

PECO ENERGY CO  
Form 424B2  
March 20, 2009  
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**Calculation of Registration Fee**

	<b>Title of each class of securities to be registered</b>	<b>Proposed maximum offering price</b>	<b>Amount of registration fee</b>
Senior Debt Securities		\$ 250,000,000	\$ 13,950

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Registration No. 333-146260-07**PROSPECTUS SUPPLEMENT**

(To Prospectus dated December 12, 2007)

**\$250,000,000****PECO Energy Company****First and Refunding Mortgage Bonds, 5.00% Series due 2014**

The bonds will bear interest at the annual rate of 5.00% per year. We will pay interest on the bonds on April 1 and October 1 of each year, beginning on October 1, 2009. The bonds will mature on October 1, 2014. We may redeem some or all of the bonds at any time at the redemption price 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. There is no sinking fund for the bonds.

**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 accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<b>Per Bond</b>	<b>Total</b>
Public Offering Price (1)	99.885%	\$ 249,712,500
Underwriting Discount	0.600%	\$ 1,500,000
Proceeds, before expenses, to PECO Energy Company	99.285%	\$ 248,212,500

(1) Plus accrued interest from March 26, 2009, 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 March 26, 2009.

**BNP PARIBAS**

**Loop Capital Markets, LLC**

**Morgan Stanley**

**Wachovia Securities**

March 19, 2009

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying 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 accompanying 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**

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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 supplement and the accompanying prospectus, rely on this prospectus supplement.

Unless the context otherwise indicates, 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 in this prospectus supplement and in the accompanying prospectus, several of the matters discussed in this prospectus supplement and the accompanying prospectus are forward-looking statements that are subject to risks and uncertainties. Words such as believes, anticipates, expects, intends, plans, predicts and estimates and similar expressions are intended forward-looking statements but are not the only means to identify those statements. See Forward-Looking Statements in the accompanying prospectus for more information.

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 and regulated retail sale of electricity and the provision of transmission and distribution services to residential, commercial and industrial customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to retail customers in the Pennsylvania counties surrounding the City of Philadelphia. Our combined electric and natural gas retail service territory has an area of approximately 2,100 square miles and an estimated population of 3.9 million. We provide electric delivery service in an area of approximately 1,900 square miles, with a population of approximately 3.7 million, including 1.4 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 1.6 million customers and natural gas to approximately 485,000 customers.

We are a public utility under the Pennsylvania Public Utility Code 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 a public utility under the Federal Power Act 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**

In connection with the expiration of retail electric generation rate caps in Pennsylvania in December 2010, PECO has filed with the PAPUC a default service procurement plan, which plan has been subject to an ongoing review by and formal proceeding with the PAPUC since September 2008. On March 10, 2009, PECO announced that it had filed a joint petition for settlement (Settlement) with a PAPUC Administrative Law Judge in connection with such default service procurement plan. The Settlement was agreed to by all parties to the proceeding (Joint Petitioners), which included consumer advocates, industrial users, wholesale suppliers, retail suppliers and others as part of PECO's comprehensive program to address the needs of customers in 2011 and beyond.

Under the Settlement, PECO's revised default service provider program (Revised DSP Program) will have a twenty-nine (29) month term, beginning January 1, 2011 and ending May 31, 2013. PECO's default service customers will be divided into four procurement classes: a Residential class, a Small Commercial class (for non-residential customers with peak demand up to 100 kW), a Medium Commercial class (for non-residential customers with peak demand of greater than 100 kW up to 500 kW), and a Large Commercial and Industrial class (for non-residential customers with peak demand of greater than 500 kW).

The Joint Petitioners have also agreed on form supplier contracts and related documents to implement the Revised DSP Program, as well as procedures for the acquisition and use of alternative energy credits and contingency plans in the event of supplier default. The Joint Petitioners further resolved other procurement-related issues, including a limitation that a single supplier shall provide no more than sixty-five percent (65%) of the load of a procurement class, and the appointment of NERA Economic Consulting, Inc. as an independent monitor of PECO's procurements. In addition, the Joint Petitioners have agreed upon tariff and rate design changes to implement the Revised DSP Program, including a program to permit customers to defer rate increases until a future date, the phase-out of demand-based declining energy blocks, and the establishment of new interruptible service and economic development rates.

