

SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1995-07-28**
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FILER

POTOMAC ELECTRIC POWER CO

CIK: **79732** | IRS No.: **530127880** | State of Incorporation: **VA** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-61379** | Film No.: **95556922**
SIC: **4911** Electric services

Business Address
1900 PENNSYLVANIA AVE NW
C/O M T HOWARD RM 841
WASHINGTON DC 20068
2028722456

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

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

POTOMAC ELECTRIC POWER COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DISTRICT OF COLUMBIA AND VIRGINIA

53-0127880

(IRS EMPLOYER IDENTIFICATION NO.)

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

1900 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C. 20068
(202) 872-2000

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

ELLEN SHERIFF ROGERS
ASSOCIATE GENERAL COUNSEL, ASSISTANT SECRETARY AND ASSISTANT TREASURER
POTOMAC ELECTRIC POWER COMPANY
1900 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20068

(202) 872-3526

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE OF PROCESS)

WITH COPIES TO:

GEORGE B. REID, JR., ESQ.

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20004

STEPHEN K. WAITE, ESQ.

WINTHROP, STIMSON, PUTNAM & ROBERTS

ONE BATTERY PARK PLAZA

NEW YORK, NEW YORK 10004

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to
time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the
following box. []

If any of the securities being registered on this Form are to be offered on a
delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, other than securities offered only in connection with dividend or
interest reinvestment plans, please check the following box. []

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following

box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____
 If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____
 If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

 CALCULATION OF REGISTRATION FEE

<TABLE>
 <CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>
Debt Securities.....	\$250,000,000	\$86,206.90

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee.

Pursuant to Rule 429 under the Securities Act of 1933, each of the Prospectuses filed as part of this Registration Statement may be used as a combined prospectus in connection with the securities registered under this Registration Statement and unsold debt securities having an aggregate offering price of \$100,000,000 previously registered under Registration Statement No. 33-50377 for which a registration fee of \$31,250 was paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

 EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus to be used in separate offerings of Debt Securities: First Mortgage Bonds and Medium-Term Notes, in an aggregate principal amount of \$350,000,000, including \$100,000,000 in principal amount of debt securities registered under Registration Statement No. 33-50377. One prospectus will be used in connection

with the offering of First Mortgage Bonds (the "First Mortgage Bond Prospectus"). The other prospectus will be used in connection with the offering of Medium-Term Notes (the "Medium-Term Note Prospectus"). The First Mortgage Bond Prospectus and the Medium-Term Note Prospectus are identical with the exception of their respective Cover Pages, the section headed "Plan of Distribution," the sections describing the respective Debt Securities, and minor conforming changes to the sections headed "Use of Proceeds," "Experts," and "Legal Opinions." The First Mortgage Bond Prospectus includes a section headed "Description of Bonds and Mortgage" and the Medium-Term Note Prospectus includes a section headed "Description of the Notes."

+++++
+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE +
+WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES +
+LAWS OF ANY SUCH JURISDICTION. +
+++++

PRELIMINARY PROSPECTUS DATED JULY 28, 1995,
SUBJECT TO COMPLETION

POTOMAC ELECTRIC POWER COMPANY

FIRST MORTGAGE BONDS

Potomac Electric Power Company (the "Company") may offer from time to time up to \$350,000,000 aggregate principal amount of its First Mortgage Bonds (the "New Bonds"), which may be offered in one or more series in amounts, at prices and on terms to be determined by market conditions at the time of sale. The aggregate principal amount, rate (or method of calculation) and time of payment of interest, maturity, offering price, any redemption terms, and other specific terms of the series of New Bonds in respect of which this Prospectus is being delivered, are set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement"). The amount of First Mortgage Bonds to be offered hereby will be reduced by the amount of any Medium-Term Notes sold pursuant to the Registration Statements of which this Prospectus is a part. See "Description of Bonds and Mortgage."

The Company may sell the New Bonds through underwriters designated by the Company or through dealers, directly to a limited number of institutional purchasers, or through agents. See "Plan of Distribution." The Prospectus Supplement sets forth the names of such underwriters, dealers or agents, if any, any applicable commissions or discounts and the net proceeds to the Company from such sale.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 1995

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS NOT AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. EXCEPT AS OTHERWISE INDICATED HEREIN, THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT SPEAKS AS OF THE DATE THEREOF AND DOES NOT PURPORT TO REFLECT ANY CHANGES IN THE AFFAIRS OF THE COMPANY THEREAFTER.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files periodic and current reports and other information with the Securities and Exchange Commission (the "Commission"). Information concerning directors and officers, their remuneration and any material interest of such persons in transactions with the Company, as of particular dates, is disclosed in such reports and in proxy statements distributed to shareholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C.; 500 West Madison Street, Suite 1400, Chicago, Illinois; and 7 World Trade Center, New York, New York. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, reports, proxy statements and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, Inc., where certain securities of the Company are listed.

The Company has filed with the Commission registration statements on Form S-3 relating to the First Mortgage Bonds (herein, together with all amendments and exhibits, referred to as the "Registration Statements") under the Securities Act of 1933, as amended (the "1933 Act"). This Prospectus does not contain all of the information set forth in the Registration Statements, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statements.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the Commission under the 1934 Act are incorporated by reference in this Prospectus:

(a) The Company's Annual Report on Form 10-K for the year ended December 31, 1994.

(b) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1995 and June 30, 1995.

(c) The Company's Current Reports on Form 8-K dated January 27, 1995 and dated May 19, 1995.

All documents subsequently filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of the filing of such documents. Any statement contained in an incorporated document shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other incorporated document subsequently filed or in an accompanying Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THE COMPANY HEREBY UNDERTAKES TO FURNISH, WITHOUT CHARGE, TO EACH PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM A COPY OF THIS PROSPECTUS HAS BEEN DELIVERED, ON THE WRITTEN OR ORAL REQUEST OF ANY SUCH PERSON, A COPY OF ANY OR ALL OF THE DOCUMENTS REFERRED TO ABOVE WHICH HAVE BEEN OR MAY BE INCORPORATED BY REFERENCE IN THIS PROSPECTUS, OTHER THAN EXHIBITS TO SUCH DOCUMENTS. REQUESTS FOR SUCH DOCUMENTS SHOULD BE DIRECTED TO ELLEN SHERIFF ROGERS, ASSOCIATE GENERAL COUNSEL, ASSISTANT SECRETARY AND ASSISTANT TREASURER, POTOMAC ELECTRIC POWER COMPANY, 1900 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C. 20068 (202-872-3526).

THE COMPANY

Potomac Electric Power Company, a District of Columbia and Virginia corporation (the "Company"), is engaged in the generation, transmission, distribution and sale of electric energy in the Washington, D.C. metropolitan area, including the District of Columbia and major portions of Montgomery and Prince George's Counties in Maryland. It also supplies, at wholesale, electric energy to the Southern Maryland Electric Cooperative, Inc., which distributes electricity in Calvert, Charles, Prince George's and St. Mary's Counties in southern Maryland. The Company's wholly owned nonutility subsidiary, Potomac Capital Investment Corporation ("PCI"), was organized in late 1983 with the

objective of supplementing utility earnings and building long-term value. The principal assets of PCI are portfolios of securities and equipment leases, and to a lesser extent real estate and other investments. In May 1995, PCI announced adoption of a plan to end its investment in the aircraft equipment leasing business. The mailing address of the Company's executive offices is 1900 Pennsylvania Avenue, N.W., Washington, D.C. 20068, and its telephone number is 202-872-2000.

USE OF PROCEEDS

The Company may offer from time to time pursuant to this Prospectus up to an aggregate principal amount of \$350,000,000 of its First Mortgage Bonds.

The proceeds from the sale of the securities offered hereby will be used to refund short-term debt incurred primarily to finance, on a temporary basis, the Company's utility construction program and operations, and to refund the Company's senior securities, including the retirement of long-term debt and the satisfaction of contractual sinking fund requirements.

SELECTED FINANCIAL INFORMATION

The following is a selection of certain consolidated financial information of the Company which was derived from, and is qualified in its entirety by, the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1994, and the unaudited consolidated financial information contained in its Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, which are available as described herein under "Incorporation of Certain Documents by Reference." The interim financial data are unaudited; however, in the opinion of the management of the Company, such data reflect all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the results of operations for the interim periods presented.

<TABLE>
<CAPTION>

	12 MONTHS ENDED			
	JUNE 30, 1995	DEC. 31, 1994	DEC. 31, 1993	DEC. 31, 1992 (1)
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Income Statement Data:				
Total Revenue.....	\$ 1,772,847	\$ 1,823,074	\$ 1,725,205	\$ 1,601,558
Operating Revenue.....	1,761,147	1,790,600	1,702,442	1,562,167
Net Income.....	87,646	227,162	241,579	216,782
Earnings for Common Stock.....	70,949	210,725	225,324	202,390
Earnings Per Share of Common Stock.....	.60	1.79	1.95	1.80
Balance Sheet Data at end of				

period:

Property and Plant, net..... \$ 4,343,543 \$ 4,298,260 \$ 4,131,142 \$ 3,931,257

</TABLE>

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(1) In 1992, Net Income and Earnings for Common Stock include \$16,022,000, and Earnings Per Share of Common Stock includes \$.14, from the cumulative effect of a change in accounting to provide for the accrual of revenue for service rendered but unbilled.

<TABLE>

<CAPTION>

	AS OF JUNE 30, 1995		
	AMOUNT	RATIO	
	(THOUSANDS)		
<S>	<C>	<C>	<C>
Capital Structure (excluding nonutility subsidiary debt and current maturities):			
Long-Term Debt.....	\$1,703,370	44.9%	
Preferred Stock.....	268,886	7.1	
Common Equity.....	1,818,554	48.0	
Total Capitalization.....	\$3,790,810	100.0%	
Parent Company Long-Term Debt Due in One Year and Short-Term Debt.....	\$ 419,000		

</TABLE>

RATIOS OF EARNINGS TO FIXED CHARGES

<TABLE>

<CAPTION>

	12 MONTHS ENDED					
	JUNE 30, 1995	DEC. 31, 1994	DEC. 31, 1993	DEC. 31, 1992	DEC. 31, 1991	DEC. 31, 1990
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Parent company only.....	2.87	3.23	3.20	2.73	2.86	2.79
Fully consolidated.....	1.47	2.37	2.31	2.19	2.23	2.14

</TABLE>

For purposes of computing the ratio of earnings to fixed charges for rate-regulated public utilities, earnings represent net income before cumulative effect of accounting changes plus income taxes and fixed charges. Fixed charges represent interest charges on debt (exclusive of credits arising from the allowance for funds used during construction) and the portion of rentals deemed representative of the interest factor.

DESCRIPTION OF BONDS AND MORTGAGE

GENERAL. The New Bonds are to be issued under the Mortgage and Deed of Trust dated July 1, 1936, between the Company and The Riggs National Bank of Washington, D.C., as Trustee (the "Trustee"), as amended and supplemented and as to be supplemented by a separate supplemental indenture (the "Supplemental Indenture") each time New Bonds are offered under this Prospectus and the accompanying Prospectus Supplement. Said mortgage, as so amended and supplemented and to be supplemented, is herein sometimes called the "Mortgage." Copies of the documents currently constituting the Mortgage are exhibits to the Registration Statements, as is the form of the Supplemental Indenture.

Reference is made to the Prospectus Supplement which accompanies this Prospectus for the following terms and other information with respect to the New Bonds being offered thereby: (1) the designation and aggregate principal amount of such New Bonds; (2) the date on which such New Bonds will mature; (3) the rate per annum at which such New Bonds will bear interest, or the method of determining such rate; (4) the dates on which such interest will be payable; (5) any redemption terms; and (6) other specific terms applicable to the New Bonds.

The New Bonds will be available only in fully registered form without coupons in denominations of \$1,000 or any multiple thereof, except as may be set forth in the accompanying Prospectus Supplement. Both principal and interest on the New Bonds will be payable at the agencies of the Company, The Riggs National Bank of Washington, D.C. and Bankers Trust Company, New York, N.Y. The Company will not impose charges for any exchanges of New Bonds.

The Supplemental Indenture will contain no provisions for an improvement and sinking fund or any maintenance and replacement requirement or dividend restriction; neither does the Mortgage nor any indenture supplemental thereto relating to any outstanding Series of Bonds contain any such provisions.

The Mortgage does not contain any covenants or other provisions that specifically are intended to afford holders of the New Bonds special protection in the event of a highly leveraged transaction.

The following statements are outlines of certain provisions contained in the Mortgage and do not purport to be complete. They are qualified by express reference to the cited Sections and Articles of the Mortgage. Certain terms used are as defined in the Mortgage.

SECURITY. The New Bonds will be secured, together with all other Bonds now or hereafter issued under the Mortgage, by a valid and direct first lien (subject to certain leases, Permitted Liens and other minor matters) on substantially all the properties and franchises of the Company (the principal properties being its generating stations and its electric transmission and distribution systems), other than cash, accounts receivable and other liquid assets, securities (including securities evidencing investments in subsidiaries of the Company), leases by the Company as lessor, equipment and materials not installed as part of the fixed property, and electric energy and

other materials, merchandise or supplies produced or purchased by the Company for sale, distribution or use. The Company's 9.72% undivided interest in a mine-mouth, steam-electric generating station, known as the Conemaugh Generating Station, which is located in Indiana County, Pennsylvania, and its associated transmission lines is that of a tenant in common with eight other utility owners. Substantially all of the Company's transmission and distribution lines of less than 230,000 volts, portions of its 230,000 and 500,000 volt transmission lines, substantially all of the Conemaugh transmission lines, and 11 substations are located on land owned by others or on public streets and highways.

The Mortgage contains provisions subjecting after-acquired property (subject to pre-existing and Permitted Liens) to the lien thereof. The lien on such property is, however, subject to rights of persons having superior equities attaching prior to the recording or filing of an appropriate supplemental indenture.

ISSUANCE OF ADDITIONAL BONDS. Additional Bonds ranking equally with the New Bonds may be issued in an aggregate amount of up to (i) 60% of the Net Bondable Value of Property Additions not subject to an

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Unfunded Prior Lien, (ii) the amount of cash deposited with the Trustee (which may thereafter be withdrawn on the same basis that Additional Bonds are issuable under (i) and (iii)), and (iii) the amounts of Bonds retired or to be retired (except out of trust moneys or by any sinking or analogous fund if the fund prevents such use) (Secs. 4, 6 and 7, Art. III; Sec. 4, Art. VIII).

Additional Bonds may not be issued unless Net Earnings of the Company Available for Interest and Property Retirement Appropriations (i.e., earnings before depreciation, amortization, income taxes and interest charges) during 12 of the immediately preceding 15 months shall have been at least twice the annual interest charges on all Bonds and Prior Lien Bonds then outstanding and then being issued, unless they are being issued on the basis of Bonds paid at or redeemed or purchased within two years of maturity or on the basis of Property Additions subject to an Unfunded Prior Lien (which simultaneously becomes a Funded Prior Lien) and the Bonds are issued within two years of the maturity of the Prior Lien Bonds secured by such Prior Liens (Secs. 3, 4 and 7, Art. III). Giving effect to the issuance of the New Bonds at an assumed rate of interest of 8%, such Net Earnings for the twelve months ended June 30, 1995 would be approximately 5.1 times the aggregate annual interest charges referred to above. Such coverage would permit issuance of approximately \$2.2 billion of mortgage bonds (in addition to the New Bonds) at an assumed average interest rate of 8% per annum, against property additions or cash deposits, although only approximately \$360 million of such additional bonds could currently be issued in compliance with unbonded net property addition limitations contained in the Mortgage.

So long as any New Bonds are outstanding, Property Additions constructed or acquired on or before December 31, 1946 may not be made the basis for the issue of Bonds, or the withdrawal of cash, or the reduction of cash required

to be paid to the Trustee (Sec. 2, Part IV, Supplemental Indenture).

Prior Lien Bonds secured by an Unfunded Prior Lien may be issued under the circumstances and subject to the limitations contained in the Mortgage (Sec. 16, Art. IV).

After giving effect to the issuance of the New Bonds (which are to be issued against Property Additions), approximately \$600 million of the Property Additions as of June 30, 1995 will remain available for the purposes permitted in the Mortgage, including the issuance of Bonds.

RELEASE OF PROPERTY. The Mortgage permits property to be released from the lien of the Mortgage upon compliance with the provisions thereof. Such provisions generally require that cash be deposited with the Trustee in an amount equal to the fair value of the property to be released. The Mortgage permits the Company to reduce such amounts of cash otherwise required to be deposited by substituting a like amount of Bonds retired. The Mortgage also contains certain requirements relating to the withdrawal of cash deposited to obtain a release of property (Art. VII and Art. VIII).

MODIFICATION OF MORTGAGE. With the consent of the holders of 80% in amount of Bonds and of 80% in amount of Bonds of each series affected if less than all are affected, the Mortgage may be changed except to affect the terms of payment of the principal or interest on any Bonds or to reduce the percentage of Bondholders required to effect any change (Sec. 6, Art. XV).

The Supplemental Indenture, however, provides that the foregoing percentages shall be reduced to 60% upon the consent or agreement to such change by the holders of all outstanding Bonds. Purchasers of the New Bonds will be deemed to have agreed to such reduction pursuant to the terms of the Supplemental Indenture.

EVENTS OF DEFAULT. The holders of 25% in amount of Bonds, upon any Event of Default, may require the Trustee to accelerate maturity of the Bonds (although a majority in amount of Bonds may waive such default and rescind such acceleration if such default is cured) and to enforce the lien of the Mortgage upon being indemnified to its satisfaction (Sec. 1 and 4, Art. IX).

The holders of a majority in amount of Bonds may direct proceedings for the sale of the trust estate, or for the appointment of a receiver or any other proceedings under the Mortgage, but have no right to involve the Trustee in any personal liability without indemnifying it to its satisfaction (Sec. 11, Art. IX).

Events of Default include failure to pay principal, failure for 30 days to pay interest or to satisfy any improvement, maintenance or sinking fund obligation, failure for 60 days (after notice by the Trustee or the holders of 15% in amount of Bonds) to perform any other covenant, and certain events of bankruptcy, insolvency or reorganization (Sec. 1, Art. IX).

While the Mortgage by its terms does not require that periodic evidence be furnished to the Trustee as to the absence of default or as to compliance with the terms of the Mortgage, the Trust Indenture Act of 1939, as amended, now requires that annual certificates as to the absence of such defaults be furnished to the Trustee.

RELATIONSHIPS WITH TRUSTEE. The Riggs National Bank of Washington, D.C. ("Riggs Bank") is Trustee under the Company's General Retirement Plan, Savings Plan for Exempt Employees, Savings Plan for Non-Bargaining Unit, Non-Exempt Employees, and Savings Plan for Bargaining Unit Employees. The Company has with Riggs Bank, as it has with various other banks, demand deposit accounts. Riggs Bank is one of a number of banks with which the Company has conventional and revolving credit arrangements and also performs various other banking-related services for the Company.

PLAN OF DISTRIBUTION

The Company may sell the New Bonds: (i) through underwriters or dealers; (ii) directly to one or more purchasers; (iii) through agents or; (iv) through a combination of any such methods of sale. The Prospectus Supplement with respect to any New Bonds being offered thereby sets forth the terms of the offering of such New Bonds, including the name or names of any underwriters, the purchase price of such New Bonds and the proceeds to the Company from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers and any securities exchanges on which such New Bonds may be listed.

If underwriters are used in the sale, the New Bonds will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The New Bonds may be offered to the public, either through underwriting syndicates represented by the underwriter or underwriters to be designated by the Company or directly by one or more of such firms. Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase the New Bonds offered thereby will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all such New Bonds if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

New Bonds may be sold directly by the Company or through agents designated by the Company from time to time. The Prospectus Supplement sets forth the name of any agent involved in the offer or sale of the New Bonds in respect of which the Prospectus Supplement is delivered as well as any commission payable by the Company to such agent. Unless otherwise indicated in the Prospectus Supplement, any such agent is acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement, the Company will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase the New Bonds from the Company at the public offering price set forth in the Prospectus Supplement pursuant to delayed delivery

contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to those conditions set forth in the Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Agents and underwriters may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the 1933 Act. Agents and underwriters may be customers of, engaged in transactions with, or perform services for the Company in the ordinary course of business.

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EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 have been so incorporated in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited consolidated financial information of the Company for the three month periods ended March 31, 1995 and 1994, and the six month periods ended June 30, 1995 and 1994 incorporated by reference in this Prospectus, Price Waterhouse LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated May 1, 1995 and July 28, 1995, incorporated by reference herein, state that they did not audit and they do not express opinions on that unaudited consolidated financial information. Price Waterhouse LLP has not carried out any significant or additional audit tests beyond those which would have been necessary if such reports had not been incorporated by reference. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Price Waterhouse LLP is not subject to the liability provisions of Section 11 of the 1933 Act for their reports on the unaudited consolidated financial information because each such report is not a "report" or a "part" of the registration statement prepared or certified by Price Waterhouse LLP within the meaning of Sections 7 and 11 of the 1933 Act.

The statements as to matters of law and legal conclusions contained under "Description of Bonds and Mortgage--Security" have been prepared under the supervision of, and reviewed by, William T. Torgerson, Esq., Senior Vice President and General Counsel for the Company, and are made on his authority.

LEGAL OPINIONS

Certain legal matters in connection with the securities to be offered hereby will be passed upon for the Company by Covington & Burling, 1201 Pennsylvania Avenue, N.W., Washington, D.C., and William T. Torgerson, Esq., 1900 Pennsylvania Avenue, N.W., Washington, D.C. Mr. Torgerson is regularly employed by the Company as Senior Vice President and General Counsel. Unless

otherwise indicated in the accompanying Prospectus Supplement, the legality of such securities will be passed upon for the underwriter, dealer or agents by Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, N.Y., who will, however, not pass on the incorporation of the Company.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE +
+WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES +
+LAWS OF ANY SUCH JURISDICTION. +
+++++

PRELIMINARY PROSPECTUS DATED JULY 28, 1995,
SUBJECT TO COMPLETION

POTOMAC ELECTRIC POWER COMPANY

MEDIUM-TERM NOTES

Potomac Electric Power Company (the "Company") may offer from time to time up to \$350,000,000 aggregate principal amount of its Medium-Term Notes (the "Notes") having maturities ranging from nine months to thirty years from the date of issuance. Each Note will bear interest at a rate or pursuant to an interest rate formula determined by the Company at or prior to the sale thereof. The aggregate principal amount, the interest rate or formula for determining such rate, interest payment dates for floating rate Notes, purchase price, date of maturity, redemption terms, if any, and certain other variable terms with respect to the Notes will be set forth in the accompanying Prospectus Supplement (the "Prospectus Supplement") or Pricing Supplement thereto (the "Pricing Supplement") to be filed with respect to the issuance and sale of Notes. The terms upon which each issuance and sale of Notes are offered, together with the names of the agents and the agents' commissions or discounts, if applicable, will also be set forth in the Prospectus Supplement or Pricing Supplement. See "Plan of Distribution" regarding possible indemnification arrangements for agents. The amount of Medium-Term Notes to be offered hereby will be reduced by the amount of any First Mortgage Bonds sold pursuant to the Registration Statements of which this Prospectus is a part. See "Description of the Notes."

The Notes may be offered on a continuous basis by the Company through agents. The Notes may also be sold by the Company to any agent at negotiated discounts for its own account or for resale to one or more investors. The Notes will not be listed on any securities exchange. The Company or the agents may reject, in whole or in part, any offer to purchase the Notes. See "Plan of Distribution."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is , 1995

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS IS NOT AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION. EXCEPT AS OTHERWISE INDICATED HEREIN, THIS PROSPECTUS SPEAKS AS OF ITS DATE AND DOES NOT PURPORT TO REFLECT ANY CHANGES IN THE AFFAIRS OF THE COMPANY THEREAFTER.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files periodic and current reports and other information with the Securities and Exchange Commission (the "Commission"). Information concerning directors and officers, their remuneration and any material interest of such persons in transactions with the Company, as of particular dates, is disclosed in such reports and in proxy statements distributed to shareholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C.; 500 West Madison Street, Suite 1400, Chicago, Illinois; and 7 World Trade Center, New York, New York. Copies of such material can also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, reports, proxy statements and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, Inc., where certain securities of the Company are listed.

The Company has filed with the Commission registration statements on Form S-3 relating to the Notes (herein, together with all amendments and exhibits, referred to as the "Registration Statements") under the Securities Act of 1933, as amended (the "1933 Act"). This Prospectus does not contain all of the information set forth in the Registration Statements, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company with the Commission under the 1934 Act are incorporated by reference in this Prospectus:

(a) The Company's Annual Report on Form 10-K for the year ended December 31, 1994.

(b) The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1995 and June 30, 1995.

(c) The Company's Current Reports on Form 8-K dated January 27, 1995 and dated May 19, 1995.

All documents subsequently filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of the filing of such documents. Any statement contained in an incorporated document shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other incorporated document subsequently filed or in an accompanying Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THE COMPANY HEREBY UNDERTAKES TO FURNISH, WITHOUT CHARGE, TO EACH PERSON, INCLUDING ANY BENEFICIAL OWNER, TO WHOM A COPY OF THIS PROSPECTUS HAS BEEN DELIVERED, ON THE WRITTEN OR ORAL REQUEST OF ANY SUCH PERSON, A COPY OF ANY OR ALL OF THE DOCUMENTS REFERRED TO ABOVE WHICH HAVE BEEN OR MAY BE INCORPORATED BY REFERENCE IN THIS PROSPECTUS, OTHER THAN EXHIBITS TO SUCH DOCUMENTS. REQUESTS FOR SUCH DOCUMENTS SHOULD BE DIRECTED TO ELLEN SHERIFF ROGERS, ASSOCIATE GENERAL COUNSEL, ASSISTANT SECRETARY AND ASSISTANT TREASURER, POTOMAC ELECTRIC POWER COMPANY, 1900 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C. 20068 (202-872-3526).

THE COMPANY

Potomac Electric Power Company, a District of Columbia and Virginia corporation (the "Company"), is engaged in the generation, transmission, distribution and sale of electric energy in the Washington, D.C. metropolitan area, including the District of Columbia and major portions of Montgomery and Prince George's Counties in Maryland. It also supplies, at wholesale, electric energy to the Southern Maryland Electric Cooperative, Inc., which distributes electricity in Calvert, Charles, Prince George's and St. Mary's Counties in southern Maryland. The Company's wholly owned nonutility subsidiary, Potomac

Capital Investment Corporation ("PCI"), was organized in late 1983 with the objective of supplementing utility earnings and building long-term value. The principal assets of PCI are portfolios of securities and equipment leases, and to a lesser extent real estate and other investments. In May 1995, PCI announced adoption of a plan to end its investment in the aircraft equipment leasing business. The mailing address of the Company's executive offices is 1900 Pennsylvania Avenue, N.W., Washington, D.C. 20068, and its telephone number is 202-872-2000.

USE OF PROCEEDS

The Company may offer from time to time pursuant to this Prospectus up to an aggregate principal amount of \$350,000,000 of its Medium-Term Notes.

The proceeds from the sale of the Notes will be used to refund short-term debt incurred primarily to finance, on a temporary basis, the Company's utility construction program and operations, and to refund the Company's senior securities, including the retirement of long-term debt and the satisfaction of contractual sinking fund requirements.

SELECTED FINANCIAL INFORMATION

The following is a selection of certain consolidated financial information of the Company which was derived from, and is qualified in its entirety by, the audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1994, and the unaudited consolidated financial information contained in its Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, which are available as described herein under "Incorporation of Certain Documents by Reference." The interim financial data are unaudited; however, in the opinion of the management of the Company, such data reflect all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the results of operations for the interim periods presented.

<TABLE>

<CAPTION>

	12 MONTHS ENDED			
	JUNE 30, 1995	DEC. 31, 1994	DEC. 31, 1993	DEC. 31, 1992 (1)
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Income Statement Data:				
Total Revenue.....	\$ 1,772,847	\$1,823,074	\$1,725,205	\$1,601,558
Operating Revenue.....	1,761,147	1,790,600	1,702,442	1,562,167
Net Income.....	87,646	227,162	241,579	216,782
Earnings for Common Stock....	70,949	210,725	225,324	202,390
Earnings Per Share of Common				

Stock.....	.60	1.79	1.95	1.80
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Balance Sheet Data at end of period:

Property and Plant, net.....	\$ 4,343,543	\$ 4,298,260	\$ 4,131,142	\$ 3,931,257
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(1) In 1992, Net Income and Earnings for Common Stock include \$16,022,000, and Earnings Per Share of Common Stock includes \$.14, from the cumulative effect of a change in accounting to provide for the accrual of revenue for service rendered but unbilled.

