PECO ENERGY CO
Form 424B5
September 18, 2006
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Registration Statement No. 333-105207

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

Subject to Completion

Preliminary Prospectus Supplement dated September 18, 2006

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 11, 2003)

$

PECO Energy Company

First and Refunding Mortgage Bonds, % Series due 2036

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

The bonds will be secured equally with all other bonds outstanding or hereafter issued under our First and Refunding Mortgage.

Please see Risk Factors on page S-5 of this prospectus supplement for a discussion of factors you should consider in connection with a purchase of the bonds.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the bonds or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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

(1) Plus accrued interest from , if settlement occurs after that date.

The underwriters expect to deliver the bonds in book-entry form only through The Depository Trust Company on or about , 2006 .

Joint Book-Running Managers

Barclays Capital **BNP PARIBAS** **Scotia Capital**

BNY Capital Markets, Inc.

KeyBanc Capital Markets

Ramirez & Co., Inc.

UBS Investment Bank

, 2006

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus contain information about our company and about the bonds. They also refer to information contained in other documents that we file with the Securities and Exchange Commission (SEC). If this prospectus supplement is inconsistent with the accompanying prospectus or the documents that are incorporated by reference in this prospectus, rely on this prospectus supplement.

When we refer to PECO, the Company, we, our or us in this prospectus supplement, we mean PECO Energy Company together with our subsidiaries.

FORWARD-LOOKING STATEMENTS

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

You are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. We expressly disclaim any obligation or undertaking to publicly release any revision to our forward-looking statements to reflect events or circumstances after the date of this prospectus supplement.

PECO ENERGY COMPANY

We are a subsidiary of Exelon Corporation (Exelon), and are engaged principally in the purchase, transmission, distribution and sale of electricity to residential, commercial and industrial customers in southeastern Pennsylvania and the purchase, distribution and sale of natural gas to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. Our retail service territory has an area of approximately 2,100 square miles and an estimated population of 3.8 million. We provide electric delivery service in an area of approximately 2,000 square miles, with a population of approximately 3.7 million, including 1.5 million in the City of Philadelphia. Natural gas service is supplied in an area of approximately 1,900 square miles in southeastern Pennsylvania adjacent to the City of Philadelphia, with a population of approximately 2.3 million. We deliver electricity to approximately 1.5 million customers and natural gas to approximately 472,000 customers.

We are subject to extensive regulation by the Pennsylvania Public Utility Commission (PAPUC) as to electric and gas rates and service, the issuances of certain securities and certain other aspects of our operations. We are also subject to regulation by the Federal Energy Regulatory Commission as to transmission rates and certain other aspects of our business.

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

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RECENT DEVELOPMENTS

Exelon Merger with Public Service Enterprise Group Incorporated

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

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

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SUMMARY FINANCIAL INFORMATION

We have provided the following summary financial information for your reference. We have derived the summary information presented here from the financial statements we have incorporated by reference into this prospectus supplement and the accompanying prospectus. You should read it together with our historical consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

	Year Ended December 31, ($ in millions)			Six Months Ended June 30, ($ in millions)	
	2003	2004	2005	2005	2006
Income Statement Data					
Operating revenues	$ 4,388	$ 4,487	$ 4,910	$ 2,339	$ 2,554
Operating income	1,056	1,014	1,049	498	416
Net income on common stock	468	452	513	237	184
Cash Flow Data					
Cash interest paid, net of amount capitalized (a) (b)	$ 346	$ 298	$ 281	$ 144	$ 136
Capital expenditures (c)	250	225	298	126	164
Cash flows provided by operating activities (d)	814	983	704	301	562
Cash flows used in investing activities	(255)	(251)	(241)	(58)	(157)
Cash flows used in financing activities	(587)	(676)	(500)	(268)	(417)

	As of December 31, ($ in millions)			As of June 30, 2006 ($ in millions)
	2003	2004	2005	
Balance Sheet Data				
Property, plant and equipment, net	$ 4,256	$ 4,329	$ 4,471	$ 4,552
Regulatory assets	5,226	4,790	4,386	4,093
Total assets	10,373	10,087	10,018	9,723
Long-term debt (a) (e)	1,359	1,153	1,183	1,189
Long-term debt to affiliates (a) (f)	3,880	3,475	2,960	2,637
Total liabilities	9,357	8,689	8,314	8,016
Preferred stock	87	87	87	87
Common shareholders equity	929	1,311	1,617	1,620

(a) As of July 1, 2003, PECO Energy Capital Trust IV (PECO Trust IV), a financing subsidiary of PECO created in May 2003, was deconsolidated from our financial statements pursuant to the provisions of Financial Accounting Standards Board Interpretation No. 46 Consolidation of Variable Interest Entities (FIN 46). As of December 31, 2003 the remaining financing trusts of PECO, namely PECO Energy Capital Trust III (PECO Trust III) (formed in April 1998) and PECO Energy Transition Trust (PETT) (formed in June 1998) were deconsolidated from our financial statements pursuant to the provisions of FIN 46 (revised December 2003) (FIN 46-R).

