** | 87,529 | 79,607 |
| **Interest Charges** | | |
| Long-term debt | 36,399 | 33,506 |
| Short-term debt and other | 2,166 | 1,585 |
| Allowance for borrowed funds used during construction | (4,412) | (2,932) |
| | 34,153 | 32,159 |
| **Net Income** | 53,376 | 47,448 |
| **Dividends on Preferred Stock** | 9,050 | 7,474 |
| **Earnings Applicable to Common Stock** | $ 44,326 | $ 39,974 |
| **Common Stock** | | |
| Average shares outstanding (thousands) | 23,215 | 21,582 |
| Earnings per share | $1.91 | $1.85 |
| Dividends declared per share | $1.40½ | $1.30½ |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Balance Sheets
As of December 31
(Dollars in Thousands)

| | 1979 | 1978 |
|---|---|---|
| **Assets** | | |
| Utility Plant — at original cost | | |
| Electric | $ 962,116 | $ 912,366 |
| Gas | 60,960 | 58,884 |
| Steam | 22,447 | 22,322 |
| Common | 30,399 | 18,176 |
| | 1,075,922 | 1,011,748 |
| Less: accumulated depreciation | 300,250 | 270,756 |
| Net utility plant in service | 775,672 | 740,992 |
| Construction work in progress | 309,755 | 252,266 |
| Nuclear fuel, at amortized cost | 11,057 | 8,910 |
| | 1,096,484 | 1,002,168 |
| Nonutility Property and Other Investments | 3,712 | 4,620 |
| Current Assets | | |
| Cash | 1[illegible],775 | 16,845 |
| Pollution control funds held by trustee | 3,226 | 1,432 |
| Accounts receivable | 39,322 | 33,637 |
| Deferred fuel costs, net | 10,976 | (2,290) |
| Materials and supplies, at average cost: | | |
| Fuel (coal, oil and gas) | 45,4[illegible]2 | [illegible]3,061 |
| Construction and operation | 16,5[illegible]4 | [illegible]4,599 |
| Prepayments | 3,[illegible]09 | 3,013 |
| | 130,[illegible]24 | 95,297 |
| Deferred Charges | | |
| Deferred income taxes relating to the credit arising from sale of contracts (note 6) | 13,[illegible]69 | 9,888 |
| Other | 5 717 | 8,332 |
| | 18 986 | 18,220 |
| TOTAL | $1,249 606 | $1,120,305 |

See accompanying Notes to Consolidated Financial Statements.

| | 1979 | 1978 |
|---|---|---|
| **Liabilities** | | |
| **Capitalization** (see accompanying statements) | | |
| Common stock | $ 82,015 | $ 73,407 |
| Additional paid-in capital | 172,897 | 150,283 |
| Retained earnings | 130,594 | 119,392 |
| Total common stockholders' equity | 385,506 | 343,082 |
| Preferred stock | 125,110 | 125,175 |
| Long-term debt | 524,779 | 468,955 |
| | 1,035,395 | 937,212 |
| **Current Liabilities** | | |
| Short-term debt | 16,950 | — |
| Current maturity of long-term debt | 12,000 | 10,000 |
| Accounts payable | 15,985 | 13,261 |
| Taxes: | | |
| Accrued, net | 426 | 18,284 |
| Deferred (fuel costs) | 5,299 | (1,270) |
| Interest accrued | 11,166 | 11,303 |
| Dividends declared | 8,996 | 7,504 |
| Other | 3,299 | 3,477 |
| | 74,121 | 62,559 |
| **Deferred Credits** | | |
| Credit arising from sale of contracts (note 6) | 76,749 | 77,383 |
| Accumulated deferred income taxes | 23,525 | 15,490 |
| Accumulated deferred investment tax credits | 34,927 | 24,772 |
| Other | 4,889 | 2,889 |
| | 140,090 | 120,534 |
| **Commitments** (note 7) **and Contingencies** (note 9) | | |
| **TOTAL** | $1,249,606 | $1,120,305 |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Sources of Funds For Construction Expenditures

For the years ended December 31
(Dollars in Thousands)

| | 1979 | 1978 |
|---|---|---|
| **Sources of Funds** | | |
| Internally generated: | | |
| Net income | $ 53,376 | $ 47,448 |
| Items not requiring (providing) funds: | | |
| Depreciation | 33,86[illegible] | 31,383 |
| Amortization of nuclear fuel | [illegible] | 1,307 |
| Allowance for funds used during construction | (16,988) | (10,848) |
| Investment tax credit adjustments, net | 10,155 | 9,701 |
| Deferred income taxes, net | 14,60[illegible] | (1,428) |
| Funds from operations | 95,609 | 77,563 |
| Less: Dividends on common and preferred stock | 42,174 | 35,663 |
| Internally generated funds | 53,435 | 41,900 |
| External financing: | | |
| Net proceeds from: | | |
| Long-term debt: | | |
| First Mortgage bonds | 17,678[1] | 49,620 |
| Term loan | 50,000 | — |
| Common stock | 31,222 | 5,084 |
| Preferred stock | — | 19,949 |
| Change in short-term debt | 16,950 | (32,100) |
| Redemption of long-term debt | (10,000) | — |
| Externally financed funds | 105,850 | 42,553 |
| Other sources (uses): | | |
| Decrease (increase) in working capital[2] | (49,084) | 36,962 |
| Other, net | 1,860 | 8,857 |
| Other sources (uses) | (47,224) | 45,819 |
| **Construction Expenditures** (excluding allowance for funds during construction) | $112,061 | $130,272 |

[1]Issued to collateralize 6.6% Series Pollution Control Revenue Bonds.
[2]Other than short-term debt, current maturity of long-term debt and current deferred income taxes. Changes primarily relate to fuel and tax accounts.