<TABLE>
<CAPTION>

	AS OF JUNE 30, 1995	
	AMOUNT	RATIO
	(THOUSANDS)	
	<C>	<C>
Capital Structure (excluding nonutility subsidiary debt and current maturities):		
Long-Term Debt.....	\$ 1,703,370	44.9%
Preferred Stock.....	268,886	7.1
Common Equity.....	1,818,554	48.0
	-----	-----
Total Capitalization.....	\$ 3,790,810	100.0%
	=====	
Parent Company Long-Term Debt Due in One Year and Short-Term Debt.....	\$ 419,000	
	=====	

RATIOS OF EARNINGS TO FIXED CHARGES

<TABLE>
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	12 MONTHS ENDED					
	JUNE 30, 1995	DEC. 31, 1994	DEC. 31, 1993	DEC. 31, 1992	DEC. 31, 1991	DEC. 31, 1990
	<C>	<C>	<C>	<C>	<C>	<C>
Parent company only.....	2.87	3.23	3.20	2.73	2.86	2.79
Fully consolidated.....	1.47	2.37	2.31	2.19	2.23	2.14

For purposes of computing the ratio of earnings to fixed charges for rate-regulated public utilities, earnings represent net income before cumulative effect of accounting change plus income taxes and fixed charges. Fixed charges represent interest charges on debt (exclusive of credits arising from the allowance for funds used during construction) and the portion of rentals deemed representative of the interest factor.

DESCRIPTION OF THE NOTES

The Notes will be issued under an Indenture between the Company and The Bank of New York, as Trustee (the "Trustee"), dated as of July 28, 1989 (such Indenture as originally executed and delivered and as thereafter supplemented and amended, together with any constituent instruments establishing the terms of particular Notes, being herein called the "Indenture"). The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indenture, a copy of which has been incorporated by reference as an exhibit to the Registration Statements of which this Prospectus is a part. The terms and conditions set forth below will apply to each Note unless otherwise specified in the applicable Prospectus Supplement or Pricing Supplement. Certain terms used are defined in the Indenture.

As of the date of this Prospectus, \$350,000,000 aggregate principal amount of Indenture Securities (defined herein) are issued and outstanding (not including the Notes offered hereby). The Notes, issued and to be issued, will be unsecured and will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company from time to time outstanding. As of the date of this Prospectus, an aggregate of \$1,266,600,000 of secured debt is outstanding. The terms of the Notes will not restrict the further incurrence of secured debt by the Company. The Notes will not be subject to any sinking fund.

Unless otherwise specified in a Prospectus Supplement, the Notes will mature on any day from 9 months to 30 years from the date of original issue (the "Original Issue Date"), as selected by the purchaser and agreed to by the Company. Each Note will bear interest at either (a) a fixed rate (a "Fixed Rate Note") or (b) rates determined by reference to a Base Rate (as hereafter defined), which may be adjusted by a Spread or Spread Multiplier (as hereafter defined) (a "Floating Rate Note").

The Notes will be offered on a continuous basis. Reference is made to the Prospectus Supplement or the applicable Pricing Supplement with respect to the Notes described therein for the following terms: (1) the purchase price of such Notes (the "Issue Price"), or a statement that the Notes are being offered by an agent as principal at varying market prices; (2) the Original Issue Date; (3) the stated maturity date of such Notes (the "Maturity Date"); (4) the rate per annum at which such Notes if Fixed Rate Notes will bear interest (the "Interest Rate"); (5) the interest rate formula and other variable terms with respect to Floating Rate Notes; (6) the date or dates from which any such interest shall accrue; (7) the terms for redemption, if any; and (8) any other terms of such Notes.

The Notes will be subject to redemption by the Company on and after the initial redemption date, if any, fixed at the time of sale and set forth in the applicable Pricing Supplement (the "Initial Redemption Date"). If no Initial Redemption Date is indicated with respect to a Note, such Note will

not be redeemable prior to maturity. On and after the Initial Redemption Date with respect to any Note, such Note will be redeemable in whole or in part in increments of \$1,000 at the option of the Company at a redemption price (the "Redemption Price") determined in accordance with the following paragraph, together with interest thereon payable to the date of redemption, on notice given no more than 60 nor less than 30 days prior to the date of redemption.

The Redemption Price for each Note subject to redemption shall initially be equal to a certain percentage (the "Initial Redemption Percentage") of the principal amount of such Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date with respect to such Note by a percentage (the "Annual Redemption Percentage Reduction") of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount. The Initial Redemption Percentage and any Annual Redemption Percentage Reduction with respect to each Note subject to redemption prior to maturity will be fixed at the time of sale and set forth in the applicable Pricing Supplement.

The Notes will be issued only in fully registered certificated or book-entry form without coupons and, except as may otherwise be provided in the applicable Prospectus Supplement or Pricing Supplement, in the denomination of \$1,000 or any multiple thereof. Notes issued in certificated form may be transferred or

exchanged at the offices described in the immediately following paragraphs. In the event the Notes are issued in book-entry form through the facilities of the Depositary (as defined below), transfers or exchanges may be similarly effected through a participating member of the Depositary.

For Notes issued in certificated form, principal and interest will be payable, the transfer of the Notes will be registrable, and Notes will be exchangeable for Notes bearing identical terms and provisions at the office or agency of the Company in The City of New York designated for such purpose; provided, however, that payment of interest, other than interest at maturity (or on any date of redemption if a Note is redeemed prior to maturity), may be made at the option of the Company by check mailed to the address of the person in whose name the applicable Note is registered at the close of business on the Regular Record Date (as hereafter defined) as shown on the security register maintained by the Trustee. Interest will be payable on each date specified in the Note on which an installment of interest is due and payable (an "Interest Payment Date") and at maturity (or any date of redemption). Notwithstanding the foregoing, if the original issue date of a Note is between the Regular Record Date and the initial Interest Payment Date, the initial interest payment will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered holder on such next succeeding Regular Record Date.

No service charge will be made to holders of Notes for any transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or governmental charge incident to the transfer or exchange.

Transfers and exchanges of Notes may be made at the Corporate Trust Office of the Trustee.

Interest payments shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the date of issue, if no interest has been paid with respect to such Note), to, but excluding, the Interest Payment Date, maturity date or date of redemption (an "Interest Accrual Period"). However, in the case of Floating Rate Notes on which the interest rate is reset daily or weekly, the interest payments shall include interest accrued only through and including the Regular Record Date next preceding the applicable Interest Payment Date, except that the interest payment on the maturity date (or any date of redemption) will include interest accrued to, but excluding, such date. The principal and interest payable at maturity (or any date of redemption) on each Note will be paid upon maturity (or any date of redemption) in immediately available funds against presentation of the Note at the Corporate Trust Office of The Bank of New York located at 101 Barclay Street, New York, New York. Interest payable at maturity (or on any date of redemption) will be payable to the person to whom the principal of the Note shall be paid. Notwithstanding the above, a holder of \$10,000,000 or more in aggregate principal amount of Notes issued in certificated form having the same Interest Payment Date shall be entitled to receive payments of interest by wire transfer of immediately available funds if appropriate wire transfer instructions have been received by The Bank of New York on or before the Regular Record Date immediately preceding the applicable Interest Payment Date.

The Indenture does not contain any covenants or other provisions that specifically are intended to afford holders of the Notes special protection in the event of a highly leveraged transaction.

BOOK-ENTRY NOTES. The Notes may be issued in whole or in part in the form of one or more fully-registered Notes (each, a "Book-Entry Note") which will be deposited with, or on behalf of, The Depository Trust Company, New York (the "Depository") and registered in the name of the Depository's nominee. Except as set forth below, the Book-Entry Note may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any nominee to a successor of the Depository or a nominee of such successor.

Upon the issuance of Notes by the Company represented by a Book-Entry Note, the Depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the Notes represented by such Book-Entry Note to the accounts of participants. The accounts to be credited shall be designated by the agents for such Notes, or by the Company if such Notes are offered and sold directly by the Company. Ownership of beneficial interests in a Book-Entry Note will be limited to participants or persons that may hold

interests through participants. Ownership of beneficial interests in a Book-Entry Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depository, or by participants or persons that may hold interests through participants. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form. Such limits and such laws may impair the ability to transfer beneficial interests in a Book-Entry Note.

So long as the Depository for a Book-Entry Note, or its nominee, is the registered owner of a Book-Entry Note, the Depository or its nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Book-Entry Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Book-Entry Note will not be entitled to have Notes represented by such Book-Entry Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered the owners or holders thereof under the Indenture.

Principal, premium, if any, and interest payments on Notes issued in book-entry form and represented by one or more Book-Entry Notes will be made by the Company to the Depository or its nominee, as the case may be, as the registered owner of the related Book-Entry Note or Notes. Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Book-Entry Note, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Company expects that the Depository, upon receipt of any payment of principal, premium, if any, or interest in respect of a Book-Entry Note, will credit immediately the accounts of the related participants with payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in such Book-Entry Note as shown on the records of the Depository. The Company also expects that payments by participants to owners of beneficial interests in a Book-Entry Note will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants.

The Depository has advised the Company that it is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either

directly or indirectly. Persons who are not participants may beneficially own securities held by the Depositary only through participants.

If the Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Company within 90 days, the Company will issue Notes in certificated form in exchange for each Book-Entry Note. In addition, the Company may at any time determine not to have Notes represented by one or more Book-Entry Notes, and, in such event, will issue Notes in certificated form in exchange for the Book-Entry Note or Notes representing such Notes. Further, if the Company so specifies with respect to a Book-Entry Note, an owner of a beneficial interest in such Book-Entry Note may, on terms acceptable to the Company and the Depositary, receive Notes in certified form. In any such instance, an owner of a beneficial interest in a Book-Entry Note will be entitled to physical delivery in certificated form of Notes equal in principal amount to such beneficial interest and to have such Notes registered in its name. Notes so issued in certificated form will be issued in the denomination of \$1,000 or any multiple thereof and will be issued in registered form only.

FIXED RATE NOTES

Each Fixed Rate Note will bear interest from the date of issue at the rate per annum stated on the face thereof until the principal amount thereof is paid or made available for payment. Interest on Fixed Rate Notes will be payable semiannually on each February 1 and August 1 Interest Payment Date and at maturity (or any date of redemption). The "Regular Record Date" for Fixed Rate Notes will be the fifteenth day of the month next preceding the February 1 or August 1 Interest Payment Date. Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any Interest Payment Date or the maturity date (or any date of redemption) on a Fixed Rate Note falls on a day that is not a Business Day (as hereafter defined), the payment shall be made on the next Business Day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date (or any date of redemption), as the case may be.

FLOATING RATE NOTES

Unless otherwise specified in the applicable Prospectus Supplement or Pricing Supplement, Floating Rate Notes will be issued as described below. Interest on Floating Rate Notes will be determined by reference to a "Base Rate," which shall be the "Commercial Paper Rate" ("Commercial Paper Rate Notes"), "LIBOR" ("LIBOR Notes"), the "Treasury Rate" ("Treasury Rate Notes"), the "CD Rate" ("CD Rate Notes") or other interest rate formula, based upon the Index Maturity and adjusted by a Spread or Spread Multiplier, if any, as specified in the applicable Pricing Supplement. The "Index Maturity" is the period to maturity of the instrument or obligation from which the Base Rate is calculated. The "Spread" is the number of basis points above or below the Base Rate applicable to such Floating Rate Note, and the "Spread Multiplier" is the

percentage of the Base Rate applicable to the interest rate for such Floating Rate Note. The Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes are subject to change by the Company from time to time, but no such change will affect any Floating Rate Note theretofore issued or as to which an offer has been accepted by the Company.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Prospectus Supplement or Pricing Supplement. The "Interest Rate Reset Date" will be, in the case of Floating Rate Notes which reset daily, each day; in the case of Floating Rate Notes which reset weekly, the Wednesday of each week (with the exception of weekly reset Treasury Rate Notes which reset the Tuesday of each week, except as specified below); in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes which reset semi-annually, the third Wednesday of the two months specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of the month specified in the applicable Pricing Supplement. If any Interest Rate Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Rate Reset Date shall be postponed to the next succeeding day that is a Business Day, except that in the case of a LIBOR Note, if such next succeeding Business Day is in the next succeeding calendar month, such Interest Rate Reset Date shall be the next preceding Business Day. Unless otherwise specified in the applicable Prospectus Supplement or Pricing Supplement, "Business Day" means any day, other than a Saturday or Sunday, on which banks in The City of New York (and, with respect to LIBOR Notes, the City of London) are not required or authorized by law to close.

The interest rate applicable to each Interest Accrual Period commencing on an Interest Rate Reset Date will be the rate determined on the "Interest Rate Determination Date." The Interest Rate Determination Date with respect to the Commercial Paper Rate and CD Rate will be the second Business Day preceding the Interest Rate Reset Date. The Interest Rate Determination Date with respect to LIBOR will be the second London Banking Date (defined in "LIBOR Notes" below) preceding an Interest Rate Reset Date. With respect to the Treasury Rate the Interest Rate Determination Date will be the day of the week in which the Interest Rate Reset Date falls on which Treasury bills normally would be auctioned; provided, however, that if as a result of a legal holiday an auction is held on the Friday of the week preceding the Interest Rate Reset Date, the related Interest Rate

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Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Rate Reset Date then the Interest Rate Reset Date shall instead be the first Business Day following such auction.

A Floating Rate Note may also have either or both of the following: (i) a maximum limit ("Maximum Interest Rate"), or ceiling, on the rate of interest

which may accrue during any Interest Accrual Period; and (ii) a minimum limit ("Minimum Interest Rate"), or floor, on the rate of interest which may accrue during any Interest Accrual Period. In addition to any Maximum Interest Rate which may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. The limit does not apply to Floating Rate Notes in which \$2,500,000 or more has been invested.

The applicable Prospectus Supplement or Pricing Supplement will specify each variable term with respect to each Floating Rate Note, including the following: Initial Interest Rate, Interest Rate Reset Dates, Interest Payment Dates, Index Maturity, Maturity, Maximum Interest Rate and Minimum Interest Rate, if any, the Spread or Spread Multiplier, if any, and terms of redemption, if any.

Each Floating Rate Note will bear interest from the date of issue at the rates determined as described below until the principal thereof is paid or otherwise made available for payment. Except as provided below, interest will be payable, in the case of Floating Rate Notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the applicable Pricing Supplement; in the case of Floating Rate Notes which reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes which reset semi-annually, on the third Wednesday of the two months of each year specified in the applicable Pricing Supplement; in the case of Floating Rate Notes which reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement; and, in each case, at maturity (or any date of redemption).

If any Interest Payment Date for any Floating Rate Note would fall on a day that is not a Business Day with respect to such Note, such Interest Payment Date will be the following day that is a Business Day with respect to such Note, except that, in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day with respect to such LIBOR Note. If the Maturity Date (or any date of redemption) of any Floating Rate Note would fall on a day that is not a Business Day, the payment of interest and principal (and premium, if any) shall be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after the Maturity Date (or any date of redemption).

The "Regular Record Date" with respect to Floating Rate Notes will be the date 15 calendar days (whether or not a Business Day) prior to the applicable Interest Payment Date.

With respect to a Floating Rate Note, accrued interest is calculated by multiplying the face amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day from the date of issue, or from the last date to which interest has been paid, to the date for which accrued interest is being

calculated. The interest factor for each such day is computed by dividing the interest rate applicable to such day by 360 in the case of CD Rate Notes, Commercial Paper Rate Notes and LIBOR Notes, or by the actual number of days in the year in the case of Treasury Rate Notes.

All percentages resulting from any calculation on Floating Rate Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward, (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on Floating Rates Notes will be rounded to the nearest cent (with one-half cent being rounded upward).

Unless otherwise provided for in the applicable Prospectus Supplement or Pricing Supplement, The Bank of New York will be the "Calculation Agent." Upon the request of the holder of any Floating Rate Note, the Trustee will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next Interest Rate Reset Date with respect to such Floating Rate Note. The Company, or the Calculation Agent, will notify the Trustee of each determination of the interest rate applicable to any such Floating Rate Note promptly after such determination is made. The "Calculation Date," where applicable, pertaining to any Interest Rate Determination Date will be the tenth calendar day after such Interest Rate Determination Date, or, if any such day is not a Business Day, the next succeeding Business Day.

The interest rate in effect with respect to a Floating Rate Note from the date of issue to the first Interest Rate Reset Date (the "Initial Interest Rate") will be specified in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Prospectus Supplement or Pricing Supplement, the interest rate determined with respect to any Interest Rate Determination Date will become effective on and as of the next succeeding Interest Rate Reset Date; provided, however, the interest rate in effect for the period from the date of issue to the first Interest Rate Reset Date will be the Initial Interest Rate, and the interest rate in effect for the ten days immediately prior to the maturity date (or any date of redemption) will be that in effect on the tenth day preceding such maturity date (or such date of redemption). The interest rate for each subsequent Interest Rate Reset Date will be determined by the Calculation Agent as follows:

CD RATE NOTES

CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread or Spread Multiplier, if any) specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Prospectus Supplement or Pricing Supplement, "CD Rate" means, with respect to any Interest Rate Determination Date relating to a CD Rate Note (a "CD Rate Interest

Determination Date"), the rate on such date for negotiable certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates," or any successor publication ("H.15(519)"), under the heading "CDs (Secondary Market)," or, if not so published by 3:00 P.M., New York City time, on or prior to the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified in the applicable Pricing Supplement as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" ("Composite Quotations") under the heading "Certificates of Deposit." If such rate is not yet published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on the Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 3:00 P.M., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity designated in the Pricing Supplement in denominations of \$5,000,000; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as set forth above, the CD Rate will remain the CD Rate then in effect on such CD Rate Interest Determination Date.

COMMERCIAL PAPER RATE NOTES

Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread or Spread Multiplier, if any) specified in the applicable Pricing Supplement.

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Unless otherwise indicated in the applicable Prospectus Supplement or Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Rate Determination Date relating to a Commercial Paper Rate Note (a "Commercial Paper Rate Interest Determination Date"), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement, as such rate shall be published by the Board of Governors of the Federal Reserve System in H.15(519), under the heading "Commercial Paper." In the event that such rate is not published prior to 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Rate Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper of the specified Index Maturity as published in Composite Quotations under the heading "Commercial Paper." If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or

Composite Quotations, then the Commercial Paper Rate shall be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized rating agency; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the rate of interest in effect for the applicable period will remain the rate of interest then in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" shall be the yield calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the interest period for which interest is being calculated.

LIBOR NOTES

LIBOR Notes will bear interest at the interest rates (calculated with reference to LIBOR and the Spread or Spread Multiplier, if any) specified in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Prospectus Supplement or Pricing Supplement, LIBOR with respect to any Interest Rate Determination Date relating to a LIBOR Note (a "LIBOR Interest Determination Date") will equal the arithmetic mean (as determined by the Calculation Agent) of the offered rates which appear as of 11:00 A.M., London time, on the Reuters Screen LIBOR Page on the Reuter Monitor Money Rates Service for deposits (in United States dollars for the period of the Index Maturity specified in the applicable Pricing Supplement) commencing on the second day on which dealings in deposits in United States dollars are transacted in the London interbank market (a "London Banking Day") immediately following such LIBOR Interest Determination Date; provided, however, that if fewer than two such quotations appear, the Calculation Agent shall request the principal London office of four major banks in the London interbank market selected by the Calculation Agent to provide the Calculation Agent with a quotation of their offered rates at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date for deposits (in United States dollars for the period of the applicable Index Maturity and in a principal amount equal to an amount that is representative for a single transaction in such market at such time) commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date. If at least two such quotations are provided, LIBOR for such LIBOR Interest Determination Date will equal the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR for

such LIBOR Interest Determination Date will equal the arithmetic mean of the rates quoted by three major banks in The City of New York, as selected by the Calculation Agent, at approximately 11:00 A.M., New York City time, on such LIBOR Interest Determination Date for loans to leading European banks (in United States dollars for the period of the applicable Index Maturity and in a

principal amount equal to an amount that is representative for a single transaction in such market at such time) commencing on the second London Banking Day following such LIBOR Interest Determination Date; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR for such LIBOR Interest Determination Date will remain the LIBOR in effect on such LIBOR Interest Determination Date.

TREASURY RATE NOTES

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread or Spread Multiplier, if any) specified in the applicable Pricing Supplement.

Unless otherwise indicated in the applicable Prospectus Supplement or Pricing Supplement, "Treasury Rate" means, with respect to any Interest Rate Determination Date relating to a Treasury Rate Note (a "Treasury Rate Interest Determination Date"), the rate applicable to the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity specified in the applicable Pricing Supplement, as such rate is published in H.15(519) under the heading "Treasury Bills-auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Rate Interest Determination Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. In the event that the results of the auction of Treasury bills having the specified Index Maturity are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the rate of interest in effect for the applicable period will remain the rate of interest in effect on such Treasury Rate Interest Determination Date.

EVENTS OF DEFAULT, WAIVER AND NOTICE. An Event of Default with respect to the Notes of a particular series (the "Series Notes") is defined in the Indenture as (a) default in the payment of any installment of interest on any of the Series Notes and the continuance of such default for a period of 30 days; (b) default in payment of the principal of (and premium, if any, on) any of the Series Notes when due at maturity; (c) default in the deposit of any sinking fund payment due under the Series Notes and the continuance of such default for a period of 3 business days; (d) default by the Company in the performance or breach of any other covenant or warranty contained in the Indenture and the continuance of such default or breach for a period of 60 days after appropriate notice; (e) certain events of bankruptcy, insolvency and reorganization of the Company; and (f) any other Event of Default established with respect to the Series Notes. (Section 501).

The Indenture provides that the Trustee shall, within 90 days after the occurrence of a default with respect to the Series Notes, give all the registered holders of Series Notes then outstanding and any other holder of Series Notes entitled under the Indenture to receive reports notice of all incurred defaults known to it (the term default to mean any event which is or (after notice or lapse of time) would become an Event of Default); provided that, except in the case of a default in the payment of principal of or interest on any Series Note, the Trustee shall be protected in withholding such notice if it determines in good faith that the withholding of such notice is in the interest of all the holders of the Series Notes. (Section 602).

The Indenture provides that if an Event of Default with respect to the Series Notes shall have occurred and be continuing, either the Trustee or the holders of at least 33% in principal amount (calculated as provided in the

Indenture) of the Series Notes may declare the principal of all of the Series Notes and the interest accrued thereon or any lesser amount specified in the Series Notes to be due and payable immediately. (Section 502).

Upon certain conditions, such declarations of acceleration with respect to Series Notes may be annulled and past defaults (except for defaults in the payment of principal, and premium (if any) or interest on such Series Notes not theretofore cured or in respect of a covenant or provision of the Indenture which cannot be amended or modified without the consent of the holder of each Series Note) may be waived with respect to the Series Notes by the holders of not less than a majority in principal amount (calculated as provided in the Indenture) of the Series Notes. (Section 513).

The Indenture requires that the Company file with the Trustee annually a written statement as to the presence or absence of any defaults in the fulfillment of its obligations under the terms thereof and as to performance and fulfillment of obligations therein. (Section 1005). Prior to the time the Company must provide such written statement, the holders of not less than a majority in principal amount of the Series Notes may waive the Company's obligation to file a written statement as to the presence or absence of any

such defaults. (Section 1006).

The Indenture provides that the holders of not less than a majority in principal amount (calculated as provided in the Indenture) of the Series Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee by the Indenture with respect to defaults or Events of Default with respect to the Series Notes so long as any such direction does not conflict with any provision of the Indenture or is not unduly prejudicial to the rights of other holders of the Series Notes. (Section 512).

In order to require the Trustee to take action with respect to the Series Notes, holders of at least 33% in principal amount (calculated as provided in the Indenture) of the Series Notes shall have made a written request upon the Trustee (Section 507). The Indenture provides that the Trustee shall be under no obligation, subject to the duty of the Trustee during default to act with the required standard of care, to exercise any of the rights or powers vested in it by the Indenture at the direction of the holders of the Series Notes unless such holders shall have offered to the Trustee reasonable security or indemnity against expenses and liabilities. (Section 603).

MODIFICATION OF THE INDENTURE. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 2/3% in principal amount (calculated as provided in the Indenture) of each series of securities, including the Notes, issued and outstanding pursuant to the Indenture (the "Indenture Securities") and affected by such amendment to modify the Indenture or any supplemental indenture or the rights of the holders of the Indenture Securities affected by such modification; provided that no such modification shall, without the consent of each holder of the Indenture Securities affected thereby, change the maturity of principal of or interest on any Indenture Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable upon redemption of any Indenture Security, or reduce the overdue rate thereof or change the currency of payment of principal or interest on any Indenture Security or reduce the percentage in principal amount of Indenture Securities the consent of the holders of which is required for modification or amendment of the Indenture or for waiver of certain defaults or reduce the voting or quorum requirements under the Indenture. (Section 902).

The Indenture also permits the Company and the Trustee to amend the Indenture in certain circumstances without consent of the holders of any Indenture Securities to evidence the merger of the Company or the replacement of the Trustee and for certain other purposes. (Section 901).

RELATIONSHIPS WITH TRUSTEE. The Bank of New York is Trustee for the Company's 5% Convertible Debentures due 2002. The Company has with the Trustee and its affiliates, as it has with various other banks, a demand deposit account and conventional and revolving credit arrangements. The Trustee is the Issuing and Paying Agent for medium-term notes issued by PCI.

PLAN OF DISTRIBUTION

The Notes may be offered on a continuous basis by the Company through agents, each of which will agree to use its best efforts to solicit offers to purchase the Notes. The Company may also sell the Notes to any of the agents at negotiated discounts for such agent's own account or for resale to one or more investors at varying prices related to prevailing market prices at the time of resale, as determined by such agent.

The agents with respect to the offer and sale of any issue of the Notes will be named in the Prospectus Supplement relating thereto. The Prospectus Supplement will also describe the discounts and commissions to be allowed or paid to agents and all other items constituting agents' compensation.

Agents may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the 1933 Act. Agents may be customers of, engage in transactions with or perform services for the Company in the ordinary course of business.

The Notes will not be listed on any securities exchange. There currently is no established trading market for the Notes and no assurance can be given as to the existence or liquidity of a secondary market for the Notes in the future.

EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 have been so incorporated in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

With respect to the unaudited consolidated financial information of the Company for the three month periods ended March 31, 1995 and 1994, and the six month periods ended June 30, 1995 and 1994 incorporated by reference in this Prospectus, Price Waterhouse LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated May 1, 1995 and July 28, 1995, incorporated by reference herein, state that they did not audit and they do not express opinions on that unaudited consolidated financial information. Price Waterhouse LLP has not carried out any significant or additional audit tests beyond those which would have been necessary if such reports had not been incorporated by reference. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Price Waterhouse LLP is not subject to the liability provisions of Section 11 of the 1933 Act for their reports on the unaudited consolidated financial information because each such report is not a "report" or a "part" of the registration statement prepared or certified by Price Waterhouse LLP within the meaning of Sections 7 and 11 of the 1933 Act.

LEGAL OPINIONS

Certain legal matters in connection with the Notes to be offered hereby will be passed upon for the Company by Covington & Burling, 1201 Pennsylvania Avenue, N.W., Washington, D.C., and William T. Torgerson, Esq., 1900 Pennsylvania Avenue, N.W., Washington, D.C. Mr. Torgerson is regularly employed by the Company as Senior Vice President and General Counsel.

PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Estimated expenses relating to the New Bonds (assuming an issuance of \$250,000,000) are as follows:

<S>	<C>
Registration fee.....	\$ 86,207
Recordation taxes.....	1,146,000
Rating Agency fees.....	75,000
Printing.....	125,000
Trustee's fees and expenses.....	90,000
Fee of independent accountants.....	45,000
Fees of counsel.....	80,000
Expenses incidental to qualification under Blue Sky Laws.....	15,000
Miscellaneous.....	40,793

Total.....	\$1,703,000
	=====

</TABLE>

Estimated expenses relating to the Notes (assuming an issuance of \$250,000,000) are as follows:

<S>	<C>
Registration fee.....	\$ 86,207
Rating Agency fees.....	75,000
Trustee's fees and expenses.....	20,000
Printing.....	60,000
Fee of independent accountants.....	45,000
Fees of counsel.....	70,000
Expenses incidental to qualification under Blue Sky Laws.....	15,000
Miscellaneous.....	30,793

Total.....	\$402,000
	=====

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The By-Laws of the Company provide that the Company shall indemnify each director or officer and each former director and officer of the Company against expenses actually and reasonably incurred in connection with the defense of any action, suit or proceeding by reason of his or her being or having been such director or officer, including liabilities incurred under the Securities Act of 1933, as amended, except in relation to matters as to which such director or officer shall be finally adjudged in such action, suit or proceeding to have knowingly violated the criminal law or to be liable for willful misconduct in the performance of his or her duty to the Company; and that such indemnification shall be in addition to, and not exclusive of, any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders, or otherwise.