(b) Includes cash interest paid of $271 million by PETT for the year ended December 31, 2003. Includes cash interest paid of $235 million, $212 million, $110 million and $95 million in connection with long-term debt to PETT for the years ended December 31, 2004 and 2005 and the six months ended June 30, 2005 and 2006, respectively.

(c) These amounts include investment in plant and plant removals, net.

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(d) We contributed $49 million, $14 million, and $189 million in 2003, 2004 and 2005 to Exelon-sponsored pension and post-retirement benefits plans in which we participate. Of our 2005 contributions, $109 million was made during the first quarter and was fully funded by a capital contribution from Exelon. We contributed $10 million to Exelon s pension and post-retirement benefits plans for the six months ended June 30, 2006.

(e) Excludes current maturities of $46 million as of December 31, 2004.

(f) Excludes current maturities of $153 million, $165 million, $199 million and $274 million as of December 31, 2003, 2004 and 2005 and June 30, 2006, respectively.

RATIO OF EARNINGS TO FIXED CHARGES

The following table provides our consolidated ratio of earnings to fixed charges:

	Years Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
Ratio of earnings to fixed charges	2.46	2.94	3.17	3.28	3.70	3.47	2.99

The ratio of earnings to fixed charges represents, on a pre-tax basis, the number of times earnings cover fixed charges. Earnings consist of pre-tax net income from continuing operations after adjustment for income from equity investees and capitalized interest or allowance for funds used during construction, to which has been added fixed charges. Fixed charges consist of interest costs and amortization of debt discount and premium on all indebtedness and the estimated interest portion of all rental expense.

RISK FACTORS

Your investment in the bonds will involve certain risks. Before investing in the bonds, you should carefully consider the following discussion as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the information under Risk Factors beginning on page 3 of the accompanying prospectus, which has been updated by ITEM 1A, Risk Factors, of our annual report on Form 10-K for the year ended December 31, 2005 and under Part II, Item 1A of our quarterly reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006.

There is no public market for the bonds.

We can give no assurances concerning the liquidity of any market that may develop for the bonds offered hereby, the ability of any investor to sell any of the bonds, or the price at which investors would be able to sell them. If a market for the bonds does not develop, investors may be unable to resell the bonds for an extended period of time, if at all. If a market for the bond does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell any of the bonds. Consequently, investors may not be able to liquidate their investment readily, and lenders may not readily accept the bonds as collateral for loans.

USE OF PROCEEDS

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

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CAPITALIZATION

The following table sets forth our consolidated capitalization and short-term debt as of June 30, 2006, and as adjusted to give effect to the issuance and sale of the bonds and the use of the proceeds from this offering as set forth under Use of Proceeds above. This table should be read in conjunction with our consolidated financial statements and related notes for the six months ended June 30, 2006, incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

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

(a) Includes unamortized debt discounts. Includes current maturities of long-term debt of $274 million due to PETT.

(b) PETT notes are issued by one of our special purpose subsidiaries. Pennsylvania legislation allows a portion of our future revenues to be segregated and used to support the issuance of securities by a special purpose financing subsidiary. PETT issued the notes between March 1999 and March 2001. Pursuant to the provisions of FIN 46-R, as of December 31, 2003, PETT was deconsolidated from our financial statements. Amounts owed to PETT are recorded as debt to PETT within our consolidated balance sheet.

(c) PECO Trust III was created solely for the purpose of issuing $78 million trust receipts (Trust III Receipts) each representing a Cumulative Preferred Security, Series D (Series D Preferred Securities) of PEC L.P. PEC L.P. is the sponsor of PECO Trust III. PECO Trust III has outstanding 78,105 Trust III Receipts. The assets of PECO Trust III consist solely of 78,105 Series D Preferred Securities with an aggregate stated liquidation preference of $81 million. PECO Trust IV issued $100 million of trust preferred securities, which are mandatorily redeemable in June 2033. PECO is the sole owner of all of the common securities of the PECO Trust IV. The sole assets of PECO Trust IV are $103 million principal amount of subordinated debentures issued by PECO. Pursuant to the provisions of FIN 46, as of July 1, 2003, PECO Trust IV was deconsolidated from our financial statements. Pursuant to the provisions of FIN 46-R, as of December 31, 2003, PECO Trust III was deconsolidated from our financial statements.

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DESCRIPTION OF THE BONDS

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

Securities Offered

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

Principal, Maturity and Interest

Interest on the bonds will be payable on April 1 and October 1 of each year, beginning on April 1, 2007, until the principal is paid or made available for payment. Interest on the bonds will accrue from the most recent date to which interest has been paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The bonds will mature on October 1, 2036.

Redemption at our Option

We may, at our option, redeem the bonds in whole or in part at any time at a redemption price equal to the greater of:

- 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or

- as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus basis points, plus accrued interest to the redemption date.

The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

We will mail notice of any redemption at least 30 days, but not more than 45 days before the redemption date to each registered holder of the bonds to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds or portions of the bonds called for redemption.

Adjusted Treasury Rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

Business Day means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the bonds that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds.

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Comparable Treasury Price means, with respect to any redemption date:

- the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations; or

- if the trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

Quotation Agent means the Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (1) each of Barclays Capital Inc. and BNP Paribas Securities Corp. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), in which case we shall substitute another Primary Treasury Dealer, and (2) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that redemption date.