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Capitalization

As of December 31
(Dollars in Thousands)

| | 1979 | | 1978 | |
|---|---|---|---|---|
| **Common Stockholders' Equity** | | | | |
| Common stock, par value $3.375 per share authorized 35,000,000 shares, outstanding 24,300,758 and 21,750,139, shares | $ 82,015 | | $ 73,407 | |
| Additional paid-in capital | 172,897 | | 150,283 | |
| Retained earnings | 130,594 | | 119,392 | |
| Total Common Stockholders' Equity | 385,506 | 37% | 343,082 | 36% |
| **Cumulative Preferred Stock** | | | | |
| Par value $25 per share, 3,000,000 shares authorized, none outstanding | | | | |
| Par value $100 per share, 1,800,000 shares authorized | | | | |
| Without mandatory redemption: | | | | |
| 4.00% Series — outstanding 40,000 shares | 4,000 | | 4,000 | |
| 3.70% Series — outstanding 50,000 shares | 5,000 | | 5,000 | |
| 4.28% Series — outstanding 50,000 shares | 5,000 | | 5,000 | |
| 4.56% Series — outstanding 50,000 shares | 5,000 | | 5,000 | |
| 4.20% Series — outstanding 50,000 shares | 5,000 | | 5,000 | |
| 5.00% Series — outstanding 80,000 shares | 8,000 | | 8,000 | |
| 7.84% Series — outstanding 100,000 shares | 10,000 | | 10,000 | |
| 8.96% Series — outstanding 130,000 shares | 13,000 | | 13,000 | |
| 7.52% Series — outstanding 150,000 shares | 15,000 | | 15,000 | |
| 7.88% Series — outstanding 200,000 shares | 20,000 | | 20,000 | |
| 8.00% Series — outstanding 150,000 shares | 15,000 | | 15,000 | |
| | 105,000 | | 105,000 | |
| With mandatory redemption: | | | | |
| 9.00% Series — outstanding 200,000 shares | 20,000 | | 20,000 | |
| | 125,000 | | 125,000 | |
| Premium | 110 | | 175 | |
| Total Preferred Stock | 125,110 | 12% | 125,175 | 13% |
| **Long-Term Debt** | | | | |
| First Mortgage and Collateral Trust Bonds: | | | | |
| 2⅞% Series — issued 7/ 7/49, due 7/1/79 | — | | 10,000 | |
| 2¾% Series — issued 10/ 6/50, due 9/1/80 | 12,000 | | 12,000 | |
| 9⅜% Series — issued 1/14/75, due 1/1/83 | 30,000 | | 30,000 | |
| 3⅛% Series — issued 5/11/54, due 5/1/84 | 10,000 | | 10,000 | |
| 3½% Series — issued 12/20/55, due 12/1/85 | 10,000 | | 10,000 | |
| 3⅞% Series — issued 6/17/58, due 6/1/88 | 25,000 | | 25,000 | |
| 4⅝% Series — issued 9/22/64, due 10/1/94 | 25,000 | | 25,000 | |
| 6⅜% Series — issued 9/13/67, due 9/1/97 | 25,000 | | 25,000 | |
| 7 % Series — issued 10/28/68, due 11/1/98 | 25,000 | | 25,000 | |
| 8¾% Series — issued 1/12/70, due 1/1/00 | 30,000 | | 30,000 | |
| 8⅜% Series — issued 11/30/70, due 12/1/00 | 30,000 | | 30,000 | |
| 7⅝% Series — issued 11/30/71, due 12/1/01 | 35,000 | | 35,000 | |
| 7½% Series — issued 8/ 3/72, due 8/1/02 | 30,000 | | 30,000 | |
| 8 % Series — issued 6/27/73, due 7/1/03 | 25,000 | | 25,000 | |
| 10 % Series — issued 6/13/74, due 6/1/04 | 33,950 | | 33,950 | |
| 11 % Series — issued 7/ 2/75, due 7/1/05 | 29,100 | | 29,100 | |
| 9⅝% Series — issued 6/22/78, due 7/1/08 | 50,000 | | 50,000 | |
| 6.6% Series — issued 7/ 1/79, due 7/1/04 | 18,200 | | — | |
| | 443,250 | | 435,050 | |
| Pollution Control Notes: | | | | |
| Series 1973, 5.9% effective rate, due 1983-1998 | 8,000 | | 8,000 | |
| Series 1976, 7.3% effective rate, due 1992-2006 | 34,500 | | 34,500 | |
| | 42,500 | | 42,500 | |
| Term Loan, due 1984, interest at prime rate | 50,000 | | — | |
| Unamortized premium and discount on debt, net | 1,029 | | 1,405 | |
| | 536,779 | 51% | 478,955 | 51% |
| Current maturity of long-term debt | (12,000) | | (10,000) | |
| Total Long-Term Debt | 524,779 | | 468,955 | |
| Total Capitalization | $1,035,395 | 100% | $937,212 | 100% |

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Changes in Common Stockholders' Equity
For the two years ended December 31, 1979
(Dollars in Thousands)

| | Shares | Par Value | Additional Paid-In Capital | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balance — January 1, 1978** | 21,358,543 | $72,085 | $146,521 | $107,607 | $326,213 |
| Net income | | | | 47,448 | 47,448 |
| Cash dividends declared: | | | | | |
| Common stock | | | | (28,189) | (28,189) |
| Preferred stock | | | | (7,474) | (7,474) |
| Issuance of common stock: | | | | | |
| Dividend Reinvestment Plan | 391,596 | 1,322 | 3,762 | | 5,084 |
| **Balance — December 31, 1978** | 21,750,139 | 73,407 | 150,283 | 119,392 | 343,082 |
| Net income | | | | 53,376 | 53,376 |
| Cash dividends declared: | | | | | |
| Common stock | | | | (33,124) | (33,124) |
| Preferred stock | | | | (9,050) | (9,050) |
| Issuance of common stock: | | | | | |
| Public offering — June | 2,000,000 | 6,750 | 17,460 | | 24,210 |
| Tax Reduction Act Stock Ownership Plan (TRASOP) | 74,557 | 252 | 757 | | 1,009 |
| Dividend Reinvestment Plan | 476,062 | 1,606 | 4,397 | | 6,003 |
| **Balance — December 31, 1979** | 24,300,758 | $82,015 | $172,897 | $130,594 | $385,506 |

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### Note 1. Significant Accounting Policies

**Financial Statements**

The consolidated financial statements include the accounts of the company and its subsidiary companies, all of which are totally-held. Accounting policies are in accordance with those prescribed by the regulatory commissions having jurisdiction with respect to accounting matters.