In the Underwriting Agreement and the Distribution Agreement, the Underwriters and agents will agree to indemnify the Company, its directors, officers and controlling persons against certain civil liabilities that may arise under the Securities Act of 1933 in connection with this offering.

The Company also has policies of insurance which insure officers and directors against certain liabilities and expenses incurred by them in such capacities.

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ITEM 16. EXHIBITS.

<TABLE>

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EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
1.1	--Form of Underwriting Agreement for the New Bonds.....	Filed herewith.
1.2	--Form of Distribution Agreement for the Medium-Term Notes.....	Exh. 1-B to Registration Statement No. 33-48325, 6/2/92.
4.1	--Form of the New Bonds.....	Included in Exhibit No. 4.4.
4.2	--Form of the Medium-Term Notes.	Included in Exhibit No. 4.5.
4.3	--Mortgage and Deed of Trust, dated July 1, 1936, of the Company to The Riggs National Bank of Washington, D.C., as Trustee, securing First Mortgage Bonds of the Company, and Supplemental Indenture dated 7/1/36.....	Exh. B-4 to First Amendment, 6/19/36, to Registration Statement No. 2-2232.
	--Supplemental Indentures, to the aforesaid Mortgage and Deed of Trust, dated--	

December 1, 1939 and December 10, 1939.....	Exhs. A & B to Form 8-K, 1/3/40.
August 1, 1940.....	Exh. A to Form 8-K, 9/25/40.
July 15, 1942 and August 10, 1942.....	Exh. B-1 to Amendment No. 2, 8/24/42, and B-3 to Post-Effective Amendment, 8/31/42, to Registration Statement No. 2-5032.
August 1, 1942.....	Exh. B-4 to Form 8-A, 10/8/42.
October 15, 1942.....	Exh. A to Form 8-K, 12/7/42.
October 15, 1947.....	Exh. A to Form 8-K, 12/8/47.
January 1, 1948.....	Exh. 7-B to Post-Effective Amendment No. 2, 1/28/48, to Registration Statement No. 2-7349.
December 31, 1948.....	Exh. A-2 to Form 10-K, 4/13/49.
May 1, 1949.....	Exh. 7-B to Post-Effective Amendment No. 1, 5/10/49, to Registration Statement No. 2-7948.
December 31, 1949.....	Exh. (a)-1 to Form 8-K, 2/8/50.
May 1, 1950.....	Exh. 7-B to Amendment No. 2, 5/8/50, to Registration Statement No. 2-8430.
February 15, 1951.....	Exh. (a) to Form 8-K, 3/9/51.
March 1, 1952.....	Exh. 4-C to Post-Effective Amendment No. 1, 3/12/52, to Registration Statement No. 2-9435.
February 16, 1953.....	Exh. (a)-1 to Form 8-K, 3/5/53.
May 15, 1953.....	Exh. 4-C to Post-Effective Amendment No. 1, 5/26/53, to Registration Statement No. 2-10246.
March 15, 1954 and March 15, 1955.....	Exh. 4-B to Registration Statement No. 2-11627, 5/2/55.
May 16, 1955.....	Exh. A to Form 8-K, 7/6/55.
March 15, 1956.....	Exh. C to Form 10-K, 4/4/56.

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EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
4.3 cont.	June 1, 1956.....	Exh. A to Form 8-K, 7/2/56.
	April 1, 1957.....	Exh. 4-B to Registration Statement No. 2-13884, 2/5/58.
	May 1, 1958.....	Exh. 2-B to Registration Statement No. 2-14518, 11/10/58.

December 1, 1958.....	Exh. A to Form 8-K, 1/2/59.
May 1, 1959.....	Exh. 4-B to Amendment No. 1, 5/13/59, to Registration Statement No. 2-15027.
November 16, 1959.....	Exh. A to Form 8-K, 1/4/60.
May 2, 1960.....	Exh. 2-B to Registration Statement No. 2-17286, 11/9/60.
December 1, 1960 and April 3, 1961.....	Exh. A-1 to Form 10-K, 4/24/61.
May 1, 1962.....	Exh. 2-B to Registration Statement No. 2-21037, 1/25/63.
February 15, 1963.....	Exh. A to Form 8-K, 3/4/63.
May 1, 1963.....	Exh. 4-B to Registration Statement No. 2-21961, 12/19/63.
April 23, 1964.....	Exh. 2-B to Registration Statement No. 2-22344, 4/24/64.
May 15, 1964.....	Exh. A to Form 8-K, 6/2/64.
May 3, 1965.....	Exh. 2-B to Registration Statement No. 2-24655, 8/16/66.
April 1, 1966.....	Exh. A to Form 10-K, 4/21/66.
June 1, 1966.....	Exh. 1 to Form 10-K, 4/11/67.
April 28, 1967.....	Exh. 2-B to Post-Effective Amendment No. 1 to Registration Statement No. 2-26356, 5/3/67.
May 1, 1967.....	Exh. A to Form 8-K, 6/1/67.
July 3, 1967.....	Exh. 2-B to Registration Statement No. 2-28080, 1/25/68.
February 15, 1968.....	Exh. II-I to Form 8-K, 3/7/68.
May 1, 1968.....	Exh. 2-B to Registration Statement No. 2-31896, 2/28/69.
March 15, 1969.....	Exh. A-2 to Form 8-K, 4/8/69.
June 16, 1969.....	Exh. 2-B to Registration Statement No. 2-36094, 1/27/70.
February 15, 1970.....	Exh. A-2 to Form 8-K, 3/9/70.
May 15, 1970.....	Exh. 2-B to Registration Statement No. 2-38038, 7/27/70.
August 15, 1970.....	Exh. 2-D to Registration Statement No. 2-38038, 7/27/70.
September 1, 1971.....	Exh. 2-C to Registration Statement No. 2-45591, 9/1/72.
September 15, 1972.....	Exh. 2-E to Registration Statement No. 2-45591, 9/1/72.
April 1, 1973.....	Exh. A to Form 8-K, 5/9/73.
January 2, 1974.....	Exh. 2-D to Registration Statement No. 2-49803, 12/5/73.

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EXHIBIT NO.	DESCRIPTION OF EXHIBIT	REFERENCE*
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<u><C></u>	<u><S></u>	<u><C></u>
4.3 cont.	August 15, 1974.....	Exhs. 2-G and 2-H to Amendment No. 1 to Registration Statement No. 2-51698, 8/14/74.
	June 15, 1977.....	Exh. 4-A to Form 10-K, 3/19/81.
	July 1, 1979.....	Exh. 4-B to Form 10-K, 3/19/81.
	June 16, 1981.....	Exh. 4-A to Form 10-K, 3/19/82.
	June 17, 1981.....	Exh. 2 to Amendment No. 1, 6/18/81, to Form 8-A.
	December 1, 1981.....	Exh. 4-C to Form 10-K, 3/19/82.
	August 1, 1982.....	Exh. 4-C to Amendment No. 1 to Registration Statement No. 2-78731, 8/17/82.
	October 1, 1982.....	Exh. 4 to Form 8-K, 11/8/82.
	April 15, 1983.....	Exh. 4 to Form 10-K, 3/23/84.
	November 1, 1985.....	Exh. 2-B to Form 8-A, 11/1/85.
	March 1, 1986.....	Exh. 4 to Form 10-K, 3/28/86.
	November 1, 1986.....	Exh. 2-B to Form 8-A, 11/5/86.
	March 1, 1987.....	Exh. 2-B to Form 8-A, 3/27/87.
	September 16, 1987.....	Exh. 4-B to Registration Statement No. 33-18229, 10/30/87.
	May 1, 1989.....	Exh. 4-C to Registration Statement No. 33-29382, 6/16/89.
	August 1, 1989.....	Exh. 4 to Form 10-K, 3/28/90.
	April 5, 1990.....	Exh. 4-C to Registration Statement No. 33-36875, 9/24/90.
	May 21, 1991.....	Exh. 4 to Form 10-K, 3/27/92.
	May 7, 1992.....	Exh. 4-C to Registration Statement No. 33-48325, 6/2/92.
	September 1, 1992.....	Exh. 4 to Form 10-K, 3/26/93.
	November 1, 1992.....	Exh. 4 to Form 10-K, 3/26/93.
	March 1, 1993.....	Exh. 4 to Form 10-K, 3/26/93.
	March 2, 1993.....	Exh. 4 to Form 10-K, 3/26/93.
	July 1, 1993.....	Exh. 4.4 to Registration Statement No. 33-49973, 8/11/93.
	August 20, 1993.....	Exh. 4.4 to Registration Statement No. 33-50377, 9/23/93.
	September 29, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
	September 30, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
	October 1, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
	February 10, 1994.....	Exh. 4 to Form 10-K, 3/25/94.
	February 11, 1994.....	Exh. 4 to Form 10-K, 3/25/94.
	March 10, 1995.....	Filed herewith.
4.4	--Form of Supplemental Indenture between the Registrant and The Riggs National Bank of Washington, D.C., Trustee, with respect to the New Bonds.....	Filed herewith.
4.5	--Form of Indenture between the Registrant and The Bank of New	

York, Trustee, with respect to Exh. 4 to Form 8-K, 6/21/90.
the Medium-Term Notes.....
5 --Opinion of William T.
Torgerson..... Filed herewith.

</TABLE>

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<TABLE>

<CAPTION>

EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
12	--Computation of Ratios.....	Exh. 12 to Form 10-Q, 7/28/95.
15	--Letter re Unaudited Financial Information.....	Filed herewith.
23.1	--Consent of Price Waterhouse LLP.	Filed herewith.
23.2	--Consent of William T. Torgerson.	Contained in Exhibit 5.
23.3	--Consent of Covington & Burling..	Filed herewith.
24	--Power of Attorney.....	Filed herewith.
25.1	--Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Riggs National Bank of Washington, D.C., with respect to the New Bonds.....	Filed herewith.
25.2	--Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York, with respect to the Medium-Term Notes.....	Exh. 26-B to Registration Statement No. 33-48325, 6/2/92.

</TABLE>

* The exhibits referred to in this column by specific designations and date have heretofore been filed with the Securities and Exchange Commission under such designations and are hereby incorporated herein by reference. The Forms 8-A, 8-K and 10-K referred to above were filed by the Company under the Commission's File No. 1-1072 and the Registration Statements referred to are registration statements of the Company.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after

the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by these paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934

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(and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the By-Laws of the registrant or Virginia or District of Columbia Law, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such

indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted against the registrant by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT THERETO TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, WHO IS DULY AUTHORIZED TO SIGN, IN THE CITY OF WASHINGTON, DISTRICT OF COLUMBIA, ON THE 28TH DAY OF JULY, 1995.

Potomac Electric Power Company
(Registrant)

Edward F. Mitchell*

By _____
(EDWARD F. MITCHELL, CHAIRMAN OF
THE BOARD AND CHIEF EXECUTIVE
OFFICER)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT THERETO HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATE INDICATED.

(i) Principal Executive Officers:

Edward F. Mitchell* Chairman of the
----- Board and Chief
(EDWARD F. MITCHELL) Executive Officer

John M. Derrick, Jr.* President and
----- Director
(JOHN M. DERRICK, JR.)

(ii) Principal Financial Officer:

H. L. Davis* Vice Chairman and
----- Chief Financial
(H. LOWELL DAVIS) Officer and

July 28, 1995

Director

(iii) Principal Accounting Officer:

D. R. Wraase*

Senior Vice
President, Finance
and Accounting

(DENNIS R. WRAASE)

(iv) Directors:

Roger R. Blunt, Sr.*

Director

(ROGER R. BLUNT, SR.)

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A. James Clark*

Director

(A. JAMES CLARK)

Richard E. Marriott*

Director

(RICHARD E. MARRIOTT)

David O. Maxwell*

Director

(DAVID O. MAXWELL)

Floretta D. McKenzie*

Director

(FLORETTA D. MCKENZIE)

Ann D. McLaughlin*

Director

(ANN D. MCLAUGHLIN)

July 28, 1995

Peter F. O'Malley*

Director

(PETER F. O'MALLEY)

Louis A. Simpson*

Director

(LOUIS A. SIMPSON)

A. Thomas Young*

Director

(A. THOMAS YOUNG)

Peyton G. Middleton, Jr.

*By:

(PEYTON G. MIDDLETON, JR.,

<TABLE>

<CAPTION>

EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
1.1	--Form of Underwriting Agreement for the New Bonds.....	Filed herewith.
1.2	--Form of Distribution Agreement for the Medium-Term Notes.....	Exh. 1-B to Registration Statement No. 33-48325, 6/2/92.
4.1	--Form of the New Bonds.....	Included in Exhibit No. 4.4.
4.2	--Form of the Medium-Term Notes.....	Included in Exhibit No. 4.5.
4.3	--Mortgage and Deed of Trust, dated July 1, 1936, of the Company to The Riggs National Bank of Washington, D.C., as Trustee, securing First Mortgage Bonds of the Company, and Supplemental Indenture dated 7/1/36.....	Exh. B-4 to First Amendment, 6/19/36, to Registration Statement No. 2-2232.
	--Supplemental Indentures, to the aforesaid Mortgage and Deed of Trust, dated-- December 1, 1939 and December 10, 1939.....	Exhs. A & B to Form 8-K, 1/3/40.
	August 1, 1940.....	Exh. A to Form 8-K, 9/25/40.
	July 15, 1942 and August 10, 1942.....	Exh. B-1 to Amendment No. 2, 8/24/42, and B-3 to Post-Effective Amendment, 8/31/42, to Registration Statement No. 2-5032.
	August 1, 1942.....	Exh. B-4 to Form 8-A, 10/8/42.
	October 15, 1942.....	Exh. A to Form 8-K, 12/7/42.
	October 15, 1947.....	Exh. A to Form 8-K, 12/8/47.
	January 1, 1948.....	Exh. 7-B to Post-Effective Amendment No. 2, 1/28/48, to Registration Statement No. 2-7349.
	December 31, 1948.....	Exh. A-2 to Form 10-K, 4/13/49.
	May 1, 1949.....	Exh. 7-B to Post-Effective Amendment No. 1, 5/10/49, to Registration Statement No. 2-7948.
	December 31, 1949.....	Exh. (a)-1 to Form 8-K, 2/8/50.
	May 1, 1950.....	Exh. 7-B to Amendment No. 2, 5/8/50, to Registration Statement No. 2-8430.
	February 15, 1951.....	Exh. (a) to Form 8-K, 3/9/51.

March 1, 1952.....	Exh. 4-C to Post-Effective Amendment No. 1, 3/12/52, to Registration Statement No. 2-9435.
February 16, 1953.....	Exh. (a)-1 to Form 8-K, 3/5/53.
May 15, 1953.....	Exh. 4-C to Post-Effective Amendment No. 1, 5/26/53, to Registration Statement No. 2-10246.
March 15, 1954 and March 15, 1955.....	Exh. 4-B to Registration Statement No. 2-11627, 5/2/55.
May 16, 1955.....	Exh. A to Form 8-K, 7/6/55.
March 15, 1956.....	Exh. C to Form 10-K, 4/4/56.

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EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
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4.3 cont.	June 1, 1956.....	Exh. A to Form 8-K, 7/2/56.
	April 1, 1957.....	Exh. 4-B to Registration Statement No. 2-13884, 2/5/58.
	May 1, 1958.....	Exh. 2-B to Registration Statement No. 2-14518, 11/10/58.
	December 1, 1958.....	Exh. A to Form 8-K, 1/2/59.
	May 1, 1959.....	Exh. 4-B to Amendment No. 1, 5/13/59, to Registration Statement No. 2-15027.
	November 16, 1959.....	Exh. A to Form 8-K, 1/4/60.
	May 2, 1960.....	Exh. 2-B to Registration Statement No. 2-17286, 11/9/60.
	December 1, 1960 and April 3, 1961.....	Exh. A-1 to Form 10-K, 4/24/61.
	May 1, 1962.....	Exh. 2-B to Registration Statement No. 2-21037, 1/25/63.
	February 15, 1963.....	Exh. A to Form 8-K, 3/4/63.
	May 1, 1963.....	Exh. 4-B to Registration Statement No. 2-21961, 12/19/63.
	April 23, 1964.....	Exh. 2-B to Registration Statement No. 2-22344, 4/24/64.
	May 15, 1964.....	Exh. A to Form 8-K, 6/2/64.
	May 3, 1965.....	Exh. 2-B to Registration Statement No. 2-24655, 8/16/66.
	April 1, 1966.....	Exh. A to Form 10-K, 4/21/66.
	June 1, 1966.....	Exh. 1 to Form 10-K, 4/11/67.
	April 28, 1967.....	Exh. 2-B to Post-Effective Amendment No. 1 to Registration Statement No. 2-26356, 5/3/67.
	May 1, 1967.....	Exh. A to Form 8-K, 6/1/67.
	July 3, 1967.....	Exh. 2-B to Registration Statement No. 2-28080, 1/25/68.

February 15, 1968.....	Exh. II-I to Form 8-K, 3/7/68.
May 1, 1968.....	Exh. 2-B to Registration Statement No. 2-31896, 2/28/69.
March 15, 1969.....	Exh. A-2 to Form 8-K, 4/8/69.
June 16, 1969.....	Exh. 2-B to Registration Statement No. 2-36094, 1/27/70.
February 15, 1970.....	Exh. A-2 to Form 8-K, 3/9/70.
May 15, 1970.....	Exh. 2-B to Registration Statement No. 2-38038, 7/27/70.
August 15, 1970.....	Exh. 2-D to Registration Statement No. 2-38038, 7/27/70.
September 1, 1971.....	Exh. 2-C to Registration Statement No. 2-45591, 9/1/72.
September 15, 1972.....	Exh. 2-E to Registration Statement No. 2-45591, 9/1/72.
April 1, 1973.....	Exh. A to Form 8-K, 5/9/73.
January 2, 1974.....	Exh. 2-D to Registration Statement No. 2-49803, 12/5/73.

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EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
4.3 cont.	August 15, 1974.....	Exhs. 2-G and 2-H to Amendment No. 1 to Registration Statement No. 2-51698, 8/14/74.
	June 15, 1977.....	Exh. 4-A to Form 10-K, 3/19/81.
	July 1, 1979.....	Exh. 4-B to Form 10-K, 3/19/81.
	June 16, 1981.....	Exh. 4-A to Form 10-K, 3/19/82.
	June 17, 1981.....	Exh. 2 to Amendment No. 1, 6/18/81, to Form 8-A.
	December 1, 1981.....	Exh. 4-C to Form 10-K, 3/19/82.
	August 1, 1982.....	Exh. 4-C to Amendment No. 1 to Registration Statement No. 2-78731, 8/17/82.
	October 1, 1982.....	Exh. 4 to Form 8-K, 11/8/82.
	April 15, 1983.....	Exh. 4 to Form 10-K, 3/23/84.
	November 1, 1985.....	Exh. 2-B to Form 8-A, 11/1/85.
	March 1, 1986.....	Exh. 4 to Form 10-K, 3/28/86.
	November 1, 1986.....	Exh. 2-B to Form 8-A, 11/5/86.
	March 1, 1987.....	Exh. 2-B to Form 8-A, 3/27/87.
	September 16, 1987.....	Exh. 4-B to Registration Statement No. 33-18229, 10/30/87.
	May 1, 1989.....	Exh. 4-C to Registration Statement No. 33-29382, 6/16/89.
	August 1, 1989.....	Exh. 4 to Form 10-K, 3/28/90.
	April 5, 1990.....	Exh. 4-C to Registration Statement No. 33-36875, 9/24/90.
	May 21, 1991.....	Exh. 4 to Form 10-K, 3/27/92.

May 7, 1992.....	Exh. 4-C to Registration Statement No. 33-48325, 6/2/92.
September 1, 1992.....	Exh. 4 to Form 10-K, 3/26/93.
November 1, 1992.....	Exh. 4 to Form 10-K, 3/26/93.
March 1, 1993.....	Exh. 4 to Form 10-K, 3/26/93.
March 2, 1993.....	Exh. 4 to Form 10-K, 3/26/93.
July 1, 1993.....	Exh. 4.4 to Registration Statement No. 33-49973, 8/11/93.
August 20, 1993.....	Exh. 4.4 to Registration Statement No. 33-50377, 9/23/93.
September 29, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
September 30, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
October 1, 1993.....	Exh. 4 to Form 10-K, 3/25/94.
February 10, 1994.....	Exh. 4 to Form 10-K, 3/25/94.
February 11, 1994.....	Exh. 4 to Form 10-K, 3/25/94.
March 10, 1995.....	Filed herewith.
4.4	--Form of Supplemental Indenture between the Registrant and The Riggs National Bank of Washington, D.C., Trustee, with respect to the New Bonds.....
	Filed herewith.
4.5	--Form of Indenture between the Registrant and The Bank of New York, Trustee, with respect to the Medium-Term Notes.....
	Exh. 4 to Form 8-K, 6/21/90.
5	--Opinion of William T. Torgerson.....
	Filed herewith.

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EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----	REFERENCE* -----
<C>	<S>	<C>
12	--Computation of Ratios.....	Exh. 12 to Form 10-Q, 7/28/95.
15	--Letter re Unaudited Financial Information.....	Filed herewith.
23.1	--Consent of Price Waterhouse LLP.	Filed herewith.
23.2	--Consent of William T. Torgerson.	Contained in Exhibit 5.
23.3	--Consent of Covington & Burling..	Filed herewith.
24	--Power of Attorney.....	Filed herewith.
25.1	--Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Riggs National Bank of Washington, D.C., with respect to the New Bonds.....	Filed herewith.
25.2	--Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of The Bank of New York,	

with respect to the Medium-Term
Notes.....

Exh. 26-B to Registration
Statement No. 33-48325, 6/2/92.

</TABLE>

POTOMAC ELECTRIC POWER COMPANY

First Mortgage Bonds

UNDERWRITING AGREEMENT

To the Representatives named in
Schedule I hereto of the Underwriters
named in Schedule II hereto

Dear Sirs:

The undersigned Potomac Electric Power Company (the "Company") hereby confirms its agreement with the several underwriters named in Schedule II hereto (the "Underwriters") as set forth below to sell its First Mortgage Bonds of the designation, with the terms and in the amount, specified in Schedule I hereto (the "Bonds"). If the firm or firms listed in Schedule I hereto (the "Representatives") are the same as the firm or firms listed in Schedule II hereto, then the terms "Underwriters" and "Representatives," as used herein, shall each be deemed to refer to such firm or firms.

SECTION I. Description of Bonds. The Company has authorized by appropriate corporate action and proposes to issue and sell the Bonds, to be issued under and secured by its Mortgage and Deed of Trust dated July 1, 1936 to The Riggs National Bank of Washington, D. C., as Trustee (the "Trustee"), and the indentures supplemental thereto including the Supplemental Indenture relating to the Bonds (herein collectively called the "Indenture"). Certain of the terms and provisions relating to the Bonds and the Indenture are summarized in the Registration Statement and Prospectus hereinafter referred to.

SECTION 2. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") two registration statements on Form S-3 (No. 33-50377 and No. 33-), including prospectuses, for the registration of the Bonds under the Securities Act of 1933, as amended (the "1933 Act"), and the qualification of the Indenture under the Trust Indenture Act of 1939 (the "1939 Act"), which registration statements have been declared effective by the Commission and which Indenture has been qualified under the 1939 Act. Such registration statements, as amended to the date of this Agreement, including the documents incorporated by reference but excluding the Form T-1 Statement of Eligibility and Qualification of the Trustee, and the prospectus contained in the registration statement on Form S-3 (No. 33-) as supplemented either by a prospectus supplement, dated the date hereof, relating to the

terms and offering of the Bonds to be filed pursuant to Rule 424 ("Rule 424") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and/or by a term sheet or abbreviated term sheet, if any,

sent or given in reliance upon Rule 434 of the 1933 Act Regulations and to be filed pursuant to Rule 424 (including, in each case, the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act) are hereinafter called the "Registration Statement" and the "Prospectus," respectively; any reference herein to the terms "amend," or "amendment" with respect to the Registration Statement or the Prospectus shall be deemed to include any document incorporated by reference therein after the date hereof and prior to the termination of the offering of the Bonds by the Underwriters; provided, however, that any prospectus supplement, term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424 under the 1933 Act with respect to an offering of first mortgage bonds other than the Bonds shall not be deemed to be a supplement to, or a part of, the Prospectus. If any revised prospectus shall be provided to the Underwriters by the Company for use in connection with the offering of the Bonds (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations), the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to the Underwriters for such use.

(b) At the time the Registration Statement became effective, the Registration Statement, the prospectus included therein and the Indenture fully complied, and at the Closing Date, as hereinafter defined, the Registration Statement and the Prospectus, as they may be amended or supplemented, and the Indenture will fully comply, in all material respects with the applicable provisions of the 1933 Act, the 1933 Act Regulations, and the 1939 Act; on said dates the Registration Statement did not, and the Registration Statement, as it may be amended or supplemented, will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; when the Registration Statement became effective, the prospectus included therein did not, and at the Closing Date and on the date it is filed with, or transmitted for filing to, the Commission pursuant to Rule 424 the Prospectus, as it may be amended or supplemented, will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the foregoing representations and warranties in this subparagraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representatives or by or on behalf of any Underwriter through the Representatives expressly for use in the Registration Statement or the Prospectus.

(c) The documents incorporated by reference in the Registration

Statement and the Prospectus pursuant to Item 12 of Form S-3 under the 1933 Act, when they were filed with the Commission, complied in all material respects with the applicable requirements of the 1933 Act and the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the rules and regulations of the Commission thereunder, and any documents so filed and

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incorporated by reference subsequent to the date hereof will, when they are filed with the Commission, comply in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission thereunder; and none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The financial statements incorporated by reference in the Registration Statement and the Prospectus present fairly the financial condition and operations of the Company and its consolidated subsidiaries at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as set forth therein; and the supporting schedules incorporated by reference in the Registration Statement and the Prospectus present fairly the information required to be stated therein and Price Waterhouse LLP ("Price Waterhouse"), who have examined certain of the financial statements, are independent accountants as required by the 1933 Act, and the rules and regulations of the Commission.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Prospectus, since the respective dates as of which information is given in the Registration Statement and the Prospectus, and prior to the Closing Date, (i) there has not been any material, adverse change in the business, property or financial condition of the Company and its subsidiaries considered as one enterprise and (ii) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise. The Company has no material contingent obligation which is not disclosed in or contemplated by the Registration Statement and the Prospectus.

(f) The sale by the Company to the Underwriters, severally, of the Bonds for the consideration herein specified and upon the terms and conditions herein contained will not result in a breach of any of the terms or provisions of or constitute a default under the Company's Charter or By-Laws, each as amended, or any indenture or other agreement or instrument which the Company has assumed or to which it is now a party or any applicable law, administrative regulation or administrative court decree.

(g) There are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

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SECTION 3. Sale of the Bonds. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price set forth in Schedule I hereto, the respective principal amounts of Bonds set forth opposite the name of such Underwriter in Schedule II hereto.

SECTION 4. Time and Place of Closing. Payment for the Bonds shall be made at the place, date and time specified in Schedule I hereto (or such other place, date and time as the Representatives and the Company may agree upon), against delivery of the Bonds, at the office of Bankers Trust Company, 4 Albany Street, New York, N.Y., to the Representatives for the respective accounts of the several Underwriters. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Bonds shall be made to the Company or its order by certified or official check or checks, payable in New York Clearing House funds. Certificates for the Bonds shall be delivered to the Representatives for the respective accounts of the several Underwriters in such names and denominations as the Representatives shall specify not later than the beginning of business on the third full business day before the Closing Date. For the purpose of expediting the checking of the certificates by the Representatives, the Company agrees to make the certificates for the Bonds available to the Representatives not later than 1:00 p.m., New York Time, on the last full business day prior to the Closing Date at said office of Bankers Trust Company.

SECTION 5. Covenants of the Company. The Company agrees that:

(a) As soon as possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424 setting forth, among other things, the necessary information with respect to the terms of offering of the Bonds.

(b) The Company will give the Representatives notice of its intention to file any amendment to the Registration Statement or any amendment or supplement to the Prospectus, will furnish the Representatives and counsel for the Underwriters copies of any such amendment or supplement a reasonable time in advance of filing, and will not file any such amendment or supplement to which the Representatives or counsel for the Underwriters shall reasonably object prior to such filing.