Under the Settlement, PECO will materially expand its Customer Assistance Program (CAP) and other low-income assistance initiatives. For CAP, PECO will adopt a new six-tier CAP rate design and increase the discount levels that it offers to CAP customers so that approximately ninety percent (90%) of each tier of CAP customers will meet PAPUC affordability targets. PECO will also implement a usage tracking system to monitor consumption by CAP customers and expand its spending under its Low-Income Usage Reduction Program, which provides weatherization and conservation assistance to low-income customers.

For additional information regarding the Settlement, see our Current Report on Form 8-K filed with the SEC on March 10, 2009.

**Table of Contents****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 the summary information 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,		
	2008	2007	2006
	(in millions)		
<b>Income Statement Data</b>			
Operating revenues	\$ 5,567	\$ 5,613	\$ 5,168
Operating income	699	947	866
Net income on common stock	321	503	437
<b>Cash Flow Data</b>			
Cash interest paid, net of amount capitalized (a) (b)	\$ 226	\$ 248	\$ 266
Capital expenditures (c)	392	339	345
Net cash flows provided by operating activities (d)	969	980	1,017
Net cash flows used in investing activities	(377)	(337)	(332)
Net cash flows used in financing activities	(587)	(638)	(693)

	As of December 31,		
	2008	2007	2006
	(in millions)		
<b>Balance Sheet Data</b>			
Property, plant and equipment, net	\$ 5,074	\$ 4,842	\$ 4,651
Regulatory assets	2,597	3,273	3,896
Total assets	9,169	9,810	9,773
Long-term debt, including long-term debt to financing trusts (a) (e)	2,960	2,866	3,784
Total liabilities	6,900	7,700	7,964
Preferred stock	87	87	87
Common shareholder's equity	2,182	2,023	1,722

- (a) Amounts owed to PECO Energy Capital Trust IV, PECO Energy Capital Trust III and PECO Energy Transition Trust (PETT) are recorded as debt to financing trusts within PECO's consolidated balance sheet.
- (b) Includes cash interest paid of \$101 million, \$139 million and \$180 million in connection with long-term debt to PETT for the years ended December 31, 2008, 2007 and 2006, respectively.
- (c) These amounts include investment in plant and plant removals, net.
- (d) We contributed \$38 million, \$31 million and \$32 million to Exelon-sponsored pension and post-retirement benefits plans in which we participate for the years ended December 31, 2008, 2007 and 2006, respectively.
- (e) Excludes current maturities of \$319 million, \$227 million and \$273 million as of December 31, 2008, 2007 and 2006, respectively.





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

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Ratio of earnings to fixed charges	3.05	3.88	3.32	3.78	3.38

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** on page 5 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, 2008.

**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 bonds does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell any of their bonds. Consequently, investors may not be able to liquidate their investments readily, and lenders may not readily accept the bonds as collateral for loans.

**USE OF PROCEEDS**

We expect to receive the net proceeds from the sale of the bonds of approximately \$247,712,500, after deducting underwriters' discounts and commissions and other estimated fees and expenses. We intend to use the net proceeds to refinance short-term borrowings having an approximate weighted average interest rate of 0.63% per annum as of March 17, 2009 and for other general corporate purposes.

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The following table sets forth our consolidated capitalization and short-term borrowings as of December 31, 2008, and as adjusted to give effect to the issuance and sale of the bonds and the use of the net 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 year ended December 31, 2008, incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement.

	As of December 31, 2008	
	Actual	As Adjusted
	(in millions)	
Commercial paper (a)	\$ 95	\$
Long-term debt: (b)		
First mortgage bonds	1,971	2,221
Long-term debt to PETT (b)	1,124	1,124
Long-term debt to other financing trusts	184	184
Total shareholders' equity	2,269	2,269
<b>Total capitalization, including short-term borrowings and current maturities</b>	<b>\$ 5,643</b>	<b>\$ 5,798</b>

- (a) The Company expects commercial paper borrowings or inter-company short-term borrowings used to refinance commercial paper borrowings to range between approximately \$180 million and \$220 million as of March 26, 2009.
- (b) Includes unamortized debt discounts. Includes current maturities of long-term debt of \$319 million due to PETT.