**Revenues**

Revenues are billed to customers on a monthly cycle basis and include rate increases permitted to be billed subject to refund pending final approval. At the end of each month, there is an amount of unbilled electric and gas service which has been rendered from the last meter reading to the month-end.

**Fuel Costs**

Fuel costs (electric and gas) are deferred and charged to operations on the basis of fuel costs included in customer billings under the company's tariffs, which are subject to periodic regulatory review and approval.

The company's share of nuclear fuel costs relating to jointly-owned nuclear generating stations (including estimated costs of storing spent fuel) is charged to fuel expense on a unit of production basis.

**Depreciation and Maintenance**

The annual provision for depreciation is computed on the straight-line basis using composite rates by classes of depreciable property. For the years 1979 and 1978, the annual provisions expressed as a percent of average depreciable utility plant in service were 3.3% and 3.4%, respectively. Provision for decommissioning costs relating to jointly-owned nuclear generating units is made to the extent of the net cost of removal allowed for rate purposes (approximately 20% of the plant cost).

The cost of maintenance and repairs is charged to operating expenses. A replacement of a unit of property is accounted for as an addition to and a retirement from utility plant. The original cost of the property retired is charged to accumulated depreciation together with the net cost of removal. For income tax purposes, the cost of removing retired property is deducted as an expense.

**Pension Plan**

The company has a trusteed noncontributory pension plan covering all regular employees. Pension contributions were $6,839,000 in 1979 and $6,619,000 in 1978, including $1,236,000 and $1,221,000 charged to construction, respectively. The contributions provide for normal cost and amortization of prior service costs over periods of twenty to twenty-five years. At December 31, 1979, the prior service costs exceeded the market value of the assets in the retirement fund by approximately $14,800,000. As of the same date, the market value of the fund assets exceeded the actuarially computed value of vested benefits.

**Income Taxes**

Consolidated federal income tax returns have been settled through 1973; the returns for 1974 through 1976 are being examined by the Internal Revenue Service.

Deferred income taxes result from timing differences in the recognition of certain expenses for tax and financial accounting purposes. The principal items accounting for deferred income taxes are: (1) use of accelerated depreciation methods for income tax purposes, (2) unbilled fuel and gas purchased costs deducted currently for income tax purposes, and (3) other timing differences involving spent nuclear fuel storage costs and the capitalization of certain taxes and construction costs.

Investment tax credits utilized to reduce federal income taxes are deferred and generally amortized over the useful lives of the related utility plant, excluding the additional 1% TRASOP credit, which does not affect income.

**Allowance for Funds Used During Construction**
Allowance for funds used during construction (AFUDC) is a noncash item and is defined in the regulatory system of accounts as "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds so used." AFUDC is segregated into two components: (1) the interest on debt component ("allowance for borrowed funds used during construction"), which is net of taxes and classified as a credit to interest charges, and (2) the common stock equity and preferred dividend component ("allowance for other funds used during construction"), which is classified as an item of other income. AFUDC is considered a cost of utility plant with a concurrent credit to income. It is excluded from taxable income for income tax purposes.

The rate used in determining AFUDC was 7.7% in 1979 and 7.4% in 1978. Also, effective January 1, 1979, the company adopted semiannual compounding of AFUDC. The effect of these changes increased earnings applicable to common stock for 1979 by $1,736,000 (7¢ per share).

---

## Note 2. Taxes on Income

Income tax expense for 1979 and 1978 is as follows:

| | 1979 | ($000) | 1978 |
|---|---|---|---|
| Operations: | | | |
| Current: | | | |
| Federal | $(4,457) | | $ 6,849 |
| State | 1,859 | | 3,736 |
| Deferred, net: | | | |
| Federal | 12,674 | | (1,105) |
| State | 1,930 | | (323) |
| Investment tax credit adjustments, net | 11,298 | | 9,701 |
| | 23,304 | | 18,858 |
| Other income | 346 | | 452 |
| | $23,650 | | $19,310 |

The following is a reconciliation of the difference between income tax expense and the amount computed by multiplying income before tax by the federal statutory rate:

| | 1979 | | ($000) | 1978 | |
|---|---|---|---|---|---|
| | Amount | Rate | | Amount | Rate |
| Statutory income tax expense | $35,432 | 46% | | $32,044 | 48% |
| Reduction in taxes resulting from: | | | | | |
| Exclusion of AFUDC for income tax purposes | (7,815) | (10) | | (5,207) | (8) |
| Investment tax credits amortized to income | (2,646) | (3) | | (4,196) | (6) |
| Excess of tax depreciation over book depreciation not normalized | (2,511) | (3) | | (3,329) | (5) |
| Other, net | 1,190 | 1 | | (2) | — |
| Income tax expense | $23,650 | 31% | | $19,310 | 29% |

The components of deferred income taxes relate to the following tax effects of timing differences between book and tax income:

| | 1979 | ($000) | 1978 |
|---|---|---|---|
| Depreciation | $ 6,907 | | $ 5,657 |
| Deferred fuel costs | 6,081 | | (5,254) |
| Capitalized overhead costs | 1,103 | | 162 |
| Nuclear fuel storage costs | (1,007) | | (1,155) |
| Pennsylvania gross receipts tax | 1,284 | | (735) |
| Other, net | 236 | | (103) |
| | $14,604 | | $(1,428) |

Investment tax credits utilized amounted to $14,000,000 in 1979 (including TRASOP credit of $1,060,000) and $13,900,000 in 1978.