(c) The Company will promptly deliver to the Representatives one fully executed copy of the registration statement as originally filed with the Commission and of each amendment or supplement thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith not previously furnished to the Representatives) and signed copies of each consent and certificate included therein or filed as an exhibit thereto. The Company will also send to the Representatives as soon as practicable after the date of this Agreement and thereafter from time to time not later than nine months after the date of this Agreement, as many copies of the Prospectus (excluding documents incorporated by reference under

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Item 12 of Form S-3) as the Representatives may reasonably request for the purposes contemplated by the 1933 Act, the 1934 Act and the rules and regulations of the Commission thereunder.

(d) The Company will pay or cause to be paid all expenses in connection with (i) the preparation and filing by it of the Registration Statement and Prospectus and the preparation and delivery of this Agreement, (ii) the preparation, rating, issue and delivery of the Bonds to be sold by it as provided herein, (iii) the printing and delivery to the Underwriters in reasonable quantities of copies of the Registration Statement, each preliminary prospectus and the Prospectus, (iv) all filing fees and fees and disbursements not to exceed \$5,000 of Winthrop, Stimson, Putnam & Roberts incurred in connection with the qualification of the Bonds under securities laws and the determination of the legality of the Bonds in accordance with the provisions of Section 5(i), and (v) the printing and delivery to the Underwriters of copies of the Blue Sky Survey and the Legality Memorandum; and will pay all taxes, if any (but not including any transfer taxes), on the issue of said Bonds; provided, however, that the Underwriters shall pay all of their own costs and expenses, including the fees and expenses of their counsel (subject however to the provisions of this subparagraph requiring the payment by the Company of certain fees and expenses, not to exceed \$5,000), any transfer taxes on the Bonds which they may sell.

(e) If, during the period when delivery of the Prospectus is required under the 1933 Act, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representatives, shall occur which, in the Company's opinion, should be set forth in an amendment to the Prospectus, including an appropriate filing pursuant to Section 13(a) or (c) or Section 14 of the 1934 Act, in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the 1933 Act, the Company will forthwith at its expense prepare and file with the Commission (in form and substance satisfactory to counsel for the Underwriters) and furnish to the Representatives a reasonable number

of copies of such amendment or amendments to the Prospectus, including any filing pursuant to Section 13(a) or (c) or Section 14 of the 1934 Act, which will amend the Prospectus so that as amended it will comply with the 1933 Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any of the several Underwriters is required to deliver a Prospectus after the expiration of nine months after the date of this Agreement, the Company, upon such Underwriter's request, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of an amended prospectus, or amendments to the Prospectus, complying with Section 10(a) of the 1933 Act.

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(f) The Company will advise the Representatives promptly (confirming such advice in writing) (i) of the filing of the Prospectus pursuant to Rule 424 and of any amendment to the Prospectus or Registration Statement, (ii) of the receipt of any comments from the Commission, (iii) of any official request made by the Commission for amendments to the Registration Statement or Prospectus or for additional information with respect thereto or (iv) of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement. The Company will make every reasonable effort to prevent the issuance of any stop order and, if such a stop order should be entered by the Commission, will make every reasonable effort to obtain the lifting or removal thereof as soon as possible.

(g) For a period of five years, the Company will (i) furnish to the Representatives as soon as practicable after the close of each fiscal year a consolidated balance sheet of the Company as of the close of such fiscal year, in reasonable detail, together with consolidated statements of earnings and of cash flows, in reasonable detail, of the Company, for such fiscal year, such consolidated balance sheet, statements of earnings and of cash flows, to be accompanied by an opinion thereon rendered by independent accountants, who may be the regular auditors for the Company; (ii) upon request, will furnish to the Representatives as soon as practicable after the close of each of the first three quarters of each fiscal year an interim earnings statement of the Company for the twelve months ended with the close of such quarter, which need not be audited, similar to that furnished pursuant to clause (i) of this subparagraph; and (iii) will furnish to the Representatives copies of all such financial statements as it shall file with the Commission or any governmental agency substituted therefor, and from time to time, copies of any reports or other communications which it shall send to stockholders generally.

(h) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16

months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earnings statement (in form complying with the provisions of Section 11(a) of the 1933 Act and the 1933 Act Regulations, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(i) The Company will use its best efforts to qualify the Bonds for offer and sale under the applicable securities and legal investment laws of such jurisdictions as the Representatives may designate, and will file and make such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process under the laws of any

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jurisdiction. The fees and disbursements of Winthrop, Stimson, Putnam & Roberts, who are acting as counsel for the Underwriters for the purposes of this Agreement, shall be paid by the Underwriters (subject however to provisions of subparagraph (d) hereof requiring payment by the Company of counsel fees and disbursements not to exceed \$5,000), provided, however, that if this Agreement is terminated in accordance with the provisions of Section 6, 7 or 9, the Company shall reimburse the Underwriters for the amount of such fees and disbursements. The Company shall not be required to pay any amount for any expenses of the Underwriters except as provided in this Section 5. The Company shall not in any event be liable to the Underwriters for damages on account of the loss of anticipated profits.

(j) The Company, during the period when the Prospectus is required to be delivered under the 1933 Act, will file promptly all documents required to be filed with the Commission pursuant to Section 13(a) or (c) or Section 14 of the 1934 Act subsequent to the time of execution of this Agreement.

(k) Between the date hereof and the Closing Date, the Company will not, without prior written consent of the Representatives, offer or sell, or enter into any agreement to sell, any additional First Mortgage Bonds of the Company.

(l) The Company will use the net proceeds received from the sale of the Bonds in the manner specified in the Prospectus under "Use of Proceeds".

SECTION 6. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Bonds shall be subject to the accuracy of the representations and warranties on the part of

the Company, to the substantial accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) That, at the Closing Date, the Representatives shall receive the signed opinions of the following counsel, substantially in the respective forms attached hereto: Winthrop, Stimson, Putnam & Roberts, counsel for the Underwriters, and Covington & Burling and William T. Torgerson, Esq., counsel for the Company.

(b) That no amendment to the Registration Statement or Prospectus, filed subsequent to the execution of this Agreement, shall be unsatisfactory in substance to the Representatives or unsatisfactory in form to counsel for the Underwriters.

(c) That, at or prior to 6:00 p.m., New York Time, on the date hereof or at such later time and date as the Representatives may have from time to time consented to in writing or by telephone, confirmed in writing, all orders of the Public Service Commission of the District of Columbia necessary to permit the issue and sale of the Bonds shall be in effect; that at or prior to the Closing Date the certificate of such Public Service

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Commission permitting the issue of the Bonds shall have been recorded on the books of the Company; that prior to the Closing Date no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the 1933 Act by the Commission and that at the Closing Date no proceedings therefor shall be pending or threatened; and that at the Closing Date the Prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, other than any statement contained in, or any matter omitted from, the Registration Statement or the Prospectus in reliance upon, and in conformity with, information furnished to the Company in writing by the Representatives or by or on behalf of any of the several Underwriters through the Representatives expressly for use in the Registration Statement or the Prospectus.

(d) That, subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus and prior to the Closing Date, no material and adverse change in the condition of the Company and its subsidiaries, taken as a whole, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Registration Statement and Prospectus) and that the Company shall, at the Closing Date, deliver to the Representatives, a signed certificate of its President or a Vice President and its Treasurer or an Assistant Treasurer to

the effect that (i) there has been no material adverse change, (ii) the representations and warranties in Section 2 are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission.

(e) That at the Closing Date the Representatives shall have received a letter from Price Waterhouse in form and substance satisfactory to the Representatives, dated the Closing Date, confirming that they are independent accountants within the meaning of the 1933 Act, the 1934 Act and published rules and regulations thereunder and to the effect that (1) in their opinion the audited consolidated financial statements included in the Company's Annual Report to the Commission on Form 10-K, incorporated by reference in the Registration Statement (the "Form 10-K"), comply as to form in all material respects with the applicable accounting requirements of the 1933 Act, the 1934 Act and the published rules and regulations of the Commission issued thereunder with respect to Form 10-K and registration statements on Form S-3, and (2) on the basis of a reading of the unaudited consolidated financial data included in the Company's Quarterly Reports to the Commission on Form 10-Q, if any (the "Forms 10-Q"), incorporated by reference in the Registration Statement, and on the basis of the following procedures (but not on the basis of an audit in accordance with generally accepted auditing standards) to be performed by Price Waterhouse: (A) a reading of the

minutes of the Board of Directors of the Company and the Executive Committee thereof as set forth in the minute books to a specified date not more than three business days prior to the date of such letter, (B) a reading of the latest available unaudited interim consolidated financial data (if any), and (C) inquiries of certain officials of the Company who have responsibility for financial and accounting matters, nothing has come to their attention which in their judgment would indicate that (a) the unaudited consolidated financial data included in the Forms 10-Q (if any) do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the published rules and regulations of the Commission thereunder, or that any material modifications should be made to such unaudited consolidated financial data for such unaudited consolidated financial data to be in conformity with generally accepted accounting principles; (b) the unaudited amounts of operating revenue, net income, earnings applicable for common stock and earnings per share of common stock and unaudited amounts for property and plant -- net, long-term debt, preferred and preference stock and common equity outstanding, as included in the Registration Statement, were not determined on a basis substantially consistent with that of the corresponding amounts in the audited consolidated statements of earnings and consolidated balance sheets

incorporated by reference in the Registration Statement; (c) the ratios of earnings to fixed charges, actual and (if any) pro forma, as set forth in the Registration Statement were not arithmetically correct; (d) at the date of the latest available unaudited interim financial data there was any change in the common stock outstanding or long-term debt of the Company or any decrease in the common equity of the Company (before giving effect to dividends declared on common stock) as compared with amounts shown in the most recent consolidated balance sheet incorporated by reference in the Registration Statement; or for the period from the date of such consolidated balance sheet to the date of the latest available unaudited interim consolidated financial data there were any decreases, as compared with the corresponding period in the preceding year, in operating revenue or in net income or earnings per share; or (e) at a specified date not more than three business days prior to the date of such letter there was any change in the common stock outstanding or long-term debt of the Company, in each case as compared with amounts shown in the most recent consolidated balance sheet incorporated by reference in the Registration Statement; except in all instances for (i) changes or decreases which the Registration Statement discloses have occurred or may occur or (ii) changes or decreases not in excess of \$500,000 or (iii) changes occasioned by the issuance of common stock pursuant to the Company's Shareholder Dividend Reinvestment Plan, Savings Plan for Exempt Employees, Savings Plan for Bargaining Unit Employees and Savings Plan for Non-Bargaining Unit, Non-Exempt Employees, or Long-Term Incentive Plan or upon the conversion of the Company's Serial Preferred Stock, \$2.44 Convertible Series of 1966, or the 7% Convertible Debentures and the 5% Convertible Debentures. The letter of Price Waterhouse also shall be to the effect that they have carried out certain specified procedures, not constituting an audit, with respect to certain

amounts, percentages and financial information which are derived from the general accounting records of the Company, which appear in the Registration Statement and Prospectus and which are specified by the Representatives, and have compared such amounts, percentages and financial information with the accounting records of the Company and have found them to be in agreement.

(f) That the Company shall have performed such of its obligations under this Agreement as are to be performed by the terms hereof at or before the Closing Date.

(g) At the Closing Date counsel for the Underwriters shall have been furnished with such certificates, documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Bonds as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations and warranties, or the fulfillment of any of the conditions herein contained; and all proceedings taken by the Company in connection with the issuance and sale of

the Bonds as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company at any time at or prior to the Closing Date and such termination shall be without liability of any party to any other party except as provided in Section 5 and Section 8.

SECTION 7. Conditions of Company's Obligations. The obligations of the Company with respect to the issue, sale and delivery of the Bonds shall be subject to the following conditions:

(a) That, at or before 6:00 p.m., New York Time, on the date hereof, or such later time and day as the Company may have from time to time consented to in writing or by telegram, confirmed in writing, all orders of the Public Service Commission of the District of Columbia necessary to permit the issue, sale and delivery of the Bonds shall be in effect; and that, prior to the Closing Date, no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the 1933 Act by the Commission and that at the Closing Date no proceedings therefor shall be pending or threatened.

(b) That no order of the Public Service Commission of the District of Columbia relating to the issue or sale of the Bonds or to the application of the proceeds thereof, which may be entered after the execution of this Agreement and prior to the Closing Date, shall contain any conditions which are not acceptable to the Company.

In case any of the conditions specified above in this Section shall not have been fulfilled, this Agreement may be terminated by the Company, upon notice thereof to the Representatives, at any time prior to Closing Date, and such termination shall be without liability of any party to any other party

except as provided in Section 5 and Section 8.

SECTION 8. Indemnification. (a) The Company agrees to indemnify and hold harmless the several Underwriters and each person who controls any of the several Underwriters within the meaning of Section 15 of the 1933 Act against any and all losses, claims, damages or liabilities, as incurred, joint or several, to which they or any of them may become subject under the 1933 Act or under any other statute or common law, and to reimburse each such Underwriter and each such controlling person for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending or settling (if settled with the

written consent of the Company) any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement as originally filed or as subsequently amended or in the Registration Statement or any amendment thereto, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact contained in the preliminary prospectus or the prospectus as originally filed or as subsequently amended or the Prospectus, as amended or supplemented if there shall have been any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the indemnity agreement contained in this Section shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representatives or by or on behalf of any of the several Underwriters through the Representatives expressly for use in the [registration statement as originally filed or as subsequently amended or in the preliminary prospectus as originally filed or as subsequently amended or in the] Registration Statement or the Prospectus or any amendment or supplement to either thereof; and provided, further, that the indemnity agreement contained in this Section shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of Bonds to any person if such Underwriter failed to send or give a copy of the Prospectus (as it may have been amended) (excluding documents incorporated by reference) to such person with or prior to the written confirmation of the sale involved. The indemnity agreement of the Company contained in this Section and the representations and warranties of the Company contained in Section 2 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter, or any such controlling person, and shall survive the delivery of the Bonds. The Underwriters agree to notify the Company promptly of the commencement of any litigation or proceedings against them or any of them or against any such controlling person in connection with the sale of Bonds.

(b) Each Underwriter agrees to indemnify and hold harmless the Company, its officers and directors, and each person who controls any thereof within the meaning of Section 15 of the 1933 Act against any and all losses, claims,

damages or liabilities, as incurred, joint or several, to which they or any of

them may become subject under the 1933 Act or under any other statute or common law, and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities, or in connection with defending or settling (if settled with the Underwriters' written consent) any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement as originally filed or as subsequently amended or in the Registration Statement or any amendment thereto, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact contained in the preliminary prospectus or the prospectus as originally filed or as subsequently amended or the Prospectus, as amended or supplemented if there shall have been any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representatives or by or on behalf of the several Underwriters through the Representatives expressly for use in the [registration statement as originally filed or as subsequently amended or in the preliminary prospectus as originally filed or as subsequently amended or in the] Registration Statement or the Prospectus or any amendment or supplement to either thereof. The indemnity agreement contained in this Section shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company, or any such controlling person, and shall survive the receipt of the proceeds of the sale of the Bonds. The Company agrees promptly to notify the Representatives of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of Bonds. The foregoing indemnity agreement is in addition to any further liability which any Underwriter may otherwise have to the Company or any of its directors, officers or controlling persons.

(c) The Company and each of the several Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party on account of any indemnity agreement contained in (a) or (b) above, but shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying

parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall

bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them. In the event that the parties to any such action (including impleaded parties) include both the indemnified party or parties and the indemnifying party and any of the indemnified parties shall have been advised by counsel chosen by it and reasonably satisfactory to the Company that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party or parties and will reimburse the indemnified party or parties as aforesaid for the reasonable fees and expenses of any counsel retained by such indemnified party or parties, it being understood that the indemnifying party shall not, in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for all such indemnified parties, which firm shall, in connection with indemnification provided for in (a) above, be designated in writing by the Representatives, and, in connection with indemnification provided for in (b) above, be designated in writing by the Company.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 8 is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of the losses, liabilities, claims, damages and expenses of the nature contemplated in said indemnity agreement in such proportion as is equitable and as shall reflect both the relative benefits received by the Company on the one hand and the Underwriter or Underwriters, as the case may be, on the other hand from the offering of the Bonds, and the relative fault, if any, of the Company on the one hand and of the Underwriter or Underwriters, as the case may be, on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriter or Underwriters, as the case may be, on the other hand in connection with the offering of the Bonds shall be deemed to be in the same proportion as the total net proceeds from the offering of such

Bonds (before deducting expenses) received by the Company bear to the total commissions and underwriting discounts received by the Underwriter or Underwriters, as the case may be. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriter or the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. The amount paid or payable by an indemnified party as a result of the losses, liabilities, claims, damages and expenses referred to above shall be deemed to include any legal or other

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expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

SECTION 9. Termination. This Agreement may be terminated any time prior to the Closing Date by the Representatives by giving notice thereof to the Company, if at or prior to such time (i) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading, or (ii) if a banking moratorium has been declared by any Federal, New York, District of Columbia or Virginia authority, or (iii) there shall have occurred any new outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it impracticable for the Underwriters to enforce contracts for the sale of the Bonds, or (iv) the Company shall have sustained a substantial loss by fire, flood, accident or other calamity which renders it impracticable to consummate the sale of the Bonds and the delivery of the Bonds by the several Underwriters at the initial public offering price. Any termination hereof pursuant to this Section 9 shall be without liability of any party to any

other party except as otherwise provided in Section 5 and Section 8.

SECTION 10. Default. If one or more of the Underwriters shall fail on the Closing Date to purchase the Bonds which it or they are obligated to purchase hereunder (the "Defaulted Bonds"), then the remaining Underwriters (the "Non-Defaulting Underwriters") shall have the right, within 24 hours after such date, to make arrangements for one or more of the Non-Defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Bonds in such amounts as may be agreed upon and upon the terms herein set forth. If, however, during such 24 hours such arrangements shall not have been completed for the purchase of all of the Defaulted Bonds, then:

(a) If the principal amount of the Defaulted Bonds does not exceed 10% of the principal amount of the Bonds, the Non-Defaulting Underwriters shall be obligated to purchase the total number of such Defaulted Bonds in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all Non-Defaulting Underwriters.

(b) If the principal amount of the Defaulted Bonds exceeds 10% of the principal amount of the Bonds, this Agreement shall terminate without any liability on the part of the Company or any Non-Defaulting Underwriter.

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Nothing in this Section 10 and no action taken pursuant to this Section 10 shall relieve any defaulting party from liability in respect of its default.

In the event of a default by one or more Underwriters as set forth in this Section 10 which does not result in a termination of this Agreement, either the Non-Defaulting Underwriters or the Company shall have the right to postpone the Closing Date for a period of not exceeding 7 days in order that any required changes in the Registration Statement or the Prospectus or in any other documents or arrangements may be effected.

SECTION 11. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Bonds to the Underwriters.

SECTION 12. Miscellaneous. This Agreement shall inure to the benefit of the several Underwriters and the Company and with respect to the provisions of Section 8, the officers and directors and each controlling person referred

to in Section 8, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation, other than the Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Section 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any Bonds from the Underwriters.

In all dealings hereunder, the Representatives shall act on behalf of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by the Representatives (or by any one of the Representatives authorized by the agreement among the Underwriters relating to the Bonds to act on behalf of all the Underwriters).

SECTION 13. Notices. All communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at the address set forth in Schedule I hereto, and notices to the Company shall be directed to it at 1900 Pennsylvania Avenue, N. W., Washington, D. C. 20068, Attention of Ellen Sheriff Rogers, Associate General Counsel, Assistant Secretary and Assistant Treasurer.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State of New York.

SECTION 15. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

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If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof, whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

POTOMAC ELECTRIC POWER COMPANY

By

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

By _____

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SCHEDULE I

Underwriting Agreement dated

Registration Statements No. 33-50377 and No. 33-

Representative and Address:

Bonds:

Designation: First Mortgage Bonds, % Series
due

Principal Amount: \$

Supplemental Indenture dated as of

Date of Maturity:

Interest Rate: % per annum, payable
_____ and _____ of
each year, commencing

Purchase Price: % of the principal
amount thereof, plus accrued
interest, if any, from
_____ to the date
of payment and delivery

Public Offering Price: % of the principal amount thereof, plus
accrued interest, if any, from _____
to the date of payment and delivery

Closing Date and Location:

SCHEDULE II

Name of Underwriter	Principal Amount	of Bonds
	\$	

Total \$

[LETTERHEAD OF WINTHROP, STIMSON, PUTNAM & ROBERTS]

Ladies and Gentlemen:

We have acted as counsel for you in connection with your purchase from Potomac Electric Power Company (the "Company") of \$ principal amount of its First Mortgage Bonds, % Series due (the "Bonds") pursuant to the Underwriting Agreement, dated , 19 , between you and the Company (the Underwriting Agreement"). The Bonds have been issued under the Mortgage and Deed of Trust, dated July 1, 1936, between the Company and The Riggs National Bank of Washington, D. C., as Trustee (the "Trustee"), as heretofore supplemented and amended, including a Supplemental Indenture dated as of , 19 (said Mortgage and Deed of Trust as so supplemented and amended being hereinafter referred to collectively as the "Indenture").

We are members of the New York Bar and do not hold ourselves out as

experts on the laws of the District of Columbia or the State of Maryland or the Commonwealths of Pennsylvania or Virginia. We understand that you are relying and, in rendering this opinion, we have, with your consent, relied upon the opinion of even date herewith addressed to you by William T. Torgerson, Esq., Senior Vice President and General Counsel of the Company, with respect to legal matters regarding the corporate authority of the Company and other matters covered in such opinion relating to the laws of the District of Columbia or the State of Maryland or the Commonwealths of Pennsylvania or Virginia. We do not pass upon the organization of the Company or the lien of the Indenture. As to such matters, it is our understanding that you are relying on the above-mentioned opinion. We have reviewed such opinion and believe it is satisfactory and that you and we are justified in relying thereon.

We have examined the documents described in the list of closing papers as having been delivered to you at the closing and such other documents and have satisfied ourselves as to such other matters as we have deemed necessary in order to enable us to express this opinion. We have not examined the Bonds, except for a specimen thereof, and we have relied upon a certificate of the Trustee as to the execution and authentication thereof. As to various questions of fact material to this opinion, we have relied upon representations of the Company and statements in the Registration Statements and the Prospectus hereinafter mentioned. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us and the genuineness and conformity to original documents of documents submitted to us as certified

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or photostatic copies. As used herein, the term "Registration Statements" means the Company's registration statement on Form S-3 (No. 33-50377) (the "First Registration Statement") and the Company's registration statement on Form S-3 (No. 33-) (the "Second Registration Statement") and the term "Prospectus" has the same meaning as the same word in the Underwriting Agreement.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly and validly authorized by all necessary corporate action, have been duly and validly issued in accordance with the provisions of the Indenture, and constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of mortgagees' and other creditors' rights and by general principles of equity, and the Bonds are entitled to the benefits and security afforded by the Indenture.

2. The Underwriting Agreement has been duly authorized, executed

and delivered by the Company.

3. The Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), has been duly and validly authorized, executed and delivered by the Company and is a legal, valid and binding instrument, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization or other laws of general application relating to the enforcement of mortgagees' and other creditors' rights and by general principles of equity.

4. The Registration Statements are effective under the Securities Act of 1933, as amended (the "1933 Act"), and to the best of our knowledge, no stop order suspending the effectiveness of either of the Registration Statements has been issued and no proceedings for that purpose are pending or threatened under Section 8(d) of the 1933 Act; each of the Registration Statements, at the time it became effective, and the Prospectus, at the time it was filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 424(b) under the 1933 Act (except as to the financial statements and other financial or statistical data constituting a part thereof or incorporated by reference therein, upon which we express no opinion), complied as to form in all material respects with the applicable requirements of the 1933 Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder, except that we express no opinion on the Forms T-1 filed as exhibits thereto. The documents or portions thereof filed with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in the Registration Statement and the Prospectus pursuant to Item 12 of Form S-3 (except as to the financial statements and other financial or statistical data constituting a part thereof or incorporated by reference therein, upon which we express no opinion), at the time they were filed with the Commission, complied as to form in all material respects with the applicable requirements of the 1934 Act and the applicable instructions, rules and regulations of the Commission thereunder.

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5. The summary of the terms of the Indenture and the Bonds contained in the Registration Statements and Prospectus fairly describes the provisions thereof required to be described by the registration statement form, except that we express no opinion as to the statements contained under "Description of Bonds and Mortgage - Security."

6. The approval of the Public Service Commission of the District of Columbia which is required for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement, has been obtained; to the best of our knowledge, such approval

is in full force and effect; no approval by the State Corporation Commission of the Commonwealth of Virginia is necessary for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement; and we do not know of any other approvals of any governmental body required in that connection (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion herein.)

All legal proceedings and legal opinions rendered in connection with the issuance and sale of the Bonds, including the opinion of William T. Torgerson, Esq. of even date herewith, are satisfactory in form to us.

In passing upon the forms of the Registration Statements and the form of the Prospectus, we necessarily assume the correctness and completeness of the statements made and information included therein by the Company and take no responsibility therefor, except insofar as such statements relate to us and as set forth in paragraph 5 above. In connection with the Company's preparation of the Registration Statements and the Prospectus, we have had conferences with certain of its officers and representatives, with counsel for the Company, with Price Waterhouse LLP, the Company's independent public accountants, and with your representatives. We did not participate in the preparation of the documents incorporated by reference in the Registration Statements and the Prospectus. Our examination of the Registration Statements and the Prospectus, and our discussions in the above-mentioned conferences, did not disclose to us any information that gives us reason to believe that neither the First Registration Statement, at the time the First Registration Statement became effective, nor the Second Registration Statement, at the time the Company filed its Annual Report on Form 10-K for the year ended December 31, 1994, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the time it was filed with the Commission pursuant to Rule 424 under the 1933 Act or at the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. We do not express any opinion or belief as to the financial statements or other financial or statistical data constituting a part of, or incorporated by reference in, the Registration Statements or the Prospectus.

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This opinion is given to you solely for your use in connection with the Underwriting Agreement and the transactions contemplated thereunder and may not be relied upon by any other person or for any other purpose.

Very truly yours,

[LETTERHEAD OF COVINGTON & BURLING]

Ladies and Gentlemen:

We have acted as special counsel to Potomac Electric Power Company (the "Company") in connection with the issuance and sale by the Company of \$ principal amount of First Mortgage Bonds, % Series due (the "Bonds"), which are being issued under the Mortgage and Deed of Trust dated July 1, 1936 between the Company and The Riggs National Bank of Washington, D. C., as Trustee (the "Trustee"), as heretofore supplemented and amended, and as now further supplemented by a Supplemental Indenture dated as of , 19 (the "Supplemental Indenture"; said Mortgage and Deed of Trust as so further supplemented and amended being hereinafter referred to as the "Indenture"), and which are being purchased by the Underwriters named in the Underwriting Agreement dated , 19 between the Underwriters and the Company with respect to the Bonds (the "Underwriting Agreement"). As used herein, the term "Registration Statements" means the registration statements of the Company on Form S-3, with file numbers 33-50377 and 33- . All other terms used herein which are not defined herein but which are defined, either directly or by cross-reference, in the Underwriting Agreement are used herein with the respective meanings assigned to such terms therein.

As counsel for the Company, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents and have reviewed such questions of law as we have deemed necessary or appropriate for the purpose of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the conformity of the Bonds to the specimen thereof attached as Exhibit A to the certificate of the Trustee of even date herewith regarding the due authentication and delivery of the Bonds. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid certificates.

Based on the foregoing, and subject to the following limitations and qualifications, we are of the opinion that:

1. The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the District of

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Columbia and under the laws of the Commonwealth of Virginia, and has the corporate power and authority to execute the Underwriting Agreement and the Indenture and to issue and sell the Bonds.

2. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

3. The Supplemental Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered by the Company, and, as amended by the Supplemental Indenture, the Indenture constitutes a valid and legally binding instrument of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights or by general principles of equity; the Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act").

4. The Bonds have been duly and validly authorized by all necessary corporate action, have been duly and validly issued in accordance with the provisions of the Indenture, and constitute the valid and legally binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization or other laws affecting enforcement of creditors' rights or by general principles of equity, and are entitled to the benefit and security afforded by the Indenture.

5. The Registration Statements are effective under the Securities Act of 1933, as amended (the "1933 Act"), and to the best of our knowledge no stop order suspending the effectiveness of either of the Registration Statements has been issued and no proceedings for that purpose are pending or threatened under Section 8(d) of the 1933 Act. Each of the Registration Statements, at the time it became effective, and the Prospectus, at the time it was filed with the Securities and Exchange Commission (the "Commission") pursuant to Rule 424 under the 1933 Act (except for the financial statements and other financial and statistical data and constituting a part thereof, as to which we express no opinion), complied as to form in all material respects with the applicable requirements of the 1933 Act and the 1939 Act, and the applicable rules and regulations of the Commission thereunder, except that we express no opinion on the Forms T-1 filed as exhibits thereto. The documents or portions thereof filed with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference

in the Registration Statements and the Prospectus, at the times they were filed with the Commission, complied as to form in all material respects with the 1934 Act, and the rules and regulations of the Commission thereunder.