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**DESCRIPTION OF THE BONDS AND FIRST AND REFUNDING MORTGAGE**

The following description of the particular terms of the offered bonds is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus. References in this description of the bonds and our First and Refunding Mortgage (Mortgage) to we, our, us or the Company are to PECO Energy Company only and not its subsidiaries and references to mortgage bonds means first and refunding mortgage bonds issued under the Mortgage, including the offered bonds.

**Securities Offered**

The bonds will be issued under our Mortgage as proposed to be further supplemented by a supplemental mortgage indenture relating to the bonds. The bonds will initially be limited in aggregate principal amount to \$250,000,000. We may issue additional mortgage bonds under our Mortgage with the same priority as the bonds offered by this prospectus supplement, including mortgage bonds having the same series designation and terms (except for the public offering price, the issue date and, in some cases, the first interest payment date) as the bonds offered by this prospectus supplement, without the approval of the holders of the outstanding mortgage bonds issued under our Mortgage, including the bonds offered by this prospectus supplement. The bonds will be secured equally with all other mortgage bonds outstanding or hereafter issued under our Mortgage. The bonds will be issued in book-entry form only in denominations of \$1,000 and authorized multiples thereof.

**Principal, Maturity and Interest**

Interest on the bonds will be payable on April 1 and October 1 of each year, beginning on October 1, 2009, 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, 2014.

The Company may fix a date, not more than fourteen calendar days prior to any interest payment date for the bonds, as a record date for determining the registered holders of the bonds entitled to interest payments. Only the registered holder on such record date will be entitled to receive a payment, notwithstanding any transfer of the bonds subsequent to such record date.

**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 50 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.

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**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.

**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 BNP Paribas Securities Corp., Loop Capital Markets, LLC, Morgan Stanley & Co. Incorporated and one other primary U.S. Government securities dealer in New York City (a **Primary Treasury Dealer**) selected by Wachovia Capital Markets, LLC and their respective successors, unless such entity ceases to be 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.

## **Security**

The bonds will be secured equally with all other mortgage bonds outstanding or hereafter issued under our Mortgage by the lien of our Mortgage, subject to (1) minor exceptions and certain excepted encumbrances that are defined in the Mortgage and (2) the Mortgage trustee's prior lien for compensation and expenses, constitutes a first lien on substantially all of our properties. Our Mortgage does not constitute a lien on any property owned by our subsidiaries or affiliates. Our properties consist principally of electric transmission and distribution lines and substations, gas distribution facilities and general office and service buildings.

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We may not issue securities which will rank ahead of the mortgage bonds as to security. We may acquire property subject to prior liens. If such property is made the basis for the issuance of additional mortgage bonds after we acquire it, all additional mortgage bonds issued under the prior lien must be pledged with the Mortgage trustee as additional security under our Mortgage.

### **Authentication and Delivery of Additional Bonds**

Our Mortgage permits the issuance from time to time of additional mortgage bonds, without limit as to aggregate amount. Additional mortgage bonds of any series may be issued, subject to the provisions of the Mortgage, in principal amount equal to:

- (1) the principal amount of underlying mortgage bonds secured by a prior lien upon property acquired by us after March 1, 1937 and deposited with the Mortgage trustee under the Mortgage;
- (2) the principal amount of any such underlying mortgage bonds redeemed or retired, or for the payment, redemption or retirement of which funds have been deposited in trust;
- (3) the principal amount of mortgage bonds previously authenticated under the Mortgage on or after March 1, 1937, which have been delivered to the Mortgage trustee;
- (4) the principal amount of mortgage bonds previously issued under the Mortgage on or after March 1, 1937, which are being refunded or redeemed, if funds for the refunding or redemption have been deposited with the Mortgage trustee;
- (5) an amount not exceeding 60% of the actual cost or the fair value, whichever is less, of the net amount of permanent additions to the property subject to the lien of the Mortgage, made or acquired after November 30, 1941, and of additional plants or property acquired by us after November 30, 1941, and to be used in connection with its electric or gas business as part of one connected system and located in Pennsylvania or within 150 miles of Philadelphia; and
- (6) the amount of cash deposited with the Mortgage trustee, which cash shall not at any time exceed \$3,000,000 or 10% of the aggregate principal amount of mortgage bonds then outstanding under the Mortgage, whichever is greater, and which cash may subsequently be withdrawn to the extent of 60% of capital expenditures, as described in clause (5) above.