## Note 3. Taxes Other Than Income

| | 1979 | ($000) | 1978 |
|---|---|---|---|
| Delaware utility | $ 8,090 | | $ 7,088 |
| Pennsylvania gross receipts tax | (2,445)* | | 1,400 |
| Property | 5,860 | | 5,113 |
| Other gross receipts | 2,560 | | 1,843 |
| Social Security | 2,332 | | 1,942 |
| Franchise and other | 1,251 | | 1,800 |
| | $17,648 | | $19,186 |

*The company had accrued, but not paid, the Pennsylvania gross receipts tax on energy generated within the state but sold outside for the years 1977-1979. In December 1979, the tax was repealed beginning in 1980, and the company does not now believe that the prior years' taxes will be payable. Accordingly, the accruals were reversed in the fourth quarter of 1979, the effect of which was to increase earnings applicable to common stock for the three and twelve months ended December 31, 1979 by $1,687,000 (7¢ per share) and $1,161,000 (5¢ per share), respectively.

## Note 4. Capitalization

### Common Stock

At December 31, 1979 there were 1,686,701 shares of common stock reserved for issuance under the Dividend Reinvestment Plan and the TRASOP.

### Retained Earnings

The current supplemental indenture restricts the amount of consolidated retained earnings available for cash dividend payments on common stock to $35,000,000 plus accumulations after June 30, 1978, which available amount at December 31, 1979 was approximately $51,000,000.

### Preferred Stock

(1) The 9% series of preferred stock has a sinking fund requirement, commencing in December, 1984, to redeem 8,000 shares annually at $100 per share. At the option of the company, an additional 8,000 shares may be redeemed on any sinking fund date, without premium. (2) The series of preferred

stock without mandatory redemption may be redeemed at the option of the company at any time, in whole or in part, at the various redemption prices fixed for each series (ranging from $103 to $108 at December 31, 1979). (3) The annual preferred dividend requirements on the outstanding preferred stock at December 31, 1979 are $9,050,000.

### Capital Stock Expenses

The additional paid-in capital on common stock and the premiums on preferred stock are stated net of the expenses related to the issuance of such stock.

### Long-Term Debt

(1) On July 12, 1979, the company issued $18,200,000 of 6.6% First Mortgage and Collateral Trust Bonds to collateralize pollution control revenue bonds issued by the Department of Community Affairs and Economic Development of the State of Delaware. The net proceeds of the issue ($17,678,000) were deposited in a construction fund held by a trustee and are intermittently disbursed to reimburse the company for the cost of constructing certain pollution control facilities. (2) In December, 1979, the company entered into term loan agreements with several banks in borrowing $50,000,000 for a five-year period. The loan may be prepaid at any time without penalty and the interest on the loan will range from the prime rate in 1979 to 105% of the prime rate in 1984. (3) Substantially all utility plant of the company now or hereafter owned is subject to the lien of the related Mortgage and Deed of Trust. (4) The annual interest requirements on the outstanding indebtedness at December 31, 1979 are $44,517,000.

---

## Note 5. Short-term Debt and Lines of Credit

Information regarding short-term borrowings (all commercial paper) is as follows:

| | 1979 | 1978 |
|---|---|---|
| Short-term debt outstanding at year-end | $16,950,000 | $ — |
| Average rate of interest on debt outstanding at end of period | 13.6% | — % |
| Average short-term debt outstanding during period | $15,100,000 | $17,700,000 |
| Average rate of interest on short-term debt outstanding during period | 11.5% | 7.2% |
| Maximum short-term borrowing during period | $53,200,000 | $36,000,000 |

As of January 1, 1980, the company had unused bank lines of credit of $75,750,000. The company is required to pay commitment fees or maintain 10% compensating balances for these lines.

---

## Note 6. Sale of Contracts for Nuclear Plant

The proceeds received by the company for the sale, in 1975, of the contracts for a nuclear steam supply system and related fuel, net of plant expenditures which are considered of no future value to the company, are classified as a deferred credit in the balance sheet. It is the intention of the company to reduce the cost of subsequent replacement plant capacity by the amount of the net proceeds.

The company, under advice of counsel, did not treat the sale of these contracts as taxable for federal and state income tax purposes. Accordingly, the tax basis of the company's depreciable property was reduced by approximately $77 million in 1976, and the annual tax effect (approximately $4 million per year) of the resulting decrease in tax depreciation is being recorded in a deferred income tax account with a corresponding direct credit to current taxes accrued. If this transaction is ultimately considered taxable, additional taxes payable at December 31, 1979 would approximate between $13 million and $24 million (excluding related net interest of $2.8 million to $5.3 million) and would be charged to the deferred tax account.

### Note 7. Commitments

The company estimates that approximately $98,800,000, excluding AFUDC, will be expended for construction purposes in 1980, in connection with which substantial commitments have been incurred. The company also has commitments under long-term fuel supply contracts.

Minimum commitments as of December 31, 1979 under all noncancelable lease agreements are as follows:

| | |
|---|---|
| 1980 | $ 6,743,000 |
| 1981 | 6,411,000 |
| 1982 | 5,977,000 |
| 1983 | 5,308,000 |
| 1984 | 2,190,000 |
| Remainder | 18,678,000 |
| Total | $45,307,000 |

The total minimum rental commitments are applicable to the following types of property: company's share of Peach Bottom nuclear fuel, $12,049,000; fuel storage and pipeline facilities, $26,792,000; railroad coal cars, $3,175,000; other, principally computer equipment, $3,291,000. Rentals charged to operating expenses aggregated $11,516,000 in 1979 and $10,385,000 in 1978, including $5,646,000 and $5,460,000 for nuclear fuel, respectively.