Form

The bonds will be registered in the name of Cede & Co., as registered owner and as nominee for The Depository Trust Company, New York, New York (DTC). Beneficial interests in the bonds will be shown on, and transfers will be effected only through, records maintained by DTC (with respect to participants interests) and its participants. Except as described in this prospectus supplement or the accompanying prospectus, the bonds will not be issued in certificated form. The bonds will trade in DTC s Same-Day Funds Settlement System until maturity, and secondary market trading activity for the bonds will therefore settle in immediately available funds.

Amendment of Mortgage

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

Successor Trustee

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

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material federal income tax consequences of the purchase, ownership and disposition of the bonds. This summary is based upon current provisions of the Internal Revenue Code of 1986 (Code), proposed, temporary and final Treasury regulations thereunder, and published rulings and court decisions currently in effect. The current tax laws and the current regulations, rulings and court decisions may be changed, possibly retroactively, and subject to differing interpretation. The statements set forth in the following discussion, to the extent they constitute matters of United States federal income tax law or legal conclusions with respect thereto, represent the opinion of Ballard, Spahr Andrews & Ingersoll, LLP, our United States tax counsel.

The following summary does not furnish information in the level of detail or with the attention to an investor s specific tax circumstances that would be provided by an investor s own tax advisor. For example, it does not discuss the tax consequences of the purchase, ownership and disposition of the bonds by investors that are subject to special treatment under the federal income tax laws, including banks and thrifts, insurance companies, regulated investment companies, dealers in securities, holders that will hold the bonds as a position in a straddle for tax purposes or as a part of a synthetic security or conversion transaction or other integrated investment comprised of the bonds and one or more other investments, trusts and estates and pass-through entities, the equity holders of which are any of these specified investors. In addition, the discussion regarding the bonds is limited to the federal income tax consequences of the initial investors and not a purchaser in the secondary market and to investors who have purchased bonds and hold those bonds as capital assets within the meaning of Section 1221 of the Code. This discussion does not discuss the tax consequences for a beneficial owner of a bond who or which is not a United States person for United States federal income tax purposes. There can be no assurance that a change in law will not alter significantly the tax considerations described in this discussion.

Interest

Interest on a bond will be taxed to a beneficial owner of a bond as ordinary interest income at the time it accrues or is received, in accordance with the beneficial owner s regular method of accounting for federal income tax purposes. It is not expected that the bonds will be issued with original issue discount.

Disposition of a Bond

Upon the sale, exchange, redemption or other disposition of a bond, a beneficial owner of a bond generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, redemption or other disposition (not including any amount attributable to accrued but unpaid interest) and the beneficial owner s adjusted tax basis in the bond. Any amount attributable to accrued but unpaid interest will be treated as a payment of interest and taxed in the manner described above under Interest. In general, the beneficial owner s adjusted tax basis in a bond will be equal to the initial purchase price of the bond paid by the beneficial owner, reduced by the amount of principal payments on the bond received before such date of sale, exchange, redemption or other disposition.

Gain or loss recognized on the sale, exchange, redemption or retirement of a bond generally will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale, exchange, redemption or retirement the bond has been held for more than one year. For individuals, the excess of net long-term capital gains over net short-term capital losses generally is taxed at a lower rate than ordinary income. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest and principal payments made to, and to the proceeds of sales or other dispositions before maturity by, certain noncorporate owners of bonds. Generally, we must report annually to the Internal Revenue Service (IRS), the amount of interest that we paid to an owner of a bond and the amount of tax that we withheld on that interest. In addition, backup withholding applies to a noncorporate owner if

- the owner fails to furnish his or her taxpayer identification number, which for an individual would be his or her Social Security Number, to the payor in the manner required,

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- the owner furnishes an incorrect taxpayer identification number and the payor is so notified by the IRS,
- the payor is notified by the IRS that the owner has failed to properly report payments of interest and dividends, or
- in certain circumstances, the owner fails to certify, under penalties of perjury, that he or she has furnished a correct taxpayer identification number and has not been notified by the IRS that it is subject to backup withholding for failure to properly report interest and dividend payments.

The current rate of backup withholding is 28% of the amount paid. Any amounts withheld under backup withholding rules will be allowed as a refund or credit against an owner s federal income tax liability, provided the required information is timely furnished to the IRS.

The United States federal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner s particular situation. Prospective purchasers of the bonds should consult their own tax advisors with respect to the tax consequences to them of the ownership and disposition of bonds, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States or other tax laws.

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UNDERWRITING

We intend to offer the bonds through the underwriters. Barclays Capital Inc., BNP Paribas Securities Corp. and Scotia Capital (USA) Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions contained in an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from us, the principal amount of the bonds listed opposite their names below.

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

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

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

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

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

Commissions and Discounts

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

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

New Issue of Bonds

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

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

Price Stabilization and Short Positions

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

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

Other Relationships

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

LEGAL MATTERS

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

EXPERTS

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

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WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

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

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

PECO s Current Reports on Form 8-K dated:

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

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

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

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

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

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