No additional bonds may be issued under our Mortgage as outlined in clauses (5) and (6) and, in certain cases, clause (3) above, unless the net earnings test of the Mortgage is satisfied. The net earnings test of the Mortgage, which relates only to the issuance of additional mortgage bonds, requires for 12 consecutive calendar months, within the 15 calendar months immediately preceding the application for such mortgage bonds, that our net earnings, after deductions for amounts set aside for renewal and replacement or depreciation reserves and before provision for income taxes, must have been equal to at least twice the annual interest charges on all mortgage bonds outstanding under the Mortgage (including those then applied for) and any other bonds secured by a lien on our property.

### **Release and Substitution of Property**

While no event of default exists, we may obtain the release of the lien of the Mortgage on mortgaged property which is sold or exchanged if (1) we deposit or pledge cash or purchase money obligations with the Mortgage trustee, or (2) in certain instances, if we substitute other property of equivalent value. The Mortgage also contains certain requirements relating to our withdrawal or application of proceeds of released property and other funds held by the Mortgage trustee.

### **Corporate Existence**

We may consolidate or merge with or into or convey, transfer or lease all, or substantially all, of the mortgaged property to any corporation lawfully entitled to acquire or lease and operate the property, provided that: such consolidation, merger, conveyance, transfer or lease in no

respect impairs the lien of the Mortgage or

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any rights or powers of the Mortgage trustee or the holders of the outstanding mortgage bonds; and such successor corporation executes and causes to be recorded an indenture which assumes all of the terms, covenants and conditions of the Mortgage and any indenture supplement thereto.

The Mortgage does not contain any covenant or other provision that specifically is intended to afford holders of our mortgage bonds special protection in the event of a highly leveraged transaction. The issuance of long-term debt securities by us requires the approval of the PAPUC.

### **Defaults**

Events of default are defined in the Mortgage as (1) default for 60 days in the payment of interest on mortgage bonds or sinking funds deposits under the Mortgage, (2) default in the payment of principal of bonds under the Mortgage at maturity or upon redemption, (3) default in the performance of any other covenant in the Mortgage continuing for a period of 60 days after written notice from the trustee, and (4) certain events of bankruptcy or insolvency of our company.

Upon the authentication and delivery of additional mortgage bonds or the release of cash or property, we are required to file documents and reports with the Mortgage trustee with respect to the absence of default.

### **Rights of Bondholders upon Default**

Upon the occurrence of an event of default, the Mortgage trustee may, or if requested by the holders of a majority in principal amount of all the outstanding mortgage bonds must, accelerate the maturity of the mortgage bonds and enforce the lien of the Mortgage. Prior to any sale of mortgaged property by the Mortgage trustee under the Mortgage, and upon the remedying of all defaults, any such acceleration of the maturity of the mortgage bonds may be annulled by the holders of at least a majority in principal amount of all the outstanding mortgage bonds. The Mortgage permits the Mortgage trustee to require indemnity before proceeding to enforce the lien of the Mortgage.

### **Amendments**

We and the Mortgage trustee may amend the Mortgage without the consent of the holders of the mortgage bonds: (1) to subject additional property to the lien to the Mortgage; (2) to define the covenants and provisions permitted under or not inconsistent with the Mortgage; (3) to add to the limitations of the authorized amounts, date of maturity, method, conditions and purposes of issue of any bonds issued under the Mortgage; (4) to evidence the succession of another corporation to us and the assumption by a successor corporation of our covenants and obligations under the Mortgage; or (5) to make such provision in regard to matters or questions arising under the Mortgage as may be necessary or desirable and not inconsistent with the Mortgage.