The aforementioned leases are principally operating leases. Those leases that meet the criteria of capital leases are not accounted for as such in the rate-making process, and, if capitalized, would not have a significant effect on assets, liabilities or expenses.

### Note 8. Jointly-Owned Utility Plant

In addition to nuclear fuel, utility plant in the accompanying balance sheet as of December 31, 1979 includes the company's interest in jointly-owned plant as follows:

| | | ($000) | | |
|---|---|---|---|---|
| | Proportionate Share | Plant in Service | Accumulated Depreciation | Construction Work in Progress |
| Nuclear: | | | | |
| Peach Bottom 2 and 3 | 7.51% | $ 60,518 | $11,806 | $ 1,996 |
| Salem 1 and 2 | 7.41 | 72,804 | 6,940 | 49,969 |
| Coal-Fired: | | | | |
| Keystone | 3.70 | 8,029 | 2,691 | 90 |
| Conemaugh | 3.72 | 12,202 | 3,113 | 134 |
| Total | | $153,553 | $24,550 | $52,189 |

The company finances its share of construction of jointly-owned projects. In addition, the company is a joint guarantor of loans ($1,382,000 proportionate share) advanced for operation of the coal mines that supply the Keystone plant. The company's share of operating expenses of the jointly-owned plant is included in the corresponding operating expenses in the accompanying statements of income.

## Note 9. Contingencies

See Note 6 for possible payment of income taxes relating to the sale of contracts.

Revenues collected since December 1, 1978 of approximately $2.8 million are subject to refund pending FERC approval of an electric resale rate increase for certain wholesale customers.

The company is a defendant in two anti-trust suits filed in 1977 in the U.S. District Court for Delaware by four Delaware municipal electric wholesale customers who seek declaratory, injunctive and treble damage relief under the Sherman and Clayton Acts. These actions are in their earliest stages and, until plaintiffs have articulated a theory of damages for their allegations, it is not possible to quantify the company's exposure to liability, if any, or to comment on the validity, as a matter of law, of the damage claims. The company believes the suits to be without merit and legal counsel believes the company has material substantive defenses available to it.

The company is involved in certain other legal and administrative proceedings before various courts and governmental agencies concerning rates, environmental issues, taxes, nuclear and other licensing, fuel contracts and other matters. In the opinion of management, the ultimate disposition of these proceedings will not have a material effect on the financial position or results of operations of the company.

The Price-Anderson Act places a limit of liability of $560 million on each nuclear generating facility for public liability claims that arise from a nuclear incident. Public liability insurance on the nuclear generating units in which the company has an ownership participation is currently provided by a combination of private insurance and indemnity agreements with an agency of the federal government, under which the company could be assessed up to a maximum of $3 million in any one year. For property damage to the Salem and Peach Bottom nuclear plant facilities, the company and its co-owners have private insurance up to $300 million for each station. The company is a self-insurer, to the extent of its ownership interest, for any property loss in excess of the aforementioned amounts.

## Note 10. Segment information

| | 1979 ($000) | | | |
|---|---|---|---|---|
| | Electric | Gas | Steam | Total |
| Operating revenues | $ 363,666 | $49,322 | $11,711 | $ 424,699 |
| Operating expenses: | | | | |
| Depreciation | 30,672 | 2,441 | 753 | 33,866 |
| Other | 263,491 | 42,456 | 10,027 | 315,974 |
| Operating Income | $ 69,503 | $ 4,425 | $ 931 | $ 74,859 |
| Assets at December 31, 1979: | | | | |
| Net utility plant | $ 737,721 | $43,392 | $ 5,616 | $ 786,729 |
| Construction work in progress | 307,412 | 695 | 1,648 | 309,755 |
| Total utility plant | 1,045,133 | 44,087 | 7,264 | 1,096,484 |
| Other identifiable assets | 71,958 | 3,927 | 332 | 76,217 |
| | $1,117,091 | $48,014 | $ 7,596 | $1,172,701 |
| Unallocated assets | | | | 76,905 |
| Total assets | | | | $1,249,606 |

| | 1978 ($000) | | | |
|---|---|---|---|---|
| | Electric | Gas | Steam | Total |
| Operating revenues | $318,106 | $49,640 | $10,956 | $ 378,702 |
| Operating expenses: | | | | |
| Depreciation | 28,513 | 2,118 | 752 | 31,383 |
| Other | 223,336 | 43,141 | 9,279 | 275,756 |
| Operating Income | $ 66,257 | $ 4,381 | $ 925 | $ 71,563 |
| Assets at December 31, 1978: | | | | |
| Net utility plant | $701,024 | $42,886 | $ 5,992 | $ 749,902 |
| Construction work in progress | 250,616 | 352 | 1,298 | 252,266 |
| Total utility plant | 951,640 | 43,238 | 7,290 | 1,002,168 |
| Other identifiable assets | 36,304 | 5,206 | 292 | 41,802 |
| | $987,944 | $48,444 | $ 7,582 | $1,043,970 |
| Unallocated assets | | | | 76,335 |
| Total assets | | | | $1,120,305 |

Operating income by segments is reported in accordance with generally accepted accounting and rate-making practices within the utility industry and, accordingly, includes each segment's proportionate share of taxes on income and general corporate expenses. Construction expenditures in 1979 and 1978 were principally for electric facilities.