6. The approval of the Public Service Commission of the District of Columbia which is required for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement has been obtained; to the best of our knowledge, such approval is in full force and effect; no approval by the State Corporation Commission of the Commonwealth of Virginia is necessary for the valid authorization,

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issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement; and we do not know of any other approvals, consents or orders of any governmental body that are legally required as a condition to the valid authorization and issuance of the Bonds (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion).

7. The summary of the terms of the Indenture and the Bonds contained in the Registration Statements and the Prospectus fairly describes the provisions thereof required to be described by the registration statement form.

8. The Indenture constitutes a valid first lien or charge, to the extent that it purports to be such, upon the interest held by the Company in its property covered by the Indenture, subject only to such exceptions, defects, qualifications and other matters as may be permitted by the Indenture and to such other matters as do not materially affect the security for the Bonds; and the Supplemental Indenture has been recorded and filed in the only counties in which any real property subject to the lien of the Indenture is located, and all requisite steps have been taken to perfect the security interest of the Indenture in personal property of the Company.

With respect to the opinion set forth in paragraph 8, we have relied on the opinion to you of William T. Torgerson, Esq., General Counsel of the Company, dated the date hereof.

In passing upon the forms of the Registration Statements and the form of the Prospectus, we necessarily assume the correctness and completeness of the statements made and information included therein by the Company and take no responsibility therefor, except insofar as such statements relate to us and as set forth in paragraph 7 above. In connection with the Company's preparation of the Registration Statements and the Prospectus, we

had discussions with certain of its officers and representatives. Our examination of the Registration Statements and the Prospectus, and our discussions did not disclose to us any information which gives us reason to believe that, at the time the respective Registration Statements became effective, they contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the time it was filed with the Commission pursuant to Rule 424 or at the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We do not express any opinion or belief as to the financial statements and other financial and statistical data constituting a part of the Registration Statements or the Prospectus.

Very truly yours,

Covington & Burling

[LETTERHEAD OF POTOMAC ELECTRIC POWER COMPANY]

Ladies and Gentlemen:

This opinion is being delivered to you in connection with the issuance and sale by Potomac Electric Power Company (the "Company") of \$ aggregate principal amount of its First Mortgage Bonds, % Series due (the "Bonds"), which are being issued under the Mortgage and Deed of Trust dated July 1, 1936 between the Company and The Riggs National Bank of Washington, D. C., as Trustee (the "Trustee"), as heretofore supplemented and amended, and as now further supplemented by a Supplemental Indenture dated as of , 19 (said Supplemental Indenture being hereinafter referred to as the "Supplemental Indenture" and said Mortgage and Deed of Trust as so further supplemented and amended being hereinafter referred to as the "Indenture") and which are being purchased by you pursuant to the Underwriting Agreement dated , 19 between you and the Company with respect to the Bonds (the "Underwriting Agreement"). As used herein, the term "Registration Statements" means the registration statements of the Company on Form S-3 filed with the Securities and Exchange Commission, with

file numbers 33-50377 and 33- . Terms used in this opinion letter which are not defined herein but which are defined, either directly or by cross-reference, in the Underwriting Agreement are used herein with the respective meanings assigned to such terms therein.

As counsel for the Company, I have examined such corporate records, certificates and other documents and such questions of law as I have considered necessary or appropriate for the purpose of this opinion. I have not examined the Bonds, except for the specimen thereof attached as Exhibit A to the certificate of the Trustee of even date herewith as to due authentication and delivery of the Bonds, have assumed that the Bonds conform in all respects to such specimen, and have relied on such certificate as to the due authentication and delivery of the Bonds. On the basis of my examinations as aforesaid, I advise you that, in my opinion:

(1) The Company has been duly incorporated and is now validly existing as a corporation in good standing under the laws of the District of Columbia; is also now validly existing and in good standing as a domestic corporation of the Commonwealth of Virginia; has charter power to

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carry on the business in which it is now engaged as set forth in the Prospectus; is legally qualified to carry on in the State of Maryland the business in which it is now engaged in said State; and is legally qualified to carry on business within the Commonwealth of Pennsylvania, limited, however, to its participation in the construction, ownership and operation of the Conemaugh generating station and certain related transmission lines.

(2) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(3) The Indenture has been duly and validly authorized, executed and delivered and is a valid and legally binding instrument enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, or other laws of general application relating to the enforcement of creditors' rights and by general principles of equity.

(4) The Bonds have been duly and validly authorized by all necessary corporate action, have been duly and validly issued in accordance with the provisions of the Indenture, and constitute the valid and legally binding obligations of the Company enforceable in accordance with their terms, except as the same may be limited as set forth in paragraph (3) above, and are entitled to the benefit and security afforded by the Indenture.

(5) The Registration Statements are effective under the Securities Act of 1933, as amended (the "1933 Act"); no stop order

suspending the effectiveness of either Registration Statement has been issued and to the best of my knowledge no proceedings for that purpose are pending or threatened under Section 8(d) of the 1933 Act; the approval of the Public Service Commission of the District of Columbia which is required for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement has been obtained and is in full force and effect; no approval by the State Corporation Commission of Virginia is necessary for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement; and I do not know of any other approvals of any governmental body required in that connection (other than in connection or in compliance with the securities or "blue sky" laws of any jurisdiction, as to which I express no opinion herein). No approval, consent or order of the Maryland Public Service Commission or any other regulatory authority of the State of Maryland is required for the valid authorization, issuance and sale of the Bonds by the Company in accordance with the Underwriting Agreement (other than any applicable requirements of the Maryland Securities Law, as to which I am not required to express an opinion).

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(6) The summary of the terms of the Indenture and the Bonds contained in the Registration Statements and Prospectus fairly describes the provisions thereof required to be described by the registration form.

(7) The Indenture constitutes a valid first lien or charge, to the extent that it purports to be such, upon the interest held by the Company in its property covered by the Indenture, subject only to such exceptions, defects, qualifications and other matters as may be permitted by the Indenture and to such other matters as in my opinion do not materially affect the security for the Bonds; the Mortgage and Deed of Trust dated July 1, 1936, and the supplements and amendments thereto other than the Supplemental Indenture have been duly recorded and filed for record in the only counties in which any real property subject to the lien of the Indenture is located, and the Supplemental Indenture has also been so recorded and filed, and all requisite steps have been taken to perfect the security interest of the Indenture in personal property of the Company.

(8) The Company holds valid franchises, permits and other rights adequate for the business of the Company in the territory which it serves, and such franchises, permits and other rights contain no unduly burdensome restrictions.

(9) There are no material pending legal proceedings (other than ordinary routine litigation incidental to the business or as disclosed in the Prospectus) to which the Company is a party or of which any of its property is the subject.

(10) The Company has good and valid title in and to all of the

real property reflected in its most recent audited balance sheet, incorporated by reference in the Registration Statements (except real property disposed of in the ordinary course of business since that date), free and clear of all liens, charges and encumbrances against the same, except for the lien of the Indenture and for such liens, charges, encumbrances, defects, qualifications and other matters affecting title, possession or use as may be permitted by the Indenture.

I also advise you that, in my opinion, each Registration Statement and the prospectus contained therein, as of the effective date of such Registration Statement, appeared on its face to be appropriately responsive in all material respects to the requirements of the 1933 Act, and to the extent applicable, the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations of the Securities and Exchange Commission thereunder and that the Supplemental Indenture appears on its face to be appropriately responsive in all material respects to the requirements of the 1939 Act and the applicable rules and regulations of the Securities and Exchange Commission thereunder. I believe, moreover, that the statements made in the Registration Statements and the Prospectus in the section thereof entitled "Description of Bonds and Mortgage," fairly present the

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information respecting the same required to be set forth therein. Except as specifically noted in the preceding sentence, I am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statements and Prospectus and make no representations that I have independently verified the accuracy, completeness or fairness of such statements, except insofar as such statements relate to me. However, based on my examination of the Registration Statements and Prospectus and of the documents specifically referred to in the section thereof entitled "Description of Bonds and Mortgage," on my general familiarity with the affairs of the Company and on my participation in conferences with officials and other representatives of, and other counsel for, the Company, with Price Waterhouse LLP, the independent accountants of the Company, and with your representatives and your counsel, I do not believe that Registration Statement (No. 33-50377), at the time that the Company's most recent Annual Report on Form 10-K was filed with the Commission under the 1934 Act, and Registration Statement (No. 33-), at the time of its effectiveness, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus at the time it was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 or at the date hereof contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were

made, not misleading. I am expressing no opinion or belief, however, as to the financial statements or other financial data constituting a part of the Registration Statements or the Prospectus.

I have assumed, with your approval, but not independently verified, that the signatures on all documents examined by me are genuine.

Very truly yours,

William T. Torgerson

POTOMAC ELECTRIC POWER COMPANY

1900 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C.

TO

THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.

800-17TH STREET, N.W., WASHINGTON, D.C.

AS TRUSTEE

Supplemental Indenture

DATED AS OF MARCH 10, 1995

SUPPLEMENTAL TO MORTGAGE AND DEED OF TRUST

DATED JULY 1, 1936

FIRST MORTGAGE BONDS, 5 3/4% SERIES DUE 2010

POTOMAC ELECTRIC POWER COMPANY
SUPPLEMENTAL INDENTURE DATED AS OF MARCH 10, 1995

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* The Table of Contents is not part of the Supplemental Indenture and should not be considered as such. It is included herein only for purposes of convenient reference.

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SUPPLEMENTAL INDENTURE, dated as of the tenth day of March, nineteen hundred and ninety-five (1995), made by and between Potomac Electric Power Company, a corporation organized and existing under the laws of the District of Columbia and a domestic corporation of the Commonwealth of Virginia (hereinafter sometimes called the "Company"), party of the first part, and The Riggs National Bank of Washington, D.C., a national banking association organized and existing under the laws of the United States of America (hereinafter sometimes called the "Trustee"), as Trustee under the Mortgage and Deed of Trust dated July 1, 1936, hereinafter mentioned, party of the second part;

Whereas, The Company has heretofore executed and delivered its Mortgage and Deed of Trust, dated July 1, 1936 (hereinafter sometimes referred to as the

"Original Indenture"), to the Trustee, to secure an issue of First Mortgage Bonds of the Company, issuable in series; and

Whereas, pursuant to the terms and provisions of the Original Indenture, indentures supplemental thereto dated as of July 1, 1936, December 1, 1939, August 1, 1940, August 1, 1942, January 1, 1948, May 1, 1949, May 1, 1950, March 1, 1952, May 15, 1953, May 16, 1955, June 1, 1956, December 1, 1958, November 16, 1959, December 1, 1960, February 15, 1963, May 15, 1964, April 1, 1966, May 1, 1967, February 15, 1968, March 15, 1969, February 15, 1970, August 15, 1970, September 15, 1972, April 1, 1973, January 2, 1974, August 15, 1974, August 15, 1974, June 15, 1977, July 1, 1979, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, November 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994 and February 11, 1994 have been heretofore entered into between the Company and the Trustee to provide, respectively, for the creation of the first through the fifty-eighth series of Bonds thereunder and, in the case of the supplemental indentures dated January 1, 1948, March 1, 1952, May 15, 1953, May 16, 1955, June 1, 1956, September 15, 1972, July 1, 1979, June 17, 1981, November 1, 1985, September 16, 1987, May 1, 1989, May 21, 1991, May 7, 1992, July 1, 1993 and one of the

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supplemental indentures dated August 15, 1974, to convey additional property; and

Whereas, \$20,000,000 principal amount of Bonds of the 3 1/4% Series due 1966 (the first series), \$5,000,000 principal amount of Bonds of the 3 1/4% Series due 1974 (the second series), \$10,000,000 principal amount of Bonds of the 3 1/4% Series due 1975 (the third series), \$5,000,000 principal amount of Bonds of the 3 1/4% Series due 1977 (the fourth series), \$15,000,000 principal amount of Bonds of the 3% Series due 1983 (the fifth series), \$10,000,000 principal amount of Bonds of the 2 7/8% Series due 1984 (the sixth series), \$30,000,000 principal amount of Bonds of the 2 3/4% Series due 1985 (the seventh series), \$15,000,000 principal amount of Bonds of the 3 1/4% Series due 1987 (the eighth series), \$10,000,000 principal amount of Bonds of the 3 7/8% Series due 1988 (the ninth series), \$10,000,000 principal amount of Bonds of the 3 3/8% Series due 1990 (the tenth series), \$10,000,000 principal amount of Bonds of the 3 5/8% Series due 1991 (the eleventh series), \$25,000,000 principal amount of Bonds of the 4 5/8% Series due 1993 (the twelfth series), \$15,000,000 principal amount of Bonds of the 5 1/4% Series due 1994 (the thirteenth series), \$45,000,000 principal amount of Bonds of the 7 3/4% Series due 2004 (the twentieth series), \$35,000,000 principal amount of Bonds of the 8.85% Series due 2005 (the twenty-first series), \$70,000,000 principal amount of Bonds of the 9 1/2% Series due August 15, 2005 (the twenty-second series), \$50,000,000 principal amount of Bonds of the 7 3/4% Series due 2007 (the twenty-third series), \$9,000,000 principal amount of Bonds of the 5 5/8% Series due 1997 (the twenty-fourth series), \$100,000,000 principal amount of Bonds of the 8 3/8% Series due 2009 (the twenty-fifth series), \$50,000,000 principal

amount of Bonds of the 10 1/4% Series due 1981 (the twenty-sixth series), \$50,000,000 principal amount of Bonds of the 10 3/4% Series due 2004 (the twenty-seventh series), \$38,300,000 principal amount of Bonds of the 6 1/8% Series due 2007 (the twenty-eighth series), \$15,000,000 principal amount of Bonds of the 6 1/2% Series due 2004 (the twenty-ninth series), \$20,000,000 principal amount of Bonds of the 6 1/2% Series due 2007 (the thirtieth series), \$7,500,000 principal amount of Bonds of the 6 5/8% Series due 2009 (the thirty-first series), \$30,000,000 principal amount of Bonds of the Floating Rate Series due 2010 (the thirty-second series), \$50,000,000 principal amount of Bonds of the 14 1/2% Series due 1991 (the thirty-third series), \$60,000,000 principal amount of

Bonds of the 14 1/4% Series due 1992 (the thirty-fifth series), \$50,000,000 principal amount of Bonds of the 11 7/8% Series due 1989 (the thirty-sixth series), \$37,000,000 principal amount of Bonds of the 8 3/4% Series due 2010 (the thirty-seventh series), \$75,000,000 principal amount of Bonds of the 11 1/4% Series due 2015 (the thirty-eighth series), \$75,000,000 principal amount of Bonds of the 9 1/4% Series due 2016 (the thirty-ninth series), \$75,000,000 principal amount of Bonds of the 8 3/4% Series due 2016 (the fortieth series), \$75,000,000 principal amount of Bonds of the 8 1/4% Series due 2017 (the forty-first series), \$75,000,000 principal amount of Bonds of the 9% Series due 1990 (the forty-second series), \$75,000,000 principal amount of Bonds of the 9 3/4% Series due 2019 (the forty-third series) and \$15,200,000 principal amount of Bonds of the 8 5/8% Series due 2019 (the forty-fourth series) have been heretofore redeemed and retired and there are now issued and outstanding under the Original Indenture and under the supplemental indentures referred to above: \$40,000,000 principal amount of Bonds of the 5% Series due 1995 (the fourteenth series); \$50,000,000 principal amount of Bonds of the 4 3/8% Series due 1998 (the fifteenth series); \$45,000,000 principal amount of Bonds of the 4 1/2% Series due 1999 (the sixteenth series); \$15,000,000 principal amount of Bonds of the 5 1/8% Series due 2001 (the seventeenth series); \$35,000,000 principal amount of Bonds of the 5 7/8% Series due 2002 (the eighteenth series); \$40,000,000 principal amount of Bonds of the 6 5/8% Series due 2003 (the nineteenth series); \$16,000,000 principal amount of Bonds of the 5 5/8% Series due 1997 (the twenty-fourth series); \$50,000,000 principal amount of Bonds of the Adjustable Rate Series due 2001 (the thirty-fourth series); \$59,800,000 principal amount of Bonds of the 8 5/8% Series due 2019 (the forty-fourth series); \$100,000,000 principal amount of Bonds of the 9% Series due 2000 (the forty-fifth series); \$100,000,000 principal amount of Bonds of the 9% Series due 2021 (the forty-sixth series); \$75,000,000 principal amount of Bonds of the 8 1/2% Series due 2027 (the forty-seventh series); \$30,000,000 principal amount of Bonds of the 6% Series due 2022 (the forty-eighth series); \$37,000,000 principal amount of Bonds of the 6 3/8% Series due 2023 (the forty-ninth series); \$78,000,000 principal amount of Bonds of the 6 1/2% Series due 2008 (the fiftieth series); \$40,000,000 principal amount of Bonds of the 7 1/2% Series due 2028 (the fifty-first series); \$100,000,000 principal amount of Bonds of the 7 1/4% Series due 2023 (the fifty-second series); \$100,000,000 principal amount of Bonds of the 6 7/8% Series due 2023 (the fifty-third se-

ries);

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\$50,000,000 principal amount of Bonds of the 5 5/8% Series due 2003 (the fifty-fourth series); \$50,000,000 principal amount of Bonds of the 5 7/8% Series due 2008 (the fifty-fifth series); \$75,000,000 principal amount of Bonds of the 6 7/8% Series due 2024 (the fifty-sixth series); \$42,500,000 principal amount of Bonds of the 5 3/8% Series due 2024 (the fifty-seventh series); and \$38,300,000 principal amount of Bonds of the 5 3/8% Series due 2024 (the fifty-eighth series); and

Whereas, for the purpose of conforming the Original Indenture to the standards prescribed by the Trust Indenture Act of 1939 or otherwise modifying certain of the provisions of the Original Indenture, indentures supplemental thereto dated December 10, 1939, August 10, 1942, October 15, 1942, April 1, 1966, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, November 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994 and February 11, 1994 have been heretofore entered into between the Company and the Trustee, and for the purpose of conveying additional property, indentures supplemental thereto dated July 15, 1942, October 15, 1947, December 31, 1948, December 31, 1949, February 15, 1951, February 16, 1953, March 15, 1954, March 15, 1955, March 15, 1956, April 1, 1957, May 1, 1958, May 1, 1959, May 2, 1960, April 3, 1961, May 1, 1962, May 1, 1963, April 23, 1964, May 3, 1965, June 1, 1966, April 28, 1967, July 3, 1967, May 1, 1968, June 16, 1969, May 15, 1970, September 1, 1971, June 17, 1981, November 1, 1985, September 16, 1987, May 1, 1989, May 21, 1991, May 7, 1992 and July 1, 1993 have been heretofore entered into between the Company and the Trustee, and for the purpose of better securing and protecting the Bonds then or thereafter issued and confirming the lien of the Original Indenture, an indenture dated October 15, 1942 supplemental thereto has been heretofore entered into between the Company and the Trustee; the Original Indenture as heretofore amended and supplemented being hereinafter referred to as the "Original Indenture as amended"; and

Whereas, the Company proposes to enter into a Loan Agreement (hereinafter defined) with Prince George's County, Maryland, a political

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subdivision of the State of Maryland (hereinafter called the "County"), to re-finance a portion of the cost of the acquisition of the Facilities (hereinafter defined) at the Company's Chalk Point Generating Station in Maryland (hereinafter called the "Plant"); and

Whereas, the County proposes to issue its Pollution Control Bonds (hereinaf-

ter defined) in the principal amount of \$16,000,000; and

Whereas, the Company is entitled to have authenticated and delivered additional Bonds on the basis of the net bondable value of property additions, upon compliance with the provisions of Section 4 of Article III of the Original Indenture as amended; and

Whereas, the Company has determined to issue to the Pollution Control Bond Trustee (hereinafter defined), as assignee of the County, pursuant to and as security for the Loan Agreement a fifty-ninth series of Bonds under the Original Indenture as amended in the principal amount of \$16,000,000, to be known as First Mortgage Bonds, 5 3/4% Series due 2010 (hereinafter called "Bonds of 2010 Series"); and

Whereas, the Original Indenture as amended provides that certain terms and provisions, as determined by the Board of Directors of the Company, of the Bonds of any particular series may be expressed in and provided by the execution of an appropriate supplemental indenture; and

Whereas, the Original Indenture as amended provides that the Company and the Trustee may enter into indentures supplemental thereto to add to the covenants and agreements of the Company contained therein other covenants and agreements thereafter to be observed; and to surrender any right or power reserved to or conferred upon the Company in the Original Indenture as amended; and

Whereas, the Company, in the exercise of the powers and authority conferred upon and reserved to it under the provisions of the Original Indenture as amended and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a Supplemental Indenture in the form hereof for the purposes herein provided; and

Whereas, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument have been

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done, performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

Now, Therefore, This Indenture Witnesseth:

That Potomac Electric Power Company, in consideration of the premises and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, and for other valuable considerations, the receipt whereof is hereby acknowledged, hereby covenants, declares and agrees with the Trustee and its successors in the trust under the Original Indenture as amended, for the benefit of those who hold the Bonds, or any of them, issued or to be issued hereunder or under the Original Indenture as amended, as follows:

PART I.

Definitions.

The terms defined in this Part I shall, for all purposes of this Supplemental Indenture, have the meanings herein specified, unless the context otherwise requires:

Facilities:

The term "Facilities" shall mean the pollution control project at the Plant, described in Exhibit A to the Loan Agreement, and related improvements and any substitutions therefor, being acquired by the Company and financed under the Loan Agreement for operation by it as pollution control facilities.

The term "acquisition," when used with regard to the Facilities, shall include, without limitation, the construction, installation and equipping of the Facilities.

Loan Agreement:

The term "Loan Agreement" shall mean the Loan Agreement dated as of March 15, 1995, entered into between the County and the Company, and any and all modifications, alterations, amendments and supplements thereto.

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Pollution Control Bond Indenture:

The term "Pollution Control Bond Indenture" shall mean the Indenture of Trust, dated as of March 15, 1995, between the County and the Pollution Control Bond Trustee, pursuant to which the Pollution Control Bonds are issued, and any indenture supplemental thereto.

Pollution Control Bonds:

The term "Pollution Control Bonds" shall mean the Pollution Control Revenue Refunding Bonds (Potomac Electric Project) of the County authenticated and delivered pursuant to the Pollution Control Bond Indenture. The term "Pollution Control Bonds, 1995 Series" shall mean the series of Pollution Control Revenue Refunding Bonds in the aggregate principal amount of \$16,000,000 delivered initially.

Pollution Control Bond Trustee:

The term "Pollution Control Bond Trustee" shall mean NationsBank, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successors, as Trustee under the Pollution Control Bond Indenture.

PART II.

Description of Bonds of 2010 Series.

Section 1. The fifty-ninth series of Bonds to be executed, authenticated and delivered under and secured by the Original Indenture as amended shall be Bonds of 2010 Series. The Bonds of 2010 Series shall, subject to the provisions of Section 1 of Article II of the Original Indenture as amended, be designated as "First Mortgage Bonds, 5 3/4% Series due 2010" of the Company. The Bonds of 2010 Series shall be executed, authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, all of the terms, conditions and covenants of the Original Indenture as amended, except in so far as the terms and provisions of the Original Indenture as amended are amended or modified by this Supplemental Indenture.

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The Bonds of 2010 Series shall mature March 15, 2010 and shall bear interest at the rate of five and three-quarters percent (5 3/4%) per annum, payable semiannually on the fifteenth day of March and the fifteenth day of September in each year (each such March 15 and September 15 being hereinafter called an "interest payment date"). The Bonds of 2010 Series shall be payable as to principal and interest in lawful money of the United States of America in immediately available funds, and shall be payable (the interest as well as the principal thereof) at the address of the registered owner of such Bonds of 2010 Series appearing on the transfer register of the Company.

Every Bond of 2010 Series shall be dated as of the date of its authentication and delivery, or if that is an interest payment date, the next day, and shall bear interest from the interest payment date next preceding its date or the date of delivery of the initial Bonds of 2010 Series, whichever is later.

Section 2. The Bonds of 2010 Series shall be registered Bonds without coupons of denominations of any multiple of \$5,000, numbered consecutively upwards from R1.

Section 3. The Bonds of 2010 Series, and the Trustee's certificate to be endorsed on the Bonds of 2010 Series, shall be substantially in the following forms, respectively:

[Form Of Bond]

This Bond is not transferable except as provided in the Pollution Control Bond Indenture, as defined herein.

POTOMAC ELECTRIC POWER COMPANY
(A District of Columbia and Virginia corporation)
First Mortgage Bond, 5 3/4% Series Due 2010

No. R-

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Potomac Electric Power Company, a corporation organized and existing under

the laws of the District of Columbia and a domestic corporation of the Commonwealth of Virginia (hereinafter called the "Com-

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pany", which term shall include any successor corporation as defined in the Amended Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, the sum of dollars, on the fifteenth day of March, 2010, or on such other date as may be required herein, in lawful money of the United States of America in immediately available funds, and to pay interest thereon in like money from the later of March 15, 1995 or the interest payment date (March 15 or September 15) next preceding the date of this Bond, or if the Company shall default in the payment of interest due on such interest payment date, then from the next preceding interest payment date to which interest has been paid or March 15, 1995, whichever is later, at the rate of five and three-quarters percent (5 3/4%) per annum, payable semiannually, on the fifteenth day of March and the fifteenth day of September in each year until maturity, or, if this Bond shall be duly called for redemption, until the redemption date, or, if the Company shall default in the payment of the principal hereof, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Amended Indenture. Both principal of, and interest on, this Bond are payable at the address of the registered owner hereof appearing on the transfer register of the Company. To the extent permitted by law, the Company shall pay interest on any overdue installment of interest hereunder at the rate of five and three-quarters percent (5 3/4%) per annum, or at such lesser maximum rate of interest as is permitted by law at any such time.

This Bond is one of a duly authorized issue of Bonds of the Company (hereinafter called the "Bonds") in unlimited aggregate principal amount of the series hereinafter specified, all issued and to be issued under and equally secured (except in so far as any purchase or sinking fund or analogous provisions for any particular series of Bonds, established by any indenture supplemental to the Amended Indenture hereinafter mentioned, may afford additional security for such Bonds) by a Mortgage and Deed of Trust, dated July 1, 1936, executed by the Company to The Riggs National Bank of Washington, D.C. (herein called the "Trustee"), as trustee, as amended by indentures supplemental thereto dated December 10, 1939, August 10, 1942, October 15, 1942, April 1, 1966, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, Novem-

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ber 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994 and February 11, 1994 (said mortgage and deed of trust, as so amended, being herein called the "Amended Indenture") and all indentures supplemental thereto, to which Amended

Indenture and supplemental indentures reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the owners of the Bonds and of the Trustee in respect thereto, and the terms and conditions upon which the Bonds are, and are to be, secured. To the extent permitted by, and as provided in, the Amended Indenture, modifications or alterations of the Amended Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders of the Bonds may be made with the consent of the Company by an affirmative vote of not less than 80% in amount of the Bonds entitled to vote then outstanding, at a meeting of Bondholders called and held as provided in the Amended Indenture, and by an affirmative vote of not less than 80% in amount of the Bonds of any series entitled to vote then outstanding and affected by such modification or alteration, in case one or more but less than all of the series of Bonds then outstanding under the Amended Indenture are so affected; provided, however, that no such modification or alteration shall be made which will affect the terms of payment of the principal of, or interest on, this Bond, which are unconditional, or which reduces the percentage of Bonds the affirmative vote of which is required for the making of such modifications or alterations. The Company is proposing an amendment to the Amended Indenture which would replace "80%" with "60%" in the preceding sentence, which amendment will become effective upon the consent or agreement thereto of the holders of all the outstanding Bonds. The holder of this Bond will be deemed to have approved such amendment. The Bonds may be issued in series, for various principal sums, may mature at different times, may bear interest at different rates and may otherwise vary as in the Amended Indenture provided.

This Bond is one of a series designated as the "First Mortgage Bonds, 5 3/4% Series due 2010" (herein called the "Bonds of 5 3/4% Series due

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2010") of the Company, limited in aggregate principal amount to \$16,000,000 issued under and secured by the Amended Indenture and all indentures supplemental thereto and described in the indenture (herein called the "Supplemental Indenture of March 10, 1995") dated as of March 10, 1995, between the Company and the Trustee, supplemental to the Amended Indenture. Unless otherwise defined herein, the terms used herein shall have the same meanings as in the Supplemental Indenture of March 10, 1995.