We and the Mortgage trustee may amend the Mortgage or modify in any manner the rights of the holders of the mortgage bonds with the written consent of at least 66 2/3% of the principal amount of the mortgage bonds then outstanding; provided, that no such amendment shall, without the written consent of the holder of each outstanding mortgage bond affected thereby: (1) change the date of maturity of the principal of, or any installment hereof on, any mortgage bond, or reduce the principal amount of any mortgage bond or the interest thereon or any premium payable on the redemption thereof, or change any place of payment where, or currency in which, any mortgage bond or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the date of maturity thereof; or (2) reduce the percentage in principal amount of the outstanding mortgage bonds, the consent of whose holders is required for any amendment, waiver of compliance with the provisions of the Mortgage or certain defaults and their consequences; or (3) modify any of the amendment provisions or Section 22 of Article VIII (relating to waiver of default), except to increase any such percentage or to provide that certain other provisions of the Mortgage cannot be modified or waived without the consent of the holder of each mortgage bond affected thereby.

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**Governing Law**

The Mortgage is governed by the laws of the Commonwealth of Pennsylvania.

**Mortgage Trustee**

U.S. Bank National Association, the trustee under the Mortgage, is the registrar and disbursing agent for our mortgage bonds. U.S. Bank National Association is also our depository, from time to time makes loans to us and is trustee for three series of senior unsecured notes of our affiliate, Exelon Generation Company, LLC.

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**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

**General**

The following is a summary of certain federal income tax consequences material to the purchase, ownership and disposition of the bonds. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (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, administrative rulings and court decisions may be changed, possibly retroactively, and may be 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.

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 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) that have purchased bonds and hold those bonds as capital assets within the meaning of Section 1221 of the Code. This discussion does not address 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. Finally, the following summary assumes, as is expected, that the bonds will be issued without original issue discount.

**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.

**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 by the investor 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. Capital losses are, with very limited exception, deductible only to the extent of capital gains recognized during the taxable year. Any excess capital losses may be carried over to and deducted in other taxable years subject to certain limitations.

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**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, if any, 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,

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 he or she 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 prior to December 31, 2010. 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.**

**Table of Contents****UNDERWRITING**

We intend to offer the bonds through the underwriters. 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.

<b>Underwriter</b>	<b>Principal Amount</b>
BNP Paribas Securities Corp.	\$ 62,500,000
Loop Capital Markets, LLC	62,500,000
Morgan Stanley & Co. Incorporated	62,500,000
Wachovia Capital Markets, LLC	62,500,000
<b>Total</b>	<b>\$ 250,000,000</b>

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 officers' 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.

We expect to deliver the bonds 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 (Exchange Act), 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 may offer the bonds to dealers at that price less a concession not in excess of 0.35% of the principal amount of the bonds. The underwriters may allow, and the dealers may reallow, a discount not in excess of 0.175% 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 \$500,000 and are payable by us.

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### **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 currently 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 notice. We cannot assure the liquidity of the trading market for the bonds or that an 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.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased bonds sold for the account of such underwriter in stabilizing or short covering transactions.

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 some or all of the underwriters and their affiliates 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 and may in the future receive customary fees and commissions for these transactions. Each of BNP Paribas Securities Corp., Morgan Stanley & Co. Incorporated and Wachovia Capital Markets, LLC has banking affiliates who are lending parties in our revolving credit facilities. Loop Capital Markets, LLC acts as a financial advisor to Exelon in connection with Exelon's proposed acquisition of NRG Energy, Inc.

## **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 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to our annual report on Form 10-K for the year ended December 31, 2008 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 filed with the SEC (file number 000-16844):

PECO's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2008.

PECO's Current Reports on Form 8-K dated:

February 27, 2009 and filed with the SEC on March 4, 2009; and

March 10, 2009 and filed with the SEC on March 10, 2009 (solely as to Item 8.01).

Any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and until we or any underwriters sell all of the securities covered by this prospectus supplement shall be deemed to be incorporated by reference in this prospectus supplement from the date such documents are filed.

In addition to the resources maintained by the SEC, you may also obtain these filings at no cost by writing us at PECO Energy Company, 10 South Dearborn Street, 52nd Floor, P.O. Box 805398, Chicago, Illinois 60680-5398; Attention: Director, Investor Relations or by calling us at (312) 394-2345.

Information about us is also available on Exelon's web site at <http://www.exeloncorp.com>. This web site and the SEC's web site above are intended to be inactive textual references only. Information on Exelon's or the SEC's web site (other than the documents incorporated by reference) is not a part of this prospectus supplement.

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