### Note 11. Quarterly Financial Information (Unaudited)

The quarterly data presented below reflect all adjustments necessary in the opinion of the company for a fair presentation of the interim results. Quarterly data normally vary seasonably with temperature variations, the timing of rate increases and the scheduled downtime and maintenance of electric generating units. See Notes 1 and 3 for additional information.

| Quarter Ended | Operating Revenue (000) | Operating Income (000) | Net Income (000) | Earnings Applicable to Common Stock (000) | Average Shares Outstanding (000) | Earnings per Average Share (Dollars) |
|---|---|---|---|---|---|---|
| 1978: | | | | | | |
| March 31 | $105,172 | $20,494 | $14,663 | $12,351 | 21,433 | $ .60 |
| June 30 | 84,617 | 14,929 | 9,441 | 7,628 | 21,530 | .35 |
| September 30 | 96,716 | 19,773 | 13,881 | 12,069 | 21,627 | .56 |
| December 31 | 92,197 | 16,367 | 9,463 | 7,426 | 21,736 | .34 |
| | $378,702 | $71,563 | $47,448 | $39,974 | 21,582 | $1.85 |
| 1979: | | | | | | |
| March 31 | $109,237 | $21,091 | $15,965 | $13,703 | 21,846 | $ .63 |
| June 30 | 94,054 | 16,052 | 10,870 | 8,607 | 22,632 | .37 |
| September 30 | 113,916 | 19,371 | 14,277 | 12,015 | 24,086 | .50 |
| December 31 | 107,492 | 18,345 | 12,264 | 10,001 | 24,295 | .41 |
| | $424,699 | $74,859 | $53,376 | $44,326 | 23,215 | $1.91 |

### Note 12. Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

The following supplementary financial information, as prescribed by the Financial Accounting Standards Board in Statement No. 33, is supplied for the purpose of providing information about the effects of general inflation on the company's operations. The supplemental information presented herein is on a constant dollar basis. Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers. The company advises readers that the information should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

**Supplementary Financial Data Adjusted for the Effects of General Inflation**
For the Year Ended December 31, 1979
(Thousands of Dollars)

| | Conventional Historical Cost | Constant Dollars (Average 1979 Dollars) |
|---|---|---|
| Operating revenues | $424,699 | $424,699 |
| Operating expenses: | | |
| Operation and maintenance | 275,022 | 275,022 |
| Depreciation | 33,866 | 58,137 |
| Taxes | 40,952 | 40,952 |
| Other income — net | (12,670) | (12,670) |
| Interest charges | 34,153 | 34,153 |
| | 371,323 | 395,594 |
| Net income | $ 53,376 | $ 29,105* |
| Purchasing power gain on net amounts owed during the year | | $ 63,356 |
| Reduction of utility plant to net recoverable amount | | (107,380) |
| Net | | ($ 44,024) |

*Including the reduction of utility plant to net recoverable amount, net income (loss) on a constant dollar basis would have been ($78,275).

As required by Statement No. 33, the current year's provision for depreciation on the constant dollar amounts of utility plant was determined by applying the company's depreciation rates to the indexed plant amounts, even though depreciation is limited to recovery of historical costs as further discussed below. Other operating expenses were either not required to be adjusted or were not adjusted due to ratemaking considerations.

The company, by holding monetary assets such as cash and receivables, loses purchasing power during periods of inflation because these items can purchase less at a future date. Conversely, by holding monetary liabilities, primarily long-term debt, payments in the future will be made with dollars having less purchasing power. For 1979 the company's monetary liabilities exceeded monetary assets which resulted in a purchasing power gain on net amounts owed during the year.

The rate regulatory process limits the company to the recovery of the historical cost of plant. Therefore, the excess of the cost of plant stated in terms of constant dollars over the historical cost of plant is not presently recoverable in rates as depreciation and is reflected as a reduction to net recoverable cost. Based on past practices however, the company believes it will be allowed to earn on the increased cost of its facilities when replacement actually occurs.

Since the gain from the decline in purchasing power is primarily attributable to long-term debt which has been used to finance utility plant, the reduction of utility plant to net recoverable amount is netted against the purchasing power gain on net amounts owed during the year.

Current cost information will be available in the company's annual report to the Securities and Exchange Commission on Form 10-K.

## Supplementary Five-Year Comparison of Selected Financial Data Adjusted for the Effects of General Inflation

(Average 1979 Dollars, in Thousands Except Per Share Amounts)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Operating revenues | | | | | |
| Historical cost dollars | $424,699 | $378,702 | $337,818 | $286,388 | $276,026 |
| Constant dollars | 424,699 | 421,340 | 404,637 | 365,166 | 372,258 |
| Earnings per average common share (after dividends on preferred stock and excluding reduction to net recoverable amount) | | | | | |
| Historical cost dollars | $ 1.91 | | | | |
| Constant dollars | .86 | | | | |
| Net assets at year end | | | | | |
| Historical cost dollars | $490,616 | | | | |
| Constant dollars | 463,941 | | | | |
| Cash dividends declared per common share | | | | | |
| Historical cost dollars | $ 1.40½ | $ 1.30½ | $ 1.22 | $ 1.20 | $ 1.20 |
| Constant dollars | 1.40½ | 1.45 | 1.46 | 1.53 | 1.62 |
| Market price per common share at year-end | | | | | |
| Historical cost dollars | $ 12.63 | $ 13.25 | $ 14.38 | $ 14.13 | $ 13.00 |
| Constant dollars | 11.94 | 14.20 | 16.79 | 17.62 | 16.99 |
| Average consumer price Index (1967 = 100) | 217.4 | 195.4 | 181.5 | 170.5 | 161.2 |

## Report of Independent Certified Public Accountants

To the Board of Directors and Stockholders
Delmarva Power & Light Company
Wilmington, Delaware

We have examined the consolidated balance sheets and statements of capitalization of Delmarva Power & Light Company and subsidiary companies as of December 31, 1979 and 1978, and the related consolidated statements of income, changes in common stockholders' equity and sources of funds for construction expenditures for the years then ended. Our examinations were 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.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Delmarva Power & Light Company and subsidiary companies at December 31, 1979 and 1978, and the consolidated results of their operations and sources of funds for construction expenditures for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

