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PECO ENERGY CO
Form U-1
November 27, 2001

Securitization U-1

As filed with the Securities and Exchange Commission on November 27, 2001

File No. 1.070-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM U-1
APPLICATION-DECLARATION
UNDER
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

PECO Energy Corporation
PECO Energy Transition Trust
c/o Exelon Corporation
10 South Dearborn Street
37th Floor
Chicago, IL 60603
(Name of company filing this statement and address of
principal executive offices)

Randall E. Mehrberg
Senior Vice President and General Counsel
Exelon Corporation
10 South Dearborn Street
37th Floor
Chicago, IL 60603

(Name and address of agent for service)

The Commission is requested to send copies of all notices, orders and
communications in connection with this Application-Declaration to:

William J. Harmon
Jones, Day, Reavis & Pogue
77 West Wacker
Suite 3500
Chicago, IL 60601
(312) 782-3939
wjharmon@jonesday.com

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Item 1. Description of Proposed Transaction

Exelon Corporation, a Pennsylvania corporation ("Exelon"), filed an Application-Declaration on Form U-1 with the Securities and Exchange Commission (the "Commission") in docket No. 70-9693 on June 12, 2000, as amended through Amendment No. 5 (Third Post-Effective) (as so amended, the "Original Financing U-1"). In that docket, Exelon and its utility subsidiary PECO Energy Company ("PECO") sought approval for PECO to refinance through PECO Energy Transition Trust ("PETT") up to the full amount of outstanding transition bonds due March 1, 2004 and September 1, 2007 (\$1.132 billion outstanding at June 30, 2000) with refunding transition bonds having a final maturity not later than March 1, 2011. This request was approved in the Commission's Orders of November 2, 2000 (Holding Co. Act Release No. 35-27266) and December 8, 2000 (Holding Co. Act Release No. 35-27296) (collectively, the "Prior Order"). On March 1, 2001 PETT refinanced approximately \$805 million of the prior transition bonds through the issuance of Series 2001-A Transition Bonds. Further details regarding PETT's obligations and outstanding transition bonds (the "Outstanding Transition Bonds") at September 30, 2001 are set forth in PETT's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 in File No. 333-58055.

In Amendment No. 5 (Third Post-Effective) to the Original Financing U-1, Exelon sought approval under Section 13 of the Public Utility Holding Company Act of 1935 (the "Act") for PECO to provide certain servicing functions to PETT (described in more detail below) at a price not restricted to cost. Exelon will withdraw that request from Docket 70-9693 and instead is making the same request under this Form U-1 as more fully set forth below.

Exelon is the registered holding company parent of PECO and Commonwealth Edison Company ("ComEd") and certain other subsidiaries. A merger creating Exelon was approved by the Commission on October 19, 2000 (the "Merger Order," Holding Co. Act Release No. 35-27256; 70-9645). Exelon filed its notice of intent to register as a holding company under the Act on October 20, 2000.

Under the terms of PECO's settlement of its 1998 restructuring proceeding and the final order of the Pennsylvania Public Utility Commission ("Pennsylvania Commission") approving the settlement, issued on May 14, 1998, PECO is permitted to recover \$5.26 billion in stranded costs over a twelve year period beginning on January 1, 1999. PECO's stranded costs are collected through a non-bypassable transition charge which must be paid by all of PECO's transmission and distribution customers, regardless of whether the customers continue to purchase their electric capacity or energy from PECO. Utilities are authorized to securitize the right to recover all or a portion of these charges through the issuance of transition bonds. This right is known as Intangible Transition Property ("ITP").

As permitted under Pennsylvania law, certain portions of the May 14, 1998 Pennsylvania Commission order were designated a Qualified Rate Order ("QRO")

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authorizing PECO to securitize up to \$4 billion of its recoverable costs through the issuance of "transition bonds." On March 16, 2000 the Pennsylvania Commission issued a second QRO authorizing PECO to securitize an additional \$1 billion. In order to accomplish the approved securitization transactions, PECO created a PETT as an independent special purpose entity. PETT is a statutory business trust established under the laws of the State of Delaware, and was formed on

June 23, 1998 pursuant to a trust agreement between PECO, as grantor, First Union Trust Company, N.A., as issuer trustee, and two beneficiary trustees appointed by PECO. See, PETT's periodic reports filed under the Securities Exchange Act of 1934 in File No. 333-58055. PETT was organized for the special purpose of purchasing from PECO the ITP, issuing transition bonds, pledging its interest in the ITP and other collateral to a bond trustee to secure the transition bonds and performing activities that are necessary and suitable to accomplish these purposes including collecting the specific part of ITP used to pay the bonds, i.e., Intangible Transition Charges ("ITC") collected from PECO customers.