The Bonds of 5 3/4% Series due 2010 shall not be called for redemption by the Company prior to maturity except as provided herein and in the Supplemental Indenture of March 10, 1995. The Bonds of 5 3/4% Series due 2010 are subject to redemption in whole, but not in part, at any time, at the option of the Company upon payment of a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, without premium, upon the occurrence of any of the following events:

(a) damage or destruction to the Company's Chalk Point Generating Station in Maryland (the "Plant") or the pollution control project at the Plant (the "Facilities") to such extent that in the opinion of both the Company's board of directors (expressed in a resolution) and an architect or engineer ac-

ceptable to NationsBank, N.A., (the "Pollution Control Bond Trustee"), as trustee under the Indenture of Trust, dated as of March 15, 1995 (the "Pollution Control Bond Indenture") between Prince George's County, Maryland (the "County") and the Pollution Control Bond Trustee, both opinions filed with the County and the Pollution Control Bond Trustee, (1) the Plant or the Facilities, as the case may be, cannot be reasonably repaired, rebuilt or restored within a period of six months to its condition immediately preceding such damage or destruction, or (2) the Company is thereby prevented from carrying on its normal operations at the Plant for a period of six months; or

(b) loss of title to or use of a substantial part of the Plant or the Facilities as a result of the exercise of the power of eminent domain which, in the opinion of both the Company's board of directors (expressed in a resolution) and an architect or engineer acceptable to the Pollution Control Bond Trustee, both opinions filed with the County and the Pollution Control Bond Trustee, results or is likely to result in the Company thereby being prevented from carrying on its normal operations therein for a period of six months; or

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(c) a change in the Constitution of the State of Maryland or the Constitution of the United States of America or legislative or administrative action (whether local, state or Federal) or a final decree, judgment or order of any court or administrative body (whether local, state or Federal) which causes the Loan Agreement, dated as of March 15, 1995, between the Company and the County (the "Loan Agreement"), to become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities to be imposed upon the County or the Company with respect to the Plant or the Facilities or the operation thereof, including but not limited to the imposition of Federal, state or other ad valorem property, income or other taxes other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Facilities; or

(d) changes in the economic availability of raw materials, operating supplies, energy sources or supplies, or facilities necessary for the operation of the Facilities for the purposes of pollution control "facilities" as defined in the Maryland Economic Development Revenue Bond Act, or necessary for the operation of the Plant, occur or such technological or other changes which the Company cannot reasonably overcome or control and which in the reasonable judgment of the Company's board of directors (expressed in a resolution) render the Facilities or the Plant uneconomic or obsolete for such purposes; or

(e) any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operation serviced by the Facilities to the extent the Company is or will be prevented from carrying on its normal operations at the Plant for a period of six months;

provided, however, that to exercise such option to redeem the Company shall, file the required resolutions and opinions or a certificate, as the case may be, within nine months after the event permitting its exercise, giving notice to the County and the Pollution Control Bond Trustee, and shall specify a date not less than 45 nor more than 90 days thereafter for redemption.

The Bonds of 5 3/4% Series due 2010 are subject to mandatory redemption at any time as a whole or, as hereinafter provided, in part at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium, in the event that the Pollution Control Bond Trustee shall (a) deliver a notification to the Trustee and the Company

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that it has been finally determined by the Internal Revenue Service or a court of competent jurisdiction that, as a result of a failure by the Company to observe any covenant or agreement in the Loan Agreement or contravening any representation contained in the Loan Agreement, the interest payable on the Pollution Control Bonds, 1995 Series issued pursuant to the Pollution Control Bond Indenture is includable for Federal income tax purposes in the gross income of any holder of a Pollution Control Bond, 1995 Series, other than a holder who is a "substantial user" of the Facilities or a "related person," as provided in Section 147(a) of the Internal Revenue Code of 1986, as amended, or any applicable predecessor statutory provisions and (b) in conjunction therewith, make a demand for such redemption. No such determination will be considered final for the purpose of any mandatory redemption pursuant to this paragraph unless the Company shall have been given written notice as provided in the Pollution Control Bond Indenture and, if it shall have so desired, been afforded the opportunity to contest the same, either directly or in the name of any holder of a Pollution Control Bond, 1995 Series, and until conclusion of any appellate review with respect thereto, if sought. Any such redemption shall be on any date within 120 days from the time of such final determination. Upon the finality of such determination, the Bonds of 5 3/4% Series due 2010 shall be redeemed in whole unless, as a result of an opinion rendered by Bond Counsel (as defined in the Pollution Control Bond Indenture) pursuant to Section 2.05(b) of the Pollution Control Bond Indenture, the Pollution Control Bonds shall be redeemed only in part, in which event an equal principal amount of Bonds of 5 3/4% Series due 2010 shall also be redeemed. If such redemption shall occur in accordance with the terms hereof, then such failure by the Company to observe such covenant, agreement or representation in the Loan Agreement shall not in and of itself constitute an Event of Default under the Pollution Control Bond Indenture, the Bonds of 5 3/4% Series due 2010, the Amended Indenture or the Supplemental Indenture of March 10, 1995.

The Bonds of 5 3/4% Series due 2010 are also subject to mandatory redemption at any time, as a whole, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium in the event the Trustee shall receive a written demand (hereinafter called "Default Redemption Demand") from the Pollution Control Bond

Trustee for redemption stating that the principal of all Pollution Control Bonds, 1995 Series then outstanding under the Pollution Control Bond Indenture has been declared to be immediately due and payable pursuant to the provisions of Section 9.01 thereof. The Trustee shall within 10 days of receiving the Default Redemption Demand mail a copy to the Company stamped or otherwise marked to show the date of receipt by the Trustee. The Company shall fix a redemption date and shall mail the Trustee notice of such selection at least 15 days prior to the date so selected. Such redemption date may be any day not more than 60 days after the receipt of the Default Redemption Demand by the Trustee. If the Trustee does not receive notice of such selection by the Company within 45 days after the Default Redemption Demand was received by the Trustee, then the redemption date shall be the 60th day after such receipt. The Trustee shall mail notice of the redemption date (hereinafter called the "Default Redemption Notice") to the Pollution Control Bond Trustee not more than 10 nor less than 5 days prior to the date fixed for redemption. The Trustee shall not mail any Default Redemption Notice (and no such redemption shall be made) if the Trustee receives a written cancellation of the Default Redemption Demand from the Pollution Control Bond Trustee prior to the mailing of the Default Redemption Notice. Notwithstanding any other provision contained in this Bond, or the Amended Indenture, the holder of this Bond by the acceptance of such Bond hereby waives any longer notice of redemption.

In case an event of default, as defined in the Amended Indenture, shall occur, the principal of all the Bonds at any such time outstanding under the Amended Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Amended Indenture. The Amended Indenture provides that such declaration may in certain events be waived by the holders of a majority in principal amount of the Bonds entitled to vote then outstanding.

Subject to the restriction on transfer appearing hereon, this Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on the books of the Company to be kept for that purpose at the agency of the Company in the City of Washington, D.C., upon

surrender and cancellation of this Bond and on presentation of a duly executed written instrument of transfer, and thereupon a new Bond or Bonds of the same series, of the same aggregate principal amount and in authorized denominations will be issued to the transferee in exchange therefor; and this Bond, with or without others of the same series, may in like manner be exchanged for one or more new Bonds of the same series of other authorized denominations but of the same aggregate principal amount; all subject to the terms and conditions set forth in the Amended Indenture.

No recourse shall be had for the payment of the principal of, or the interest on, this Bond, or for any claim based hereon or otherwise in respect hereof or

of the Amended Indenture or any indenture supplemental thereto, against any incorporator, or against any stockholder, director or officer, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether for amounts unpaid on stock subscriptions or by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, stockholders, directors or officers being released by every owner hereof by the acceptance of this Bond and as part of the consideration for the issue hereof, and being likewise released by the terms of the Amended Indenture.

This Bond shall not be entitled to any benefit under the Amended Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until The Riggs National Bank of Washington, D.C., the Trustee under the Amended Indenture, or a successor trustee thereto under the Amended Indenture, shall have signed the form of certificate endorsed hereon.

In Witness Whereof, Potomac Electric Power Company has caused this Bond to be signed in its name by the signature (or a facsimile thereof) of its President or a Vice President, and its corporate seal (or a facsimile thereof) to be hereto affixed and attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated,

Potomac Electric Power Company

By
Vice President

Attest:

.....
Secretary

[form of trustee's certificate]

This Bond is one of the Bonds, of the series designated therein, described in the within-mentioned Amended Indenture and the Supplemental Indenture of March 10, 1995.

The Riggs National Bank of Washington, D.C.
Trustee

By
Authorized Officer

PART III.

Issue of Bonds.

Section 1. Except for Bonds of 2010 Series issued pursuant to Section 13 of Article II of the Original Indenture as amended, the principal amount of Bonds of 2010 Series which may be authenticated and delivered hereunder is limited to the aggregate principal amount of Sixteen Million Dollars (\$16,000,000).

Section 2. Bonds of 2010 Series in the aggregate principal amount of Sixteen Million Dollars (\$16,000,000), may at any time subsequent to the execution hereof be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered (either before or after the recording hereof) to or upon the order of the Company evidenced by a writing or writings, signed by its President or one of its Vice Presidents and its Treasurer or one of its Assistant Treasurers, at such time or times as may be requested by the Company subsequent to the receipt by the Trustee of

(1) the certified resolution and the officers' certificate required by Section 3(a) and Section 3(b) of Article III of the Original Indenture as amended;

(2) the opinion of counsel required by Section 3(c) of Article III of the Original Indenture as amended;

(3) cash, if any, in the amount required to be deposited by Section 3(d) of Article III of the Original Indenture as amended, which shall be held and applied by the Trustee as provided in said Section 3(d);

(4) the certificates, instruments, opinions of counsel, prior lien bonds and cash, if any, required by Section 4 of Article III of the Original Indenture as amended, except that, as required by Part VII of this Supplemental Indenture, property additions purchased, constructed or otherwise acquired on or before December 31, 1946 shall not be made the basis for the authentication and delivery of Bonds of 2010 Series; and

(5) the certificates and opinions required by Article XVIII of the Original Indenture as amended.

PART IV.

Redemption.

Section 1. The Bonds of 2010 Series shall not be redeemable by the Company prior to maturity.

Section 2. Notwithstanding the provision of Section 1 of this Part IV, in the event of (a) damage or destruction of the Company's Plant or the Facilities, (b) condemnation of the Company's Plant or the Facilities, (c) constitutional, legislative, judicial or administrative action voiding the Loan Agreement or imposing unreasonable burdens or excessive liabilities on the Company, including the imposition of certain taxes, (d) changes in the economic or technological status of the Plant or the Facilities rendering the Plant obsolete or uneconomic or (e) court or administrative action requiring the Company to cease all or any substantial part of its operations serviced by the Facilities for a period of six months, all as provided in the form of Bond contained in Section 3 of Part II hereof, the Bonds of 2010 Series shall, in accordance with the provisions of Article V of the Original Indenture as amended, be redeemable, as a whole at any time prior to maturity, in the manner and upon the conditions provided in said form of Bond, upon payment of a redemption price equal to 100% of the principal amount thereof together with accrued interest to the redemption date, without premium.

Section 3. Notwithstanding the provision of Section 1 of this Part IV, in the event the Trustee shall receive from the Pollution Control Bond Trustee either

(a) a notification that the Bonds are subject to mandatory redemption, pursuant to Section 2.05(b) of the Pollution Control Bond Indenture; or

(b) a Default Redemption Demand (as defined in the form of Bond contained in Section 3 of Part II hereof);

the Bonds of 2010 Series shall be subject to mandatory redemption, as a whole at any time prior to maturity, or, in the case of clause (a) above, in part at any time, in each case in the manner and upon the conditions provided in said form of Bond, at 100% of the principal amount thereof together with accrued interest to the redemption date, without premium.

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Section 4. In accordance with the provisions of Article V of the Original Indenture as amended, notice of redemption (other than in a redemption in the event of a Default Redemption Demand) shall be delivered at least forty-five days and not more than sixty days prior to the date of redemption, to the registered owner of the Bonds of 2010 Series at its address as the same shall appear on the transfer register of the Company; provided, however, that such prior notice shall be deemed to have been duly given with respect to all or any part of the Bonds whenever the Company shall have complied with all of its obligations, as set forth in Article VII of the Pollution Control Bond Indenture, with respect to redemption of all or such part of the Pollution Control Bonds.

PART V.

Amendment of Indenture to Permit Qualification
Under Trust Indenture Act of 1939.

The Company and the Trustee, from time to time and at any time, without any vote or consent of the holders of the Bonds of 2010 Series, may enter into such indentures supplemental to the Original Indenture as amended as may or shall by them be deemed necessary or desirable to add to or modify or amend any of the provisions of the Original Indenture so as to permit the qualification of the Original Indenture as amended under the Trust Indenture Act of 1939.

Except to the extent specifically provided herein, no provision of this Supplemental Indenture is intended to modify, and the parties hereto do hereby adopt and confirm, the provisions of Section 318(c) of the Trust Indenture Act of 1939 which amend and supersede provisions of the Original Indenture, as supplemented, in effect prior to November 15, 1990.

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PART VI.

Amendment of Original Indenture.

Notwithstanding any other provisions of the Original Indenture as amended, the holders of the Bonds of 2010 Series, by their holding of such Bonds, are deemed to have approved the following amendment to the Original Indenture as amended and to have authorized the Trustee to take any action necessary to evidence or effectuate such approval:

Sections 5 and 6 of Article XV of the Original Indenture as amended are hereby amended by changing the words and figures "eighty percent. (80%)" to the words and figures "sixty percent. (60%)" wherever in such Sections such words and figures occur.

PART VII.

Additional Particular Covenants of the Company.

The Company hereby covenants, warrants and agrees that so long as any Bonds of 2010 Series are outstanding:

Section 1. The Company will not withdraw, pursuant to the provisions of Section 2 of Article VIII of the Original Indenture as amended, any moneys held by the Trustee as part of the trust estate in excess of an amount equal to the aggregate principal amount of such of the refundable Bonds as were theretofore issued by the Company; and that upon any such withdrawal by the Company refundable Bonds equal in aggregate principal amount to the amount so withdrawn shall be deemed to have been made the basis for such withdrawal.

Section 2. Property additions purchased, constructed or otherwise acquired on or before December 31, 1946 shall not be made the basis for the authentication and delivery of Bonds, or the withdrawal of cash, or the reduction of the

amount of cash required to be paid to the Trustee under any provision of the Indenture.

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PART VIII.

The Trustee.

The Trustee hereby accepts the trusts hereby declared and provided and agrees to perform the same upon the terms and conditions in the Original Indenture as amended set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XIII of the Original Indenture as amended shall apply to this Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Indenture.

PART IX.

Miscellaneous Provisions.

If any payment of principal of, or installment of interest on, the Bonds of 2010 Series shall be due and payable on any day which is not a business day, such payment shall become due and payable on the next succeeding business day, a "business day" being any Monday, Tuesday, Wednesday, Thursday, or Friday other than any such day that is a legal holiday or a day on which commercial banking institutions in the State of Maryland are authorized or obligated to close.

As provided in the Pollution Control Bond Indenture, any amounts of money held in the Bond Fund provided in the Pollution Control Bond Indenture and available for such purpose, which are at the request of the Company applied to the payment of the principal of, premium, if any, and interest on the Pollution Control Bonds on any payment or redemption date, shall be applied as a credit on amounts otherwise due under the Bonds of 2010 Series and shall pro tanto discharge the Company's obligations to pay such amounts otherwise due; provided that the

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amount of such credit shall be established by an officer's certificate (as defined in the Original Indenture as amended), concurred in by the Pollution Control Bond Trustee, which shall be delivered prior to the application of any

such credit.

This Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

Potomac Electric Power Company hereby constitutes and appoints Dennis R. Wraase, one of its Senior Vice Presidents, to be its true and lawful attorney-in-fact, for it and in its name to appear before any officer authorized by law to take and certify acknowledgments of deeds to be recorded in the District of Columbia, in the State of Maryland, in the Commonwealth of Virginia, and in the Commonwealth of Pennsylvania and to acknowledge and deliver these presents as the act and deed of said Potomac Electric Power Company.

The Riggs National Bank of Washington, D.C., hereby constitutes and appoints James B. Lynn, one of its Vice Presidents, to be its true and lawful attorney-in-fact, for it and in its name to appear before any officer authorized by law to take and certify acknowledgements of deeds to be recorded in the District of Columbia, in the State of Maryland, in the Commonwealth of Virginia, and in the Commonwealth of Pennsylvania and to acknowledge and deliver these presents as the act and deed of said The Riggs National Bank of Washington, D.C.

In Witness Whereof, said Potomac Electric Power Company has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; and said The Riggs National Bank of Washington, D.C., in evidence of its acceptance of the trust hereby created, has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental

Indenture to be attested by one of its Corporate Trust Officers, all as of the 10th day of March, One thousand nine hundred and ninety-five.

Potomac Electric Power Company

(Corporate Seal)

By
DENNIS R. WRAASE,
Senior Vice President

Attested:

.....
MARY T. HOWARD,
Assistant Secretary

Signed, sealed and delivered by Potomac Electric Power Company in the presence of:

.....

.....

As Witnesses

The Riggs National Bank of Washington, D.C.

(Corporate Seal)

By

JAMES B. LYNN,
Vice President

Attested:

.....

Senior Corporate Trust Officer

Signed, sealed and delivered by The Riggs National Bank of Washington, D.C. in the presence of:

.....

.....

As Witnesses

City of Washington, +++
District of Columbia, ++ ss.:
 +++

I, _____, a Notary Public in and for the District of Columbia, United States of America, whose commission as such will expire _____, do hereby certify that Dennis R. Wraase and Mary T. Howard, whose names as Senior Vice President and Assistant Secretary, respectively, of Potomac Electric Power Company, a corporation, are signed to the foregoing and hereto attached deed, bearing date as of the 10th day of March, 1995, personally appeared this day before me in my District aforesaid and acknowledged themselves to be, respectively, a Senior Vice President and an Assistant Secretary of Potomac Electric Power Company, and that they as such, being authorized so to do, executed the said deed by signing the name of Potomac Electric Power Company by Dennis R. Wraase, as Senior Vice President, and attested by Mary T. Howard, as Assistant Secretary, and acknowledged the same before me in my District aforesaid and acknowledged the foregoing instrument to be the act and deed of Potomac Electric Power Company.

Given under my hand and official seal this _____ day of March, 1995.

(Notarial Seal)

.....
Notary Public
District of Columbia

25

City of Washington, +++
District of Columbia, ++ ss.:
 +++

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that Dennis R. Wraase, a Senior Vice President of Potomac Electric Power Company, a corporation, one of the parties to the foregoing instrument bearing date as of the 10th day of March, 1995, and hereto annexed, this day personally appeared before me in the City of Washington, the said Dennis R. Wraase being personally well known to me as the person who executed the said instrument as a Senior Vice President of and on behalf of said Potomac Electric Power Company and known to me to be the attorney-in-fact duly appointed therein to acknowledge and deliver said instrument on behalf of said corporation, and, as such attorney-in-fact, he acknowledged said instrument to be the act and deed of said Potomac Electric Power Company, and delivered the same as such. I further certify that the said Dennis R. Wraase, being by me duly sworn, did depose and say that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal and was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order. My commission expires

Given under my hand and official seal this day of March, 1995.

(Notarial Seal)

.....
Notary Public
District of Columbia

26

City of Washington, +++
District of Columbia, ++ ss.:
 +++

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that James B. Lynn and O. Clinton Jones, III, whose names as Vice President and Senior Corporate Trust Officer, respectively, of The Riggs National Bank of Washington, D.C., a corporation, are signed to the foregoing and hereto attached deed, bearing date as of the 10th day of March, 1995, personally appeared before me this day in my District

aforesaid and acknowledged themselves to be, respectively, a Vice President and a Senior Corporate Trust Officer of The Riggs National Bank of Washington, D.C., and that they as such, being authorized so to do, executed the said deed by signing the name of The Riggs National Bank of Washington, D.C. by James B. Lynn as Vice President, and attested by O. Clinton Jones, III, as Senior Corporate Trust Officer, and acknowledged the same before me in my District aforesaid and acknowledged the foregoing instrument to be the act and deed of The Riggs National Bank of Washington, D.C., as therein set forth.

Given under my hand and notarial seal this day of March, 1995.

(Notarial Seal)

.....

Notary Public
District of Columbia

My Commission Expires

27

City of Washington, +++
District of Columbia, ++ ss.:
 +++

James B. Lynn, of full age, being sworn according to law, on his oath deposes and says that he is a Vice President of The Riggs National Bank of Washington, D.C., the Trustee named in the foregoing Supplemental Indenture, dated as of the 10th day of March, 1995, that he is the agent of said Trustee for the purpose of perfecting such Supplemental Indenture and that the consideration in the Original Indenture referred to therein and in all indentures supplemental to said Original Indenture, including the foregoing Supplemental Indenture, is true and bona fide as therein set forth.

.....

James B. Lynn

Subscribed and sworn to before me
this day of March, 1995.

.....

Notary Public
District of Columbia

My Commission Expires

(Notarial Seal)

28

City of Washington, +++
District of Columbia, ++ ss.:
 +++

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that James B. Lynn a Vice President of The Riggs National Bank of Washington, D.C., a corporation, one of the parties to the foregoing instrument bearing date as of the 10th day of March, 1995, and hereto annexed, this day personally appeared before me in the City of Washington, the said James B. Lynn, being personally well known to me as the person who executed the said instrument as a Vice President of and on behalf of said The Riggs National Bank of Washington, D.C., and known to me to be the attorney-in-fact duly appointed therein to acknowledge and deliver said instrument on behalf of said corporation, and, as such attorney-in-fact, he acknowledged said instrument to be the act and deed of said The Riggs National Bank of Washington, D.C., and delivered the same as such. I further certify that the said James B. Lynn, being by me duly sworn, did depose and say that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal and was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Given under my hand and official seal this day of March, 1995.

(Notarial Seal)

.....
 Notary Public
 District of Columbia

My Commission Expires

CERTIFICATE OF RESIDENCE

The Riggs National Bank of Washington, D.C., Mortgagee and Trustee within named, hereby certifies that its precise residence is 800-17th Street, N.W., Washington, D.C. 20006.

The Riggs National Bank
of Washington, D.C.

By.....
 James B. Lynn,
 Vice President

POTOMAC ELECTRIC POWER COMPANY

1900 PENNSYLVANIA AVENUE, N.W., WASHINGTON, D.C.

TO

THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.

800-17TH STREET, N.W., WASHINGTON, D.C.

AS TRUSTEE

Supplemental Indenture

DATED AS OF , 1995

SUPPLEMENTAL TO MORTGAGE AND DEED OF TRUST

DATED JULY 1, 1936

FIRST MORTGAGE BONDS, % SERIES DUE

POTOMAC ELECTRIC POWER COMPANY

SUPPLEMENTAL INDENTURE DATED AS OF , 1995

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SUPPLEMENTAL INDENTURE, dated as of the day of , nineteen hundred and ninety-five (1995), made by and between Potomac Electric Power Company, a corporation organized and existing under the laws of the District of Columbia and a domestic corporation of the Commonwealth of Virginia (hereinafter sometimes called the "Company"), party of the first part, and The Riggs National Bank of Washington, D.C., a national banking association organized and existing under the laws of the United States of America (hereinafter sometimes called the "Trustee"), as Trustee under the Mortgage and Deed of Trust dated July 1, 1936, hereinafter mentioned, party of the second part;

Whereas, The Company has heretofore executed and delivered its Mortgage and Deed of Trust, dated July 1, 1936 (hereinafter sometimes referred to as the "Original Indenture"), to the Trustee, to secure an issue of First Mortgage Bonds of the Company, issuable in series; and

Whereas, pursuant to the terms and provisions of the Original Indenture, indentures supplemental thereto dated as of July 1, 1936, December 1, 1939, August 1, 1940, August 1, 1942, January 1, 1948, May 1, 1949, May 1, 1950, March 1, 1952, May 15, 1953, May 16, 1955, June 1, 1956, December 1, 1958, November 16, 1959, December 1, 1960, February 15, 1963, May 15, 1964, April 1, 1966, May 1, 1967, February 15, 1968, March 15, 1969, February 15, 1970, August 15, 1970, September 15, 1972, April 1, 1973, January 2, 1974, August 15, 1974, August 15, 1974, June 15, 1977, July 1, 1979, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, November 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994, February 11, 1994 and March 10, 1995 have been heretofore entered into between the Company and the Trustee to provide, respectively, for the

creation of the first through the fifty-ninth series of Bonds thereunder and, in the case of the supplemental indentures dated January 1, 1948, March 1, 1952, May 15, 1953, May 16, 1955, June 1, 1956, September 15, 1972, July 1, 1979, June 17, 1981, November 1, 1985, September 16, 1987, May 1, 1989, May 21, 1991, May 7, 1992, July 1, 1993 and one of the supplemental indentures dated August 15, 1974, to convey additional property; and

Whereas, \$20,000,000 principal amount of Bonds of the 3 1/4% Series due 1966 (the first series), \$5,000,000 principal amount of Bonds of the 3 1/4% Series due 1974 (the second series), \$10,000,000 principal amount of Bonds of the 3 1/4% Series due 1975 (the third series), \$5,000,000 principal amount of Bonds of the 3 1/4% Series due 1977 (the fourth series), \$15,000,000 principal amount of Bonds of the 3% Series due 1983 (the fifth series), \$10,000,000 principal amount of Bonds of the 2 7/8% Series due 1984 (the sixth series), \$30,000,000 principal amount of Bonds of the 2 3/4% Series due 1985 (the seventh series), \$15,000,000 principal amount of Bonds of the 3 1/4% Series due 1987 (the eighth series), \$10,000,000 principal amount of Bonds of the 3 7/8% Series due 1988 (the ninth series), \$10,000,000 principal amount of Bonds of the 3 3/8% Series due 1990 (the tenth series), \$10,000,000 principal amount of Bonds of the 3 5/8% Series due 1991 (the eleventh series), \$25,000,000 principal amount of Bonds of the 4 5/8% Series due 1993 (the twelfth series), \$15,000,000 principal amount of Bonds of the 5 1/4% Series due 1994 (the thirteenth series), \$45,000,000 principal amount of Bonds of the 7 3/4% Series due 2004 (the twentieth series), \$35,000,000 principal amount of Bonds of the 8.85% Series due 2005 (the twenty-first series), \$70,000,000 principal amount of Bonds of the 9 1/2% Series due August 15, 2005 (the twenty-second series), \$50,000,000 principal amount of Bonds of the 7 3/4% Series due 2007 (the twenty-third series), \$25,000,000 principal amount of Bonds of the 5 5/8% Series due 1997 (the twenty-fourth series), \$100,000,000 principal amount of Bonds of the 8 3/8% Series due 2009 (the twenty-fifth series), \$50,000,000 principal amount of Bonds of the 10 1/4% Series due 1981 (the twenty-sixth series), \$50,000,000 principal amount of Bonds of the 10 3/4% Series due 2004 (the twenty-seventh series), \$38,300,000 principal amount of Bonds of the 6 1/8% Series due 2007 (the twenty-eighth series), \$15,000,000 principal amount of Bonds of the 6 1/2% Series due 2004 (the twenty-ninth series), \$20,000,000 principal amount of Bonds of the 6 1/2% Series due 2007 (the thirtieth series), \$7,500,000 principal amount of Bonds of the 6 5/8% Series due 2009 (the thirty-first series), \$30,000,000 principal amount of Bonds of the Floating Rate Series due 2010 (the thirty-second series), \$50,000,000 principal amount of Bonds of the 14 1/2% Series due 1991 (the thirty-third series), \$60,000,000 principal amount of Bonds of the 14 1/4% Series due 1992 (the thirty-fifth series), \$50,000,000 principal amount of Bonds of the 11 7/8% Series due 1989 (the thirty-sixth series), \$37,000,000

principal amount of Bonds of the 8 3/4% Series due 2010 (the thirty-seventh series), \$75,000,000 principal amount of Bonds of the 11 1/4% Series due 2015 (the thirty-eighth series), \$75,000,000 principal amount of Bonds of the 9 1/4% Series due 2016 (the thirty-ninth series), \$75,000,000 principal amount of Bonds of the 8 3/4% Series due 2016 (the fortieth series), \$75,000,000 principal amount of Bonds of the 8 1/4% Series due 2017 (the forty-first series),