1900 Three Girard Plaza
Philadelphia, Pennsylvania
February 8, 1980

## Consolidated Statistics

10 Years of Review . . . 1969 - 1979

| | | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| **Electric Revenues** (thousands): | Residential | $ 115,381 | $105,237 | $ 97,691 | $ 80,416 | $ 77,06 |
| | Commercial | 91,798 | 82,796 | 74,641 | 60,111 | 58,16 |
| | Industrial | 98,023 | 83,972 | 76,801 | 64,458 | 64,14 |
| | Other utilities, etc. | 53,782 | 40,840 | 38,974 | 34,896 | 35,60 |
| | Miscellaneous revenues | 4,682 | 5,261 | 3,461 | 2,398 | 4,37 |
| | Total electric revenues | $ 363,666 | $318,106 | $291,568 | $242,279 | $239,35 |
| **Electric Sales** (1,000 kilowatt-hours): | Residential | 1,968,452 | 1,979,624 | 1,924,723 | 1,787,663 | 1,672,18 |
| | Commercial | 1,598,299 | 1,568,600 | 1,495,796 | 1,412,259 | 1,359,67 |
| | Industrial | 2,624,438 | 2,418,527 | 2,277,630 | 2,260,661 | 2,142,15 |
| | Other utilities, etc. | 1,300,611 | 1,281,498 | 1,207,941 | 1,199,155 | 1,218,78 |
| | Total electric sales | 7,491,800 | 7,248,249 | 6,906,090 | 6,659,738 | 6,392,78 |
| **Electric Customers** (end of period): | Residential | 242,745 | 237,925 | 233,106 | 230,579 | 221,78 |
| | Commercial | 27,998 | 28,421 | 29,648 | 28,345 | 27,34 |
| | Industrial | 874 | 858 | 921 | 1,002 | 92 |
| | Other utilities, etc. | 478 | 480 | 561 | 550 | 54 |
| | Total electric customers | 272,095 | 267,684 | 264,236 | 260,476 | 250,59 |
| **Gas Revenues** (thousands): | Residential | $ 25,719 | $28,370 | $21,829 | $18,826 | $15,36 |
| | Commercial | 8,954 | 10,154 | 7,133 | 6,062 | 4,67 |
| | Industrial | 9,884 | 10,191 | 6,950 | 5,984 | 4,34 |
| | Interruptible | 3,044 | 716 | 169 | 1,301 | 1,21 |
| | Other utilities, etc. | 1,451 | 93 | 49 | 44 | 3 |
| | Miscellaneous revenues | 270 | 116 | 103 | 31 | 4 |
| | Total gas revenues | $ 49,322 | $49,640 | $36,233 | $32,248 | $25,67 |
| **Gas Sales** (million cubic feet): | Residential | 6,423 | 6,941 | 6,751 | 6,956 | 6,54 |
| | Commercial | 2,415 | 2,593 | 2,439 | 2,586 | 2,42 |
| | Industrial | 3,388 | 3,290 | 2,811 | 3,264 | 2,84 |
| | Interruptible | 1,190 | 319 | 81 | 953 | 1,07 |
| | Other utilities, etc. | 546 | 29 | 17 | 20 | 1 |
| | Total gas sales | 13,962 | 13,172 | 12,099 | 13,779 | 12,90 |
| **Gas Customers** (end of period): | Residential | 67,823 | 67,550 | 67,400 | 68,978 | 69,41 |
| | Commercial | 3,712 | 3,773 | 3,738 | 4,154 | 4,18 |
| | Industrial | 131 | 163 | 163 | 198 | 19 |
| | Interruptible | 16 | 21 | 21 | 21 | 2 |
| | Other utilities, etc. | 1 | 1 | 1 | 1 | |
| | Total gas customers | 71,683 | 71,508 | 71,323 | 73,352 | 73,82 |
| **Refinery Service** | Electricity delivered (1,000 kilowatt-hours) | 262,159 | 270,006 | 289,049 | 318,389 | 297,28 |
| | Steam delivered (1,000 pounds) | 6,378,705 | 6,016,095 | 4,888,366 | 5,301,421 | 5,517,00 |