As part of the transactions relating to the currently Outstanding Transition Bonds, PECO and PETT entered into an Amended and Restated Master Servicing Agreement, dated March 25, 1999, as amended May 2, 2000 and March 1, 2001 (the "Servicing Agreement") whereby PECO, as servicer, manages and administers the ITP sold to PETT and collects the ITC related thereto on behalf of PETT. The Servicing Agreement is incorporated herein by reference to Exhibits 10.3 and 10.4 to PETT's Form S-3 Registration Statement in File No. 333-51740.

To help ensure the necessary legal separation for purposes of isolating PETT from PECO for bankruptcy purposes, the rating agencies desire any servicing arrangement to be at a market price so that a successor entity could assume the duties in the event of the bankruptcy of PECO without interruption or an increase in fees. Accordingly, the servicing agreement has provided for such pricing and will continue to do so while any transition bonds remain outstanding. PECO and PETT seek approval under Section 13 of the Act and Rules 87, 90 and 91 as are necessary from the Commission to continue this practice during the period any transition bonds remain outstanding and the Servicing Agreement remains in place. The Commission has approved substantially identical arrangements in other matters./1/

No further authorization is sought in this Application-Declaration regarding financing for the Exelon system and any future financing by the Exelon system will be pursuant to the Prior Orders and the limitations set out therein which should remain unmodified. The order in this docket will relate only to the pricing structure of the Servicing Agreement and will not grant any additional financing authority. To the extent that any future issuance of transition bonds would require Commission approval, such approval will be sought at that time.

Item 2. Fees, Commissions and Expenses

Exelon estimates that total fees, commissions and expenses related hereto will not exceed \$10,000.

Item 3. Applicable Statutory Provisions

Section 13 of the Act and Rules 87, 90 and 91 are considered applicable to the proposed transactions. To the extent that the proposed transactions are considered by the Commission to require authorization, exemption or approval under any other section of the Act or the rules and

/1/ West Penn Power Co., Holding Co. Act Release No. 27091 (Oct. 19,1999).

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Exelon believes that the pricing provisions of the Servicing Agreement may be deemed to have been approved by the Prior Orders or, at least through December 31, 2001, pursuant to the Merger Order. Exelon understands that the Commission does not, and its order herein will not, grant retroactive approval of arrangements under Section 13.

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regulations other than those set forth above, request for such authorization, exception or approval is hereby made.

Item 4. Regulatory Approvals

The Pennsylvania Commission has issued all necessary approvals for the Outstanding Transition Bonds and the Servicing Agreement. No other state or federal regulatory agency other than the Commission under the Act has jurisdiction over the proposed transaction.

Item 5. Procedure

The Applicants hereby request that there be no hearing on this Application-Declaration and that the Commission issue its order as soon as practicable after the filing hereof. Applicants hereby (i) waive a recommended decision by a hearing officer, (ii) waive a recommended decision by any other responsible officer or the Commission, (iii) consent that the Division of Investment Management may assist in the preparation of the Commission's decision and (iv) waive a 30-day waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits

No exhibits are applicable hereto.

Item 7. Information as to Environmental Effects

The proposed transaction involves neither a "major federal action" nor "significantly affects the quality of the human environment" as those terms are used in Section 102(2)(C) of the National Environmental Policy Act, 42 U.S.C. Sec. 4321 et seq. No federal agency is preparing an environmental impact statement with respect to this matter.

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SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the Applicants have duly caused this Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized.

Date: November 27, 2001

PECO Energy Company
PECO Energy Transition Trust, by PECO
Energy Company

By /s/ Frank Frankowski

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Chief Financial Officer and
Vice President Finance