\$75,000,000 principal amount of Bonds of the 9% Series due 1990 (the forty-second series) and \$75,000,000 principal amount of Bonds of the 9 3/4% Series due 2019 (the forty-third series), have been heretofore redeemed and retired and there are now issued and outstanding under the Original Indenture and under the supplemental indentures referred to above: \$40,000,000 principal amount of Bonds of the 5% Series due 1995 (the fourteenth series); \$50,000,000 principal amount of Bonds of the 4 3/8% Series due 1998 (the fifteenth series); \$45,000,000 principal amount of Bonds of the 4 1/2% Series due 1999 (the sixteenth series); \$15,000,000 principal amount of Bonds of the 5 1/8% Series due 2001 (the seventeenth series); \$35,000,000 principal amount of Bonds of the 5 7/8% Series due 2002 (the eighteenth series); \$40,000,000 principal amount of Bonds of the 6 5/8% Series due 2003 (the nineteenth series); \$50,000,000 principal amount of Bonds of the Adjustable Rate Series due 2001 (the thirty-fourth series); \$59,800,000 principal amount of Bonds of the 8 5/8% Series due 2019 (the forty-fourth series); \$100,000,000 principal amount of Bonds of the 9% Series due 2000 (the forty-fifth series); \$100,000,000 principal amount of Bonds of the 9% Series due 2021 (the forty-sixth series); \$75,000,000 principal amount of Bonds of the 8 1/2% Series due 2027 (the forty-seventh series); \$30,000,000 principal amount of Bonds of the 6% Series due 2022 (the forty-eighth series); \$37,000,000 principal amount of Bonds of the 6 3/8% Series due 2023 (the forty-ninth series); \$78,000,000 principal amount of Bonds of the 6 1/2% Series due 2008 (the fiftieth series); \$40,000,000 principal amount of Bonds of the 7 1/2% Series due 2028 (the fifty-first series); \$100,000,000 principal amount of Bonds of the 7 1/4% Series due 2023 (the fifty-second series); \$100,000,000 principal amount of Bonds of the 6 7/8% Series due 2023 (the fifty-third series); \$50,000,000 principal amount of Bonds of the 5 5/8% Series due 2003 (the fifty-fourth series); \$50,000,000 principal amount of Bonds of the 5 7/8% Series due 2008 (the fifty-fifth series); \$75,000,000 principal amount of Bonds of the 6 7/8% Series due 2024 (the fifty-sixth series); \$42,500,000 principal amount of

Bonds of the 5 3/8% Series due 2024 (the fifty-seventh series); \$38,300,000 principal amount of Bonds of the 5 3/8% Series due 2024 (the fifty-eighth series); and \$16,000,000 principal amount of Bonds of the 5 3/4% Series due 2010 (the fifty-ninth series); and

Whereas, for the purpose of conforming the Original Indenture to the standards prescribed by the Trust Indenture Act of 1939 or otherwise modifying certain of the provisions of the Original Indenture, indentures supplemental thereto dated December 10, 1939, August 10, 1942, October 15, 1942, April 1, 1966, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, November 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994, February 11, 1994 and March 10, 1995 have been heretofore entered into between the Company and the Trustee, and for the purpose of conveying additional property, indentures supplemental thereto dated July 15, 1942, October 15, 1947, December 31, 1948, December 31, 1949, February 15, 1951, February 16, 1953, March 15, 1954, March 15, 1955,

March 15, 1956, April 1, 1957, May 1, 1958, May 1, 1959, May 2, 1960, April 3, 1961, May 1, 1962, May 1, 1963, April 23, 1964, May 3, 1965, June 1, 1966, April 28, 1967, July 3, 1967, May 1, 1968, June 16, 1969, May 15, 1970, September 1, 1971, June 17, 1981, November 1, 1985, September 16, 1987, May 1, 1989, May 21, 1991, May 7, 1992 and July 1, 1993 have been heretofore entered into between the Company and the Trustee, and for the purpose of better securing and protecting the Bonds then or thereafter issued and confirming the lien of the Original Indenture, an indenture dated October 15, 1942 supplemental thereto has been heretofore entered into between the Company and the Trustee; the Original Indenture as heretofore amended and supplemented being hereinafter referred to as the "Original Indenture as amended"; and

Whereas, the Company is entitled to have authenticated and delivered additional Bonds on the basis of the net bondable value of property additions, upon compliance with the provisions of Section 4 of Article III of the Original Indenture as amended; and

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Whereas, the Company has determined to issue a sixtieth series of Bonds under the Original Indenture as amended in the principal amount of \$, to be known as First Mortgage Bonds, % Series due (hereinafter called "Bonds of Series"); and

Whereas, the Original Indenture as amended provides that certain terms and provisions, as determined by the Board of Directors of the Company, of the Bonds of any particular series may be expressed in and provided by the execution of an appropriate supplemental indenture; and

Whereas, the Original Indenture as amended provides that the Company and the Trustee may enter into indentures supplemental thereto to add to the covenants and agreements of the Company contained therein other covenants and agreements thereafter to be observed; and to surrender any right or power reserved to or conferred upon the Company in the Original Indenture as amended; and

Whereas, the Company, in the exercise of the powers and authority conferred upon and reserved to it under the provisions of the Original Indenture as amended and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a Supplemental Indenture in the form hereof for the purposes herein provided; and

Whereas, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument have been done, performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

Now, Therefore, This Indenture Witnesseth:

That Potomac Electric Power Company, in consideration of the premises and of One Dollar to it duly paid by the Trustee at or before the ensembling and de-

livery of these presents, and for other valuable considerations, the receipt whereof is hereby acknowledged, hereby covenants, declares and agrees with the Trustee and its successors in the trust under the Original Indenture as amended, for the benefit of those who hold the Bonds and coupons, or any of them, issued or to be issued hereunder or under the Original Indenture as amended, as follows:

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PART I.

Description of Bonds.

Section 1. The Bonds of Series shall, subject to the provisions of Section 1 of Article II of the Original Indenture as amended, be designated as "First Mortgage Bonds, % Series due " of the Company. The Bonds of Series shall be executed, authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, all of the terms, conditions and covenants of the Original Indenture as amended, except in so far as the terms and provisions of the Original Indenture as amended are amended or modified by this Supplemental Indenture.

The Bonds of Series shall mature , and shall bear interest at the rate of per cent (%) per annum, payable semiannually, commencing , on the fifteenth day of and the fifteenth day of in each year (each such 15 and 15 being hereinafter called an "interest payment date"). The Bonds of Series shall be payable as to principal and interest in lawful money of the United States of America, and shall be payable (as well the interest as the principal thereof) at the Agency of the Company in the City of Washington, D.C., or at the Agency of the Company in the Borough of Manhattan, The City of New York.

The interest so payable on any interest payment date shall be paid to the persons in whose names the Bonds of Series are registered at the close of business on the last business day (hereinafter called the "record date") which is more than ten days prior to such interest payment date, a "business day" being any day that is not a day on which banks in the City of Washington, D.C., are authorized by law to close; except that if the Company shall default in the payment of any interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names the Bonds of Series are registered on the date of payment of such defaulted interest, or in accordance with the regulations of any securities exchange on which the Bonds of Series are listed.

Except as provided hereinafter, every Bond of Series shall be dated as of the date of its authentication and delivery, or if that is an

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interest payment date, the next day, and shall bear interest from the interest

payment date next preceding its date or the date of delivery of the initial Bonds of Series, whichever is later. Notwithstanding Section 6 of Article II of the Original Indenture, any Bond of Series authenticated and delivered by the Trustee after the close of business on the record date with respect to any interest payment date and prior to such interest payment date shall be dated as of the date next following such interest payment date and shall bear interest from such interest payment date; except that if the Company shall default in the payment of any interest due on such interest payment date, such Bond shall bear interest from the next preceding interest payment date or the date of delivery of the initial Bonds of Series, whichever is later.

Section 2. The Bonds of Series, and the Trustee's certificate to be endorsed on the Bonds of Series, shall be substantially in the following forms, respectively:

[form of face of bond of series]

POTOMAC ELECTRIC POWER COMPANY
(A District of Columbia and Virginia corporation)

First Mortgage Bond, % Series Due

No.

§

Potomac Electric Power Company, a corporation organized and existing under the laws of the District of Columbia and a domestic corporation of the Commonwealth of Virginia (hereinafter called the "Company", which term shall include any successor corporation as defined in the Amended Indenture hereinafter referred to), for value received, hereby promises to pay to

..... or registered assigns, the sum of dollars, on the fifteenth day of , in lawful money of the United States of America, and to pay interest thereon in like money from the later of the date of delivery of the initial Bonds of Series or the interest payment date 15 or 15 next preceding the date of this Bond, or if the Company shall default in the payment of interest due on such interest payment date, then from the

next preceding interest payment date or the date of delivery of the initial Bonds of Series, whichever is later, at the rate of percent (%) per annum, payable semiannually, commencing , 1996, on the fifteenth day of and in each year until maturity, or, if the Company shall default in the payment of the principal hereof, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Amended Indenture. The interest so payable on any 15 or 15 will, subject to certain exceptions provided in the indenture dated as of supplemental to the Amended Indenture, be paid to the person in whose name this Bond is registered at the close of business on the last business day which is more than ten days prior to such 15 or 15. Both principal of, and interest on, this Bond are payable at the agency of the Company in the City of

Washington, D.C., or, at the option of the holder, at the agency of the Company in the Borough of Manhattan, The City of New York.

Reference is made to the further provisions of this Bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Bond shall not be entitled to any benefit under the Amended Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until The Riggs National Bank of Washington, D.C., the Trustee under the Amended Indenture, or a successor trustee thereto under the Amended Indenture, shall have signed the form of certificate endorsed hereon.

In Witness Whereof, Potomac Electric Power Company has caused this Bond to be signed in its name by the signature (or a facsimile thereof) of its President or a Vice President, and its corporate seal (or a facsimile thereof) to be hereto affixed and attested by the facsimile signature of its Secretary or an Assistant Secretary.

Dated,

Potomac Electric Power Company

By.....
Vice President

Attest:

.....
Secretary

[FORM OF TRUSTEE'S CERTIFICATE]

This Bond is one of the Bonds, of the series designated therein, described in the within-mentioned Amended Indenture and the Supplemental Indenture dated as of .

The Riggs National Bank of Washington, D.C.
Trustee.

By.....
Authorized Officer

[TEXT APPEARING ON REVERSE SIDE OF BOND OF SERIES]

This Bond is one of a duly authorized issue of Bonds of the Company (hereinafter called the "Bonds") in unlimited aggregate principal amount, of the se-

ries hereinafter specified, all issued and to be issued under and equally secured (except in so far as any purchase or sinking fund or analogous provisions for any particular series of Bonds, established by any indenture supplemental to the Amended Indenture hereinafter mentioned, may afford additional security for such Bonds) by a mortgage and deed of trust, dated July 1, 1936, executed by the Company to The Riggs National Bank of Washington, D.C. (herein called the "Trustee"), as trustee, as amended by indentures supplemental thereto dated December 10, 1939, August 10, 1942, October 15, 1942, April 1, 1966, June 16, 1981, June 17, 1981, December 1, 1981, August 1, 1982, October 1, 1982, April 15, 1983, November 1, 1985, March 1, 1986, November 1, 1986, March 1, 1987, September 16, 1987, May 1, 1989, August 1, 1989, April 5, 1990, May 21, 1991, May 7, 1992, September 1, 1992, November 1, 1992, March 1, 1993, March 2, 1993, July 1, 1993, August 20, 1993, September 29, 1993, September 30, 1993, October 1, 1993, February 10, 1994, February 11, 1994 and March 10, 1995 (said mortgage and deed of trust, as so amended, being herein called the "Amended Indenture") and all indentures supplemental thereto, to which Amended Indenture and supplemental indentures reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the owners of the Bonds and of the Trustee in respect thereto, and the

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terms and conditions upon which the Bonds are, and are to be, secured. To the extent permitted by, and as provided in, the Amended Indenture, modifications or alterations of the Amended Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders of the Bonds may be made with the consent of the Company by an affirmative vote of not less than 80% in amount of the Bonds entitled to vote then outstanding, at a meeting of Bondholders called and held as provided in the Amended Indenture, and by an affirmative vote of not less than 80% in amount of the Bonds of any series entitled to vote then outstanding and affected by such modification or alteration, in case one or more but less than all of the series of Bonds then outstanding under the Amended Indenture are so affected; provided, however, that no such modification or alteration shall be made which will affect the terms of payment of the principal of, or interest on, this Bond, which are unconditional, or which reduces the percentage of Bonds the affirmative vote of which is required for the making of such modifications or alterations. The Company is proposing an amendment to the Amended Indenture which would replace "80%" with "60%" in the preceding sentence, which amendment will become effective upon the consent or agreement thereto of the holders of all the outstanding Bonds. The holder of this Bond will be deemed to have approved such amendment. The Bonds may be issued in series, for various principal sums, may mature at different times, may bear interest at different rates and may otherwise vary as in the Amended Indenture provided.

This Bond is one of a series designated as the "First Mortgage Bonds, % Series due " (herein called the "Bonds of Series") of the Company, issued under and secured by the Amended Indenture and all indentures supplemental thereto and described in the indenture (herein called the "New Supplemental Indenture"), dated as of , between the Company and the Trustee, supplemental to the Amended Indenture.

The Bonds of Series are subject to redemption, at any time or from time to time after and prior to maturity, at the option of the Company, either as a whole or in part by lot, upon payment of the redemption prices applicable to the respective period set forth below, together, in each case, with accrued interest to the redemption

date, all subject to the conditions and as more fully set forth in the Amended Indenture and the New Supplemental Indenture:

<TABLE>

<CAPTION>

IF REDEEMED DURING THE 12 MONTH PERIOD ENDING	REDEMPTION PRICE EXPRESSED AS PERCENTAGE OF THE PRINCIPAL AMOUNT OF BONDS
-----	-----
<S>	<C>
.....	%
.....	
.....	
.....	
.....	
.....	

</TABLE>

<TABLE>

<CAPTION>

IF REDEEMED DURING THE 12 MONTH PERIOD ENDING	REDEMPTION PRICE EXPRESSED AS PERCENTAGE OF THE PRINCIPAL AMOUNT OF BONDS
-----	-----
<S>	<C>
.....	%
.....	
.....	
.....	
and thereafter.....	100.00

</TABLE>

Notice of any redemption shall be sent by the Company through the mails, postage prepaid, at least thirty days and not more than sixty days prior to the redemption date, to the registered owners of any of the Bonds to be redeemed, at their addresses as the same shall appear on the transfer register of the Company, all subject to the conditions and as more fully set forth in the Amended Indenture and New Supplemental Indenture. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the owner receives it.

In case an event of default, as defined in the Amended Indenture, shall occur, the principal of all the Bonds at any such time outstanding under the Amended Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Amended Indenture. The Amended Indenture provides that such declaration may in certain events be waived by the holders of a majority in principal amount of the Bonds entitled to vote then outstanding.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on the books of the Company to be kept for that purpose at the agency of the Company in the City of Washington, D.C., or at the agency of the Company in the Borough of Manhattan, The City of New York, upon surrender and cancellation of this Bond and on presentation of a duly executed written instrument of transfer, and thereupon a new Bond or Bonds of the same series, of the same aggregate principal amount and in authorized denominations will be issued to the transferee or transferees in exchange therefor; and this Bond, with or without others of the same series, may in like manner be exchanged

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for one or more new Bonds of the same series of other authorized denominations but of the same aggregate principal amount; all subject to the terms and conditions set forth in the Amended Indenture.

No recourse shall be had for the payment of the principal of, or the interest on, this Bond, or for any claim based hereon or otherwise in respect hereof or of the Amended Indenture or any indenture supplemental thereto, against any incorporator, or against any stockholder, director or officer, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether for amounts unpaid on stock subscriptions or by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, stockholders, directors or officers being released by every owner hereof by the acceptance of this Bond and as part of the consideration for the issue hereof, and being likewise released by the terms of the Amended Indenture.

Section 3. The Bonds of Series shall be registered Bonds without coupons in denominations of any multiple of \$1,000, numbered consecutively upwards from R1.

Section 4. Until Bonds of Series in definitive form are ready for delivery, the Company may execute, and upon its request in writing the Trustee shall authenticate and deliver, in lieu thereof, Bonds for such series in temporary form, as provided in Section 9 of Article II of the Original Indenture as amended.

PART II.

Section 1. Except for Bonds of Series issued pursuant to Section 13 of Article II of the Original Indenture as amended, the principal amount of Bonds of Series which may be authenticated and delivered hereunder is limited to \$ aggregate principal amount.

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Section 2. Bonds of Series in the aggregate principal amount permitted in Section 1 of this Part II, may at any time subsequent to the execution hereof be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered (either before or after the recording hereof) to or upon the order of the Company evidenced by a writing or writings, signed by its President or one of its Vice Presidents and its Treasurer or one of its Assistant Treasurers, at such time or times as may be requested by the Company subsequent to the receipt by the Trustee of

(1) the certified resolution and the officers' certificate required by Section 3(a) and Section 3(b) of Article III of the Original Indenture as amended;

(2) the opinion of counsel required by Section 3(c) of Article III of the Original Indenture as amended;

(3) cash, if any, in the amount required to be deposited by Section 3(d) of Article III of the Original Indenture as amended, which shall be held and applied by the Trustee as provided in said Section 3(d);

(4) the certificates, instruments, opinions of counsel, prior lien bonds and cash, if any, required by Section 4 of Article III of the Original Indenture as amended, except that, as required by Part IV of this Supplemental Indenture, property additions purchased, constructed or otherwise acquired on or before December 31, 1946 shall not be made the basis for the authentication and delivery of Bonds of Series; and

(5) the certificates and opinions required by Article XVIII of the Original Indenture as amended.

PART III.

Redemption.

Section 1. The Bonds of Series are not redeemable up to and including . The Bonds of Series shall, in accordance with the provisions of Article V of the Original Indenture as amended, be redeemable, at any time or from time to time after and prior to maturity, at the option of the Board of Directors of the

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Company, either as a whole or in part by lot, upon payment of the redemption prices applicable to the respective periods set forth in the form of Bond of Series contained in Section 2 of Part I hereof, together, in each case, with accrued interest to the redemption date.

Section 2. In accordance with the provisions of Article V of the Original Indenture as amended, notice of any redemption shall be sent by the Company through the mails, postage prepaid, at least thirty days and not more than sixty days prior to the date of redemption, to the registered owners of any of the Bonds to be redeemed at their addresses as the same shall appear on the transfer register of the Company. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the owner receives it.

All Bonds delivered to or redeemed by the Trustee pursuant to the provisions of this Part III shall forthwith be cancelled.

PART IV.

Additional Particular Covenants of the Company.

The Company hereby covenants, warrants and agrees that so long as any Bonds of Series are outstanding:

Section 1. The Company will not withdraw, pursuant to the provisions of Section 2 of Article VIII of the Original Indenture as amended, any moneys held by the Trustee as part of the trust estate in excess of an amount equal to the aggregate principal amount of such of the refundable Bonds as were theretofore issued by the Company; and that upon any such withdrawal by the Company refundable Bonds equal in aggregate principal amount to the amount so withdrawn shall be deemed to have been made the basis of such withdrawal.

Section 2. Property additions purchased, constructed or otherwise acquired on or before December 31, 1946 shall not be made the basis for the authentication and delivery of Bonds, or the withdrawal of cash, or the reduction of the amount of cash required to be paid to the Trustee under any provision of the Indenture.

PART V.

Amendment of Indenture to Permit Qualification Under Trust Indenture Act of 1939.

The Company and the Trustee, from time to time and at any time, without any vote or consent of the holders of the Bonds of Series, may enter into such indentures supplemental to the Original Indenture as may or shall by them be deemed necessary or desirable to add to or modify or amend any of the provisions of the Original Indenture so as to permit the qualification of the Original Indenture under the Trust Indenture Act of 1939.

Except to the extent specifically provided herein, no provision of this Supplemental Indenture is intended to modify, and the parties hereto do hereby adopt and confirm, the provisions of Section 318(c) of the Trust Indenture Act of 1939 which amend and supersede provisions of the Original Indenture, as supplemented, in effect prior to November 15, 1990.

PART VI.

Amendment of Original Indenture.

Notwithstanding any other provisions of the Original Indenture as amended, the holders of the Bonds of Series, by their holding of such Bonds, are deemed to have approved the following amendment to the Original Indenture as amended and to have authorized the Trustee to take any action necessary to evidence or effectuate such approval:

Sections 5 and 6 of Article XV of the Original Indenture as amended are hereby amended by changing the words and figures "eighty percent. (80%)" to the words and figures "sixty percent. (60%)" wherever in such Sections such words and figures occur.

PART VII.

The Trustee.

The Trustee hereby accepts the trusts hereby declared and provided and agrees to perform the same upon the terms and conditions in the

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Original Indenture as amended set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XIII of the Original Indenture as amended shall apply to this Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Indenture.

PART VIII.

Miscellaneous Provisions.

This Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

Potomac Electric Power Company hereby constitutes and appoints Dennis R. Wraase, one of its Senior Vice Presidents, to be its true and lawful attorney-in-fact, for it and in its name to appear before any officer authorized by law to take and certify acknowledgments of deeds to be recorded in the District of Columbia, in the State of Maryland, in the Commonwealth of Virginia, and in the Commonwealth of Pennsylvania and to acknowledge and deliver these presents as the act and deed of said Potomac Electric Power Company.

The Riggs National Bank of Washington, D.C., hereby constitutes and appoints James B. Lynn, one of its Vice Presidents, to be its true and lawful attorney-in-fact, for it and in its name to appear before any officer authorized by law to take and certify acknowledgments of deeds to be recorded in the District of Columbia, in the State of Maryland, in the Commonwealth of Virginia, and in the Commonwealth of Pennsylvania and to acknowledge and deliver these presents as the act and deed of said The Riggs National Bank of Washington, D.C.

In Witness Whereof, said Potomac Electric Power Company has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; and said The Riggs National Bank of Washington, D.C., in evidence of its acceptance of the trust hereby created, has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Senior Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by one of its Corporate Trust Officers, all as of the day of , One thousand nine hundred and ninety-five.

Potomac Electric Power Company

(Corporate Seal)

By.....

DENNIS R. WRAASE,
Senior Vice President

Attested:

.....

ELLEN SHERIFF ROGERS,
Assistant Secretary

Signed, sealed and delivered by
Potomac Electric Power Company in
the presence of:

.....

.....

As Witnesses

The Riggs National Bank of Washington, D.C.

(Corporate Seal)

By.....

Attested:

.....
O. CLINTON JONES, III,
Senior Corporate Trust Officer
Signed, sealed and delivered by The
Riggs National Bank of Washington,
D.C. in the presence of:

.....
.....
As Witnesses

City of Washington,)
District of Columbia,) ss.:

I, , a Notary Public in and for the District of Columbia, United States of America, whose commission as such will expire , do hereby certify that Dennis R. Wraase and Ellen Sheriff Rogers, whose names as Senior Vice President and Assistant Secretary, respectively, of Potomac Electric Power Company, a corporation, are signed to the foregoing and hereto attached deed, bearing date as of the day of , personally appeared this day before me in my District aforesaid and acknowledged themselves to be, respectively, a Senior Vice President and an Assistant Secretary of Potomac Electric Power Company, and that they as such, being authorized so to do, executed the said deed by signing the name of Potomac Electric Power Company by Dennis R. Wraase, as Senior Vice President, and attested by Ellen Sheriff Rogers, as Assistant Secretary, and acknowledged the same before me in my District aforesaid and acknowledged the foregoing instrument to be the act and deed of Potomac Electric Power Company.

Given under my hand and official seal this day of .

(Notarial Seal)

.....
Notary Public
District of Columbia

City of Washington,)
District of Columbia,) ss.:

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that Dennis R. Wraase, a Senior Vice President

of Potomac Electric Power Company, a corporation, one of the parties to the foregoing instrument bearing date as of the day of , and hereto annexed, this day personally appeared before me in the City of Washington, the said Dennis R. Wraase being personally well known to me as the person who executed the said instrument as a Senior Vice President of and on behalf of said Potomac Electric Power Company and known to me to be the attorney-in-fact duly appointed therein to acknowledge and deliver said instrument on behalf of said corporation, and, as such attorney-in-fact, he acknowledged said instrument to be the act and deed of said Potomac Electric Power Company, and delivered the same as such. I further certify that the said Dennis R. Wraase, being by me duly sworn, did depose and say that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal and was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order. My commission expires .

Given under my hand and official seal this day of .

(Notarial Seal)

.....
Notary Public
District of Columbia

City of Washington,)
District of Columbia,) ss.:

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that James B. Lynn and O. Clinton Jones, III, whose names as Vice President and Senior Corporate Trust Officer, respectively, of The Riggs National Bank of Washington, D.C., a corporation, are signed to the foregoing and hereto attached deed, bearing date as of the day of , personally appeared before me this day in my District aforesaid and acknowledged themselves to be, respectively, a Vice President and a Senior Corporate Trust Officer of The Riggs National Bank of Washington, D.C., and that they as such, being authorized so to do, executed the said deed by signing the name of The Riggs National Bank of Washington, D.C., by James B. Lynn as Vice President, and attested by O. Clinton Jones, III, as Senior Corporate Trust Officer, and acknowledged the same before me in my District aforesaid and acknowledged the foregoing instrument to be the act and deed of The Riggs National Bank of Washington, D.C., as therein set forth.

Given under my hand and notarial seal this day of .

(Notarial Seal)

.....
Notary Public
District of Columbia

My Commission Expires .

City of Washington,)
District of Columbia,) ss.:

James B. Lynn, of full age, being sworn according to law, on his oath deposes and says that he is a Vice President of The Riggs National Bank of Washington, D.C., the Trustee named in the foregoing Supplemental Indenture, dated as of the day of , that he is the agent of said Trustee for the purpose of perfecting such Supplemental Indenture and that the consideration in the Original Indenture referred to therein and in all indentures supplemental to said Original Indenture, including the foregoing Supplemental Indenture, is true and bona fide as therein set forth.

.....
JAMES B. LYNN

Subscribed and sworn to before me
this day of .

.....
Notary Public
District of Columbia

My Commission Expires .

(Notarial Seal)

City of Washington,)
District of Columbia,) ss.:

I, , a Notary Public in and for the District of Columbia, United States of America, do hereby certify that James B. Lynn a Vice President of The Riggs National Bank of Washington, D.C., a corporation, one of the parties to the foregoing instrument bearing date as of the day of , and hereto annexed, this day personally appeared before me in the City of Washington, the said James B. Lynn, being personally well known to me as the person who executed the said instrument as a Vice President of and on behalf of said The Riggs National Bank of Washington, D.C., and known to me to be the attorney-in-fact duly appointed therein to acknowledge and deliver said instrument on behalf of said corporation, and, as such attorney-in-fact, he acknowledged said instrument to be the act and deed of said The Riggs National Bank of Washington, D.C., and delivered the same as such. I further certify that the said James B. Lynn, being by me duly sworn, did depose and say that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal and was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Given under my hand and official seal this day of .

(Notarial Seal)

.....
Notary Public
District of Columbia

My Commission Expires .

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CERTIFICATE OF RESIDENCE

The Riggs National Bank of Washington, D.C., Mortgagee and Trustee within named, hereby certifies that its precise residence is 800-17th Street, N.W., Washington, D.C. 20006.

The Riggs National Bank of Washington, D.C.

By.....
JAMES B. LYNN,
Vice President

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July 28, 1995

Potomac Electric Power Company
Washington, D. C.

Dear Sirs:

Reference is made to the proposed issuance and sale, pursuant to rule 415, by Potomac Electric Power Company (the "Company") of up to \$350,000,000 aggregate principal amount of its Debt Securities, which may consist of First Mortgage Bonds (the "New Bonds") and/or its Medium-Term Notes (the "Notes"); and with respect to which the Company is today filing with the Securities and Exchange Commission a registration statement on Form S-3 under the Securities Act of 1933, as amended (the "1933 Act") (which registration statement, as amended by all amendments, is hereinafter called the "Registration Statement").

As counsel for the Company, I have examined such certificates, corporate records and other documents and such questions of law as I have considered necessary or appropriate for the purposes of this opinion, and, on the basis of such examination, advise that, in my opinion:

(1) The Company has been duly incorporated and is now validly existing as a corporation under the laws of the District of Columbia and is also now validly existing as a domestic corporation of the Commonwealth of Virginia.

(2) The New Bonds will have been duly and validly issued and will constitute legal, valid and binding obligations of the Company upon (a) the due authorization by the Board of Directors or by the Executive Committee of the Board of Directors of the Company of an appropriate indenture supplemental to the Company's Mortgage and Deed of Trust dated July 1, 1936, providing for the creation of the New Bonds and the due execution and delivery of such instrument by the Company and the Trustee named therein, (b) the due authorization, by the Board of Directors or by the Executive Committee of the Board of Directors of the Company, of the specific terms of the New Bonds and

of their issuance and sale in the manner and upon the terms set forth in the Registration Statement, (c) the due authorization of such issuance and sale by the Public Service Commission of the District of Columbia, (d) the recording upon the books of the Company of the certificate of said Public Service Commission, (e) the Registration Statement becoming effective under the 1933

Potomac Electric Power Company

Page Two

July 28, 1995

Act, (f) the qualification under the Trust Indenture Act of 1939, as amended (the "1939 Act"), of the Company's Mortgage and Deed of Trust dated July 1, 1936, as amended and supplemented by all indentures supplemental thereto, to and including the above-mentioned supplemental indenture (the "Mortgage"), (g) the execution of the New Bonds by the Company, the filing with the Trustee under the Mortgage of the appropriate certificates, instruments and opinions called for thereby, and the authentication of the New Bonds by the Trustee, all in accordance with the provisions of the Mortgage, and (h) the delivery of the New Bonds against payment therefor in accordance with such authorizations of the Board of Directors or the Executive Committee of the Board of Directors of the Company and of said Public Service Commission.

(3) The Notes will have been duly and validly issued and will constitute legal, valid and binding obligations of the Company upon (a) the due authorization, by the Board of Directors or by the Executive Committee of the Board of Directors of the Company, of the terms of the Notes and of their issuance and sale in the manner and upon the terms set forth in the Registration Statement, (b) the due authorization of such issuance and sale by the Public Service Commission of the District of Columbia, (c) the recording upon the books of the Company of the certificate of said Public Service Commission, (d) the Registration Statement becoming effective under the 1933 Act, (e) the qualification under the 1939 Act of an indenture governing the issuance of the Notes (the "Indenture"), (f) the execution of the Notes by the Company, the filing with the Trustee under the Indenture of the appropriate certificates, instruments and opinions called for thereby, and the authentication of the Notes by the Trustee, if required, all in accordance with the provisions of the Indenture, and (g) the delivery of the Notes against payment therefor in accordance with such authorizations of the Board of Directors or the Executive Committee of the Board of Directors of the Company and of said Public Service Commission.

I hereby consent to the filing of a copy of this opinion as an exhibit to said Registration Statement and to the making in the said Registration Statement of the statements with respect to me which are made under the captions "Experts" and "Legal Opinions" in the form of First Mortgage Bond Prospectus and under the caption "Legal Opinions" in the form of Medium-Term

Note Prospectus, which prospectuses constitute a part of said Registration Statement.

Very truly yours,

/s/ William T. Torgerson
William T. Torgerson

July 28, 1995

Securities and Exchange Commission
450 Fifth Street, N. W.
Washington, D. C. 20549

Ladies and Gentlemen:

We are aware that Potomac Electric Power Company has incorporated by reference our reports dated May 1, 1995 and July 28, 1995 (issued pursuant to the provisions of Statement on Auditing Standards Number 71) in the Prospectuses constituting parts of its Registration Statement on Form S-3 to be filed on or about July 28, 1995. We are also aware of our responsibilities under the Securities Act of 1933.

Yours very truly,

/s/Price Waterhouse LLP
PRICE WATERHOUSE LLP

CONSENT

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting parts of this Registration Statement on Form S-3 of our report dated January 26, 1995, which appears on page 31 of the 1994 Annual Report to shareholders of Potomac Electric Power Company, which is incorporated by reference in Potomac Electric Power Company's Annual Report on Form 10-K for the year ended December 31, 1994. We also consent to the incorporation by reference of our report on the Consolidated Financial Statement Schedule, which appears under Item 14(d) of such Annual Report on Form 10-K. We also consent to the reference to us under the headings "Experts" in such Prospectuses.

Price Waterhouse LLP

Washington, D.C.
July 28, 1995

July 28, 1995

We hereby consent to the reference to this Firm under the heading "Legal Opinions" in the Prospectuses constituting part of the Registration Statement on Form S-3 of Potomac Electric Power Company, as filed the date hereof, relating to \$250,000,000 of Debt Securities.

/s/Covington & Burling
COVINGTON & BURLING

Principal Accounting Officer: /s/Dennis R. Wraase
DENNIS R. WRAASE
Senior Vice President,
Finance and Accounting (over)

Director /s/Roger R. Blunt, Sr.

ROGER R. BLUNT, SR.

Director /s/A. James Clark

A. JAMES CLARK

Director /s/Richard E. Marriott

RICHARD E. MARRIOTT

Director /s/David O. Maxwell

DAVID O. MAXWELL

Director /s/Floretta D. McKenzie

FLORETTA D. MCKENZIE

Director /s/Ann D. McLaughlin

ANN D. McLAUGHLIN

Director /s/Peter F. O'Malley

PETER F. O'MALLEY

Director /s/Louis A. Simpson

LOUIS A. SIMPSON

Director /s/A. Thomas Young

A. THOMAS YOUNG

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1
FOR STATEMENTS OF ELIGIBILITY AND QUALIFICATIONS
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

THE RIGGS NATIONAL BANK OF WASHINGTON, D.C.
(EXACT NAME OF TRUSTEE AS SPECIFIED IN ITS CHARTER)

53-0133403
(I.R.S. EMPLOYER IDENTIFICATION NO.)

808-17TH STREET, N.W. 20006
WASHINGTON, D.C. (ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

POTOMAC ELECTRIC POWER COMPANY
(EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER)

DISTRICT OF COLUMBIA AND VIRGINIA 53-0127880
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

1900 PENNSYLVANIA AVENUE, N.W. 20068
WASHINGTON, D.C. (ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

FIRST MORTGAGE BONDS
(TITLE OF INDENTURE SECURITIES)

GENERAL

1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE-

- (A) IF THE TRUSTEE IS AN INSTITUTIONAL TRUSTEE, GIVE THE NAME AND ADDRESS
OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

(B) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes

2. AFFILIATIONS WITH OBLIGOR AND UNDERWRITERS. IF THE OBLIGOR OR ANY UNDERWRITER FOR THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

None.

3. VOTING SECURITIES. FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF VOTING SECURITIES OF THE TRUSTEE.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B
TITLE OF CLASS	AMOUNT OUTSTANDING
Common capital stock, par value \$2.50 per share	31,145,212 shares

</TABLE>

CONFLICTS OF INTERESTS

4. TRUSTEESHIPS UNDER OTHER INDENTURES. IF THE TRUSTEE IS A TRUSTEE UNDER ANOTHER INDENTURE UNDER WHICH ANY OTHER SECURITIES, OR CERTIFICATES OF INTEREST OR PARTICIPATION IN ANY OTHER SECURITIES, OF THE OBLIGOR ARE OUTSTANDING, FURNISH THE FOLLOWING INFORMATION:

(A) TITLE OF THE SECURITIES OUTSTANDING UNDER EACH SUCH OTHER INDENTURE.

None.

(B) A BRIEF STATEMENT OF THE FACTS RELIED UPON AS A BASIS FOR THE CLAIM THAT NO CONFLICTING INTEREST WITHIN THE MEANING OF SECTION 310(B) OF THE ACT ARISES AS A RESULT OF THE TRUSTEESHIP UNDER ANY SUCH OTHER INDENTURE.

Not applicable.

5. INTERLOCKING DIRECTORATES AND SIMILAR RELATIONSHIPS WITH THE OBLIGOR OR UNDERWRITERS. IF THE TRUSTEE OR ANY OF THE DIRECTORS OR EXECUTIVE OFFICERS OF THE TRUSTEE IS A DIRECTOR, OFFICER, PARTNER, EMPLOYEE, APPOINTEE, OR REPRESENTATIVE OF THE OBLIGOR OR OF ANY UNDERWRITER FOR THE OBLIGOR, IDENTIFY EACH SUCH PERSON HAVING ANY SUCH CONNECTION AND STATE THE NATURE OF EACH SUCH CONNECTION.

None

6. VOTING SECURITIES OWNED BY THE OBLIGOR OR ITS OFFICIALS. FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF THE TRUSTEE OWNED BENEFICIALLY BY THE OBLIGOR AND EACH DIRECTOR, PARTNER AND EXECUTIVE OFFICER OF THE OBLIGOR.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B	COL. C	COL. D.
NAME OF OWNER	TITLE OF CLASS	AMOUNT OWNED BENEFICIALLY	PERCENTAGE OF VOTING SECURITIES REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

2

All outstanding shares of The Riggs National Bank of Washington, D.C., are owned by Riggs National Corporation.

The aggregate number of shares of common stock of Riggs National Corporation owned beneficially by the obligor and its directors and executive officers, taken as a group, does not exceed 1% of the outstanding voting securities of Riggs National Corporation.

7. VOTING SECURITIES OWNED BY UNDERWRITERS OR THEIR OFFICIALS. FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF THE TRUSTEE OWNED BENEFICIALLY BY EACH UNDERWRITER FOR THE OBLIGOR AND EACH DIRECTOR, PARTNER, AND EXECUTIVE OFFICER OF EACH SUCH UNDERWRITER.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B	COL. C	COL. D.
NAME OF OWNER	TITLE OF CLASS	AMOUNT OWNED BENEFICIALLY	PERCENTAGE OF VOTING SECURITIES REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

All outstanding shares of The Riggs National Bank of Washington, D.C., are owned by Riggs National Corporation.

The aggregate number of shares of common stock of Riggs National Corporation owned beneficially by the obligor and its directors and executive officers, taken as a group, does not exceed 1% of the outstanding voting securities of Riggs National Corporation.

If any underwriter of the securities proposed to be offered advises the trustee that the amount of voting securities of Riggs National Corporation owned beneficially by it and by its directors, partners and executives officers, taken as a group, exceeds one per cent of the outstanding voting securities of Riggs National Corporation, information as to such underwriter will be furnished by amendment prior to the proposed public offering. Reasonable inquiry will be made of each underwriter with respect to the information called for by this item.

8. SECURITIES OF THE OBLIGOR OWNED OR HELD. FURNISH THE FOLLOWING INFORMATION AS TO SECURITIES OF THE OBLIGOR OWNED BENEFICIALLY OR HELD AS COLLATERAL

SECURITY FOR OBLIGATIONS IN DEFAULT BY THE TRUSTEE.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B	COL. C	COL. D.
TITLE OF CLASS	WHETHER THE SECURITIES ARE VOTING OR NONVOTING SECURITIES	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>
None			

</TABLE>

9. SECURITIES OF UNDERWRITERS OWNED OR HELD. IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT ANY SECURITIES OF AN UNDERWRITER FOR THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF SECURITIES OF SUCH UNDERWRITER ANY OF WHICH ARE SO OWNED OR HELD BY THE TRUSTEE.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B	COL. C	COL. D.
TITLE OF CLASS	WHETHER THE SECURITIES ARE VOTING OR NONVOTING SECURITIES	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>
None			

</TABLE>

The amount of any class of securities of any underwriter for the obligor owned beneficially or held as collateral security for obligations in default by The Riggs National Bank of Washington, D.C., does not exceed 1% of the outstanding securities of the class.

If upon final determination of such underwriters the foregoing statement would be incorrect, this item will be amended.

10. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF VOTING SECURITIES OF CERTAIN AFFILIATES OR SECURITY HOLDERS OF THE OBLIGOR. IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT VOTING SECURITIES OF A PERSON WHO, TO THE KNOWLEDGE OF THE TRUSTEE (1) OWNS 10% OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR OR (2) IS AN AFFILIATE, OTHER THAN A SUBSIDIARY, OF THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF SUCH PERSON.

AS OF JULY 1, 1995

<TABLE>

<CAPTION>

COL. A	COL. B	COL. C	COL. D.
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TITLE OF CLASS	WHETHER THE SECURITIES ARE VOTING OR NONVOTING SECURITIES	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S> None	<C>	<C>	<C>

11. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF ANY SECURITIES OF A PERSON OWNING 50 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR. IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT ANY SECURITIES OF A PERSON WHO, TO THE KNOWLEDGE OF THE TRUSTEE, OWNS 50 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF SECURITIES OF SUCH PERSON ANY OF WHICH ARE SO OWNED OR HELD BY THE TRUSTEE.

AS OF JULY 1, 1995

COL. A	COL. B	COL. C	COL. D.
TITLE OF CLASS	WHETHER THE SECURITIES ARE VOTING OR NONVOTING SECURITIES	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S> None	<C>	<C>	<C>

12. LIST OF EXHIBITS

Exhibit T1A (a) Photostatic copy of Original Articles of Association of the Trustee dated June 27, 1896; copy of Certificate dated June 30, 1896 issued by Comptroller of Currency authorizing The Riggs National Bank to commence the business of banking; certified copy of New Articles of Association which became effective March 1, 1946./1/

(b) Certification of Thomas P. Kane, Acting Comptroller of the Currency, dated June 24, 1916, that Riggs National Bank of Washington, D.C. is authorized to have succession until the close of business June 26, 1936./1/

(c) Photostatic copy of letter dated January 20, 1933 signed by F.G. Awalt, Acting Comptroller of the Currency, Treasury Department, Washington, D.C., showing that the charter of The Riggs National Bank was extended until the close of business June 26, 1995, by virtue of an amendment on July 1, 1922, to the second paragraph of Section 5136 of the United States Revised Statutes, and showing further that by virtue of an Act of Congress passed February 25, 1927, amending the second paragraph of Section 5136 of the United States Revised Statutes, The Riggs National Bank of Washington, D.C. will continue its corporate existence until such time as it be dissolved by the act of shareholders owning two-thirds of its stock, or until its franchise becomes forfeited by reason of violation of law, or until terminated by either general or special act of Congress, or until its affairs be placed in the hands of a receiver and finally wound up by

(d) Certified copy of a Resolution of the Board of Directors of the Bank adopted at a special meeting held January 12, 1954, a statement of its President dated January 12, 1954 certifying as to the adoption of said Resolution by the Shareholders, and a certificate dated January 13, 1954 issued by the Office of the Comptroller of the Currency, Washington, D.C., all evidencing an amendment to Article Fifth of its Articles of Association effective January 15, 1954, increasing its capital stock to \$6,000,000 divided into 60,000 shares, par value \$100 each; and providing also for the increase or decrease of capital stock of the Bank from time to time and that in the event of any increase, either by the sale of additional shares or by a declaration of a stock dividend, each shareholder shall be entitled to his proportionate amount of such increase in accordance with the number of shares of capital stock owned by him at the time the increase is authorized by the Shareholders unless another time subsequent to the date of the Shareholders meeting is specified. Also included under the above mentioned Certification (made by the Office of the Comptroller of the Currency) are copies of documents evidencing a previous increase of the Bank's capital to \$5,000,000./2/

(e) Certificate by the Hon. R. M. Gidney, Comptroller of the Currency recorded in the Treasury Department, Office of the Comptroller of the Currency, Washington, D.C. dated October 1, 1954, that the consolidation is approved, effective at the close of business, 2:00 P.M., Friday, October 1, 1954, of The Riggs National Bank of Washington, D.C., Washington, D.C., and the Washington Loan and Trust Company, Washington, D.C., under the charter and title of "The Riggs National Bank of Washington, D.C.", with capital stock of \$7,250,000./3/

(Note: Title 12, Section 34a, U.S. Code, permitting Consolidation of a State Bank with a National Bank, provides that the consolidated institution "shall hold and enjoy the same and all rights of property, franchise, and interests, including appointments, designations, and nominations and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises, and interests were held or enjoyed by any such constituent institution at the time of such consolidation.")

(f) Copy of authority dated May 24, 1955, granted by the Board of Governors of the Federal Reserve System to The Riggs National Bank of Washington, D.C., to act as Trustee, Executor, Administrator, Registrar of stocks and bonds, Guardian of estates, Assignee, Receiver and Committee of estates of lunatics./4/

(g) Copy of the Articles of Association effective January 8, 1957, of The Riggs National Bank of Washington, D.C. showing the amount of capital stock to be Eight Million Dollars (\$8,000,000) divided into 320,000 shares of the par value of Twenty-Five Dollars (\$25), and certified as a true and correct copy by J. C. McCormack, Senior Vice President and Cashier of The Riggs National Bank of Washington, D.C./5/

5

(h) Photostatic copy of the Certificate of the Comptroller of the Currency issued January 8, 1957, approving the increase in the capital stock of The Riggs National Bank of Washington, D.C. to Eight Million Dollars (\$8,000,000) effective January 8, 1957./6/

(i) Certified copy of the certificate recorded in the office of the

Comptroller of the Currency and dated November 10, 1958, certifying the approval, effective as of the close of business November 10, 1958, of the consolidation of The Riggs National Bank of Washington, D.C., Washington, D.C., and The Lincoln National Bank of Washington, D.C., under the charter and title of "The Riggs National Bank of Washington, D.C.", with capital stock of \$8,850,000./7/

- (j) Photostatic copy of the Certificate of the Comptroller of the Currency issued January 14, 1959, approving the increase in the capital stock of The Riggs National Bank of Washington, D.C. to Nine Million Two Hundred Ninety-Two Thousand Five Hundred Dollars (\$9,292,500) effective January 15, 1959./7/
- (k) Photostatic copy of the Certificate of the Comptroller of the Currency issued October 19, 1960, approving the increase in the capital stock of The Riggs National Bank of Washington, D.C. to Ten Million Sixty-Six Thousand Eight Hundred Seventy-Five Dollars (\$10,066,875) effective October 20, 1960./8/
- (l) Certified copy of the Resolution adopted by the Board of Directors of the Bank at a meeting held on January 13, 1964 recommending for approval by the shareholders at the annual meeting to be held on January 14, 1964 an amendment to the Articles of Association of the Bank changing the par value of the stock from Twenty-Five Dollars (\$25) per share to Ten Dollars (\$10) per share, and the declaration of a stock dividend of One Million Six Thousand Six Hundred Eighty-Five Dollars (\$1,006,685)./9/
- (m) Certified copy of the Resolution adopted by the shareholders of the Bank at their meeting held on January 14, 1964 approving change in the par value of the stock from Twenty-Five Dollars (\$25) to Ten Dollars (\$10) per share, and the declaration of a stock dividend of One Million Six Thousand Six Hundred Eighty-Five Dollars (\$1,006,685). subject to the approval of the Comptroller of the Currency./1//0/
- (n) Xerox copy of the Certificate of Approval of the Comptroller of the Currency approving effective January 15, 1964 the increase in the capital stock of The Riggs National Bank of Washington, D.C. to Eleven Million Seventy-Three Thousand Five Hundred Sixty Dollars (\$11,073,560) by the issuance of One Million Six Thousand Six Hundred Eighty-Five Dollars (\$1,006,685) par value of such stock./1//1/
- (o) Xerox copy of the Certificate of Approval of the Comptroller of the Currency approving effective January 25, 1966 the increase in the capital stock of The Riggs National Bank of Washington, D.C. to Twelve Million One Hundred Eighty Thousand Nine Hundred Ten Dollars (\$12,180,910) by the issuance of One Million One Hundred Seven Thousand Three Hundred Fifty Dollars (\$1,107,350) par value of such stock./1//2/
- (p) Xerox copy of the Certificate of Approval of the Comptroller of the Currency approving effective July 10, 1968 the issuance of Preferred capital stock of The Riggs National Bank of Washington, D.C. of One Million Five Hundred Seventy Three Thousand Two Hundred Ten Dollars (\$1,573,210) par value of such stock./1//3/
- (q) Xerox copy of the Certificate of Approval of the Comptroller of the Currency approving effective August 27, 1969 the issuance of Preferred capital stock of The Riggs National Bank of Washington, D.C. of One Million Five Hundred Ninety Six Thousand Eight Hundred Forty Dollars (1,596,840) par value of such stock./1//4/

- (r) Certified copy of Resolution adopted by the Shareholders of the Bank at their meeting held on March 14, 1973 approving change in the par value of common stock from Ten Dollars (\$10) to Five Dollars (\$5) per share, and the approval of a 2 for 1 stock split as to such stock; said Resolution also contains the Amendment to Article Fifth of the Bank's Articles of Association increasing the authorized capital stock of all classes to Two Million Nine Hundred Eight Thousand Two Hundred Thirty-Five (2,908,235) shares, of which One Hundred Fifty-Three Thousand One Hundred Forty-Nine (153,149) shares shall be \$4 Cumulative Convertible Preferred Stock, par value Ten Dollars (\$10) per share and Two Million Seven Hundred Fifty-Five Thousand Eighty-Six (2,755,086) shares shall be Common Stock, par value Five Dollars (\$5) per share. /1//5/
- (s) Xerox copy of the Certificate of Approval of the Comptroller of the Currency approving effective April 8, 1974 the increase in the common stock of The Riggs National Bank of Washington, D.C. to Thirteen Million Five Hundred Twenty-Seven Thousand Eight Hundred Seventy-Five Dollars (\$13,527,875) by the issuance of One Million Two Hundred Twenty-Nine Thousand Eight Hundred Five Dollars (\$1,229,805) par value of such stock./1//6/
- (t) Xerox copy of a letter from the Board of Governors of the Federal Reserve System dated March 6, 1981 to Mr. Vincent C. Burke, Jr., Chairman of the Board of The Riggs National Bank of Washington, D.C., approving Riggs National Corporation as a bank holding company through the acquisition of the successor by merger to The Riggs National Bank of Washington, D.C./1//7/
- (u) Certified copy of the Resolution adopted by the Shareholders of the Bank at their meeting held April 22, 1981 ratifying and confirming the Merger Agreement and Plan of Reorganization dated February 19, 1981, with a copy of said Agreement and Plan attached thereto./1//8/
- (v) Copy of existing by-laws of the trustee./1//9/

Exhibit T1B Report of condition of the Trustee

- - - - -

- /1Not/filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-7349 under the Securities Act of 1933.
- /2Not/filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(1) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of American Finance System Incorporated's Registration Statement No. 2-26542 under the Securities Act of 1933.
- /3Not/filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(2) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of American Finance System Incorporated's Registration Statement No. 2-26542 under the Securities Act of 1933.
- /4/Not filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(3) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of American Finance System Incorporated's Registration Statement No. 2-26542 under the Securities Act of 1933.
- /5Not/filed herewith. In lieu thereof there is incorporated herein by

reference Exhibit T1A(4) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of American Finance System Incorporated's Registration Statement No. 2-26542 under the Securities Act of 1933.

7

/6Not/filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(5) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of American Finance System Incorporated's Registration Statement No. 2-26542 under the Securities Act of 1933.

/7/Not filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Giant Food Properties, Inc.'s Registration Statement No. 2-15129 under the Securities Act of 1933.

/8/Not filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(k) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-17286 under the Securities Act of 1933.

/9/Not filed herewith. In lieu thereof there is incorporated herein by reference Exhibit T1A(l) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-22344 under the Securities Act of 1933.

/1/Not/filed0herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(m) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-22344 under the Securities Act of 1933.

/1/Not/filed1herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(n) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-22344 under the Securities Act of 1933.

/1/Not/filed2herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(o) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-24655 under the Securities Act of 1933.

/1/Not/filed3herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(p) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-31896 under the Securities Act of 1933.

/1/Not/filed4herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(q) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Government Employees Financial Corporation's Registration Statement No. 2-35501 under the Securities Act of 1933.

/1/Not/filed5herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(r) to the Form T-1 of The Riggs National Bank of

Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-51698 under the Securities Act of 1933.

/1/Not/filed6herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(s) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-51698 under the Securities Act of 1933.

/1/Not/filed7herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(t) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-78731 under the Securities Act of 1933.

8

/1/Not/filed8herewith./In lieu thereof there is incorporated herein by reference Exhibit T1A(u) to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 2-78731 under the Securities Act of 1933.

/1/Not/filed9herewith./In lieu thereof there is incorporated herein by reference Exhibit T1B to the Form T-1 of The Riggs National Bank of Washington, D.C. which constitutes a part of Potomac Electric Power Company's Registration Statement No. 33-50377e under the Securities Act of 1933.

9

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the trustee, The Riggs National Bank of Washington, D.C., a national banking association organized and existing under the laws of the United States, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Washington, District of Columbia, on the 28th day of July 1995.

THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.

/s/ James B. Lynn

By _____

James B. Lynn
Vice President and Trust
Officer

(Corporate Seal)

Attest:

/s/ O. Clinton Jones, III

O. Clinton Jones, III
Senior Corporate Trust Officer

THE RIGGS NATIONAL BANK

OF WASHINGTON, D.C.

BY-LAWS

EFFECTIVE FEBRUARY 5, 1985

WITH AMENDMENTS THROUGH NOVEMBER 10, 1992

B-1

THE RIGGS NATIONAL BANK OF WASHINGTON, D.C.

BY-LAWS

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THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.
BY-LAWS

MEETINGS OF SHAREHOLDERS

Section 1. ANNUAL MEETINGS. The annual meeting of the shareholders of the Bank for the election of Directors and the transaction of all other business that may properly come before the meeting shall be held on the second Wednesday of December in each year, or such other date as may be designated by the Board of Directors. The annual meeting shall be held at such time and place and upon such notice as the Board of Directors shall determine.

Section 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called for any purpose by the Board of Directors, the Chairman of the Board, the President or any Vice Chairman of the Board, and any such special meeting shall be held at the place, day and time and upon such notice as the Board of Directors or such person shall determine. Special meetings of the shareholders

shall be called for any purpose upon the written request of shareholders entitled to cast not less than ten percent of the votes which all shareholders are entitled to cast at the particular meeting, and in such case the Secretary of the Board shall fix the place, date and time of the meeting and shall give due notice thereof.

Section 3. ORGANIZATION. The Chairman of the Board or, in the event of his absence or disability, the President or, in the event of his absence or disability, the Vice Chairman of the Board or, in the event of the absence or disability of all Vice Chairmen of the Board, any other officer of the Bank designated by the Board of Directors shall preside at all meetings of the shareholders. All meetings shall be conducted in accordance with such regulations as the Board of Directors may from time to time prescribe or as the presiding officer may establish.

Section 4. QUALIFICATIONS FOR DIRECTORS. No person shall be eligible to be elected or re-elected a Director if that person has reached his sixty-fifth birthday; and, no person, who at the time he was first elected to be a Director was a principal officer or official of the organization with which he is affiliated on a full-time basis, will be eligible to be re-elected after he ceases to be a principal officer or official of such organization; provided, however, that the Chairman of the Board may waive the foregoing age or organization requirements and permit a person not otherwise satisfying such requirements to be eligible for election or re-election; and provided further, that there shall be no age or organization requirements for the director serving as Chairman of the Board.

Section 5. VOTING. Shareholders may vote at any meeting in person or by proxy duly authorized in writing. The Board of Directors may fix a record date for determining those shareholders entitled to vote at any such meeting.

Section 6. QUORUM: SHAREHOLDER ACTION. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast shall constitute a quorum for the transaction of business at any meeting of shareholders. Unless otherwise provided by law, any action of the shareholders may be taken by a majority of the votes cast at any duly convened shareholders' meeting. Any action that may be taken by the shareholders at a duly convened meeting may also be taken pursuant to waiver of notice thereof and upon the unanimous written consent of all shareholders of the Bank; such consent shall set forth the action so taken and shall be filed with the Secretary of the Board.

B-4

ARTICLE TWO

DIRECTORS

Section 1. BOARD OF DIRECTORS. The Board of Directors shall manage and administer the business and affairs of the Bank. Except as expressly limited by law, all corporate powers of the Bank shall be vested in and may be exercised by the Board of Directors.

Section 2. NUMBER. The Board of Directors shall consist of such number of Directors as shall be fixed from time to time by the shareholders or by the Board of Directors.

Section 3. ELECTION; TERM OF OFFICE. The Board of Directors shall be elected at each annual meeting of the shareholders. Each Director shall hold office from the time of his election and his qualification to serve as such and until the election and qualification of his successor or until such Director's earlier death, resignation, disqualification or removal.

Section 4. ORGANIZATION MEETING. A meeting of the Board of Directors for the purpose of organizing the new Board, appointing the officers of the Bank for the ensuing year and transacting other business shall be held without notice immediately following the annual election of Directors or as soon thereafter as is practicable at such time and place as the Secretary of the Board may designate.

Section 5. REGULAR MEETINGS. Unless the Board otherwise directs, regular meetings of the Board of Directors shall be held without notice at such times and places as the Board of Directors shall determine at its Organization Meeting each year.

Section 6. SPECIAL MEETINGS. The Chairman of the Board, the President, or any Vice Chairman of the Board may call a special meeting of the Board of Directors at any time. Any such officer or the Secretary of the Board shall call a special meeting of the Board upon the written request of any three members of the Board. A special meeting shall be held at such time and place as may be designated by the person