| 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | Average Annual Compound % Rate of Growth | |
|---|---|---|---|---|---|---|---|
| | | | | | | | Electric Revenues |
| 68,730 | $ 51,799 | $ 43,878 | $ 36,198 | $30,992 | $27,857 | 15.27 | Residential |
| 51,192 | 37,888 | 31,810 | 25,468 | 21,430 | 19,333 | 16.86 | Commercial |
| 66,381 | 41,284 | 35,962 | 28,903 | 24,069 | 22,483 | 15.86 | Industrial |
| 32,976 | 21,518 | 16,833 | 12,964 | 10,175 | 8,936 | 19.66 | Other utilities, etc. |
| 9,194 | 5,287 | 2,857 | 1,209 | 530 | 513 | 24.75 | Miscellaneous revenues |
| 228,473 | $157,776 | $131,340 | $104,742 | $87,196 | $79,122 | 16.48 | Total electric revenues |
| | | | | | | | Electric Sales |
| 597,472 | 1,629,641 | 1,463,821 | 1,380,763 | 1,280,420 | 1,151,108 | 5.51 | Residential |
| 303,053 | 1,360,216 | 1,227,230 | 1,099,897 | 1,009,488 | 923,064 | 5.64 | Commercial |
| 461,303 | 2,512,877 | 2,412,239 | 2,252,219 | 2,264,084 | 2,217,655 | 1.70 | Industrial |
| 230,528 | 1,252,977 | 1,137,272 | 1,014,972 | 885,720 | 792,151 | 5.08 | Other utilities, etc. |
| 592,356 | 6,755,711 | 6,240,562 | 5,747,851 | 5,439,712 | 5,083,978 | 3.95 | Total electric sales |
| | | | | | | | Electric Customers |
| 215,516 | 208,073 | 200,595 | 193,282 | 187,683 | 183,458 | 2.84 | Residential |
| 27,132 | 26,708 | 25,856 | 25,139 | 24,383 | 24,058 | 1.53 | Commercial |
| 891 | 867 | 869 | 810 | 834 | 815 | .70 | Industrial |
| 501 | 506 | 496 | 460 | 375 | 283 | 5.38 | Other utilities, etc. |
| 244,040 | 236,154 | 227,816 | 219,691 | 213,275 | 208,614 | 2.69 | Total electric customers |
| | | | | | | | Gas Revenues |
| $14,298 | $13,018 | $12,944 | $11,948 | $11,283 | $10,708 | 9.16 | Residential |
| 4,201 | 3,715 | 3,532 | 3,126 | 2,861 | 2,555 | 13.36 | Commercial |
| 3,726 | 3,505 | 3,265 | 2,998 | 2,618 | 2,641 | 14.11 | Industrial |
| 1,532 | 1,363 | 1,035 | 1,153 | 1,340 | 1,222 | 9.56 | Interruptible |
| 26 | 30 | 25 | 16 | 10 | 7 | 70.47 | Other utilities, etc. |
| 96 | 22 | 18 | 39 | 225 | 251 | (13.93) | Miscellaneous revenues |
| $23,879 | $21,653 | $20,819 | $19,280 | $18,337 | $17,384 | 10.94 | Total gas revenues |
| | | | | | | | Gas Sales |
| 6,863 | 7,134 | 7,737 | 7,583 | 7,406 | 6,942 | (0.77) | Residential |
| 2,526 | 2,614 | 2,696 | 2,534 | 2,384 | 2,097 | 1.42 | Commercial |
| 3,215 | 3,653 | 3,875 | 3,797 | 3,549 | 3,700 | (0.88) | Industrial |
| 2,257 | 2,346 | 2,134 | 2,708 | 3,423 | 3,263 | (9.59) | Interruptible |
| 16 | 23 | 20 | 13 | 8 | 6 | 57.00 | Other utilities, etc. |
| 14,877 | 15,770 | 16,462 | 16,635 | 16,770 | 16,008 | (1.36) | Total gas sales |
| | | | | | | | Gas Customers |
| 69,525 | 69,833 | 69,891 | 69,604 | 68,614 | 68,074 | (0.04) | Residential |
| 4,356 | 4,418 | 4,407 | 4,426 | 4,444 | 4,423 | (1.74) | Commercial |
| 195 | 197 | 195 | 204 | 206 | 103 | 2.43 | Industrial |
| 21 | 21 | 21 | 21 | 21 | 19 | (1.70) | Interruptible |
| 1 | 1 | 1 | 1 | 1 | 1 | — | Other utilities, etc. |
| 74,098 | 74,470 | 74,515 | 74,256 | 73,286 | 72,620 | (0.13) | Total gas customers |
| | | | | | | | Refinery Service |
| 350,021 | 341,700 | 295,236 | 272,649 | 244,614 | 281,120 | (0.70) | Electricity delivered (1,000 kilowatt-hours) |
| 921,000 | 5,926,000 | 7,261,000 | 7,564,000 | 7,779,000 | 7,536,000 | (1.65) | Steam delivered (1,000 pounds) |

## Officers

**Robert D. Weimer**
Chairman of the Board and Chief Executive Officer

**Nevius M. Curtis**
President and Chief Operating Officer

**H. Ray Landon**
Senior Vice President

**William G. Price**
Senior Vice President

**J. Kenneth Wiley**
Senior Vice President

**Howard E. Cosgrove**
Vice President, Finance and Accounting and Chief Financial Officer

**Earl D. Krapf**
Vice President, Regulatory Practices

**James A. Clark, Jr.**
Vice President, System Operations and Energy Supply

**Frank A. Cook**
Vice President, Production

**J. Edwin Hobbs**
Division Vice President, Southern Division

**Harland M. Wakefield, Jr.**
Division Vice President, Northern Division

**Alfred C. Thawley, Jr.**
Secretary and Treasurer

**Charles Marchyshyn**
Comptroller

## Board of Directors

**Werner C. Brown**
Chairman of the Board of Hercules Incorporated (chemical manufacturer) Wilmington, Delaware

**Mrs. Henry P. Cannon, II**
Director of H. P. Cannon & Son, Inc. (food processing firm) Bridgeville, Delaware

**Oscar L. Carey**
President and Director of Larmar Corporation (general real estate and home builders) Salisbury, Maryland

**Nevius M. Curtis**
President and Chief Operating Officer of the Company

**Irénée du Pont, Jr.**
Director and member of Finance Committee of E.I. du Pont de Nemours & Company (chemical manufacturer) Wilmington, Delaware

**Sally V. Hawkins**
Director and President of Delaware Broadcasting Company and General Manager of Station WILM (radio broadcasting), Wilmington, Delaware

**Dr. Earl C. Jackson, Sr.**
Retired Superintendent of the Wilmington Public Schools, Wilmington, Delaware (Superintendent Emeritus)

**William G. Price**
Senior Vice President of the Company

**Thomas C. Roe**
Retired, former Chairman of the Board of the Company

**Dr. E. Arthur Trabant**
President of the University of Delaware Newark, Delaware

**James M. Tunnell, Jr.**
Partner of Morris, Nichols, Arsht & Tunnell, attorneys, Wilmington, Delaware

**Robert D. Weimer**
Chairman of the Board and Chief Executive Officer of the Company

### Executive Committee
Werner C. Brown, Chairman; Nevius M. Curtis; Irénée du Pont, Jr.; Thomas C. Roe; James M. Tunnell, Jr.; Robert D. Weimer

### Audit Committee
James M. Tunnell, Jr., Chairman; Werner C. Brown; Oscar L. Carey

### Nominating Committee
Irénée du Pont, Jr., Chairman; Dr. E. Arthur Trabant; Robert D. Weimer

Delmarva Power

Delmarva Power & Light Company
800 King Street
P.O. Box 231
Wilmington, DE 19899

U.S. POSTAGE
PAID
Wilmington, DE
Permit No. 6
Zip Code 198

THIRD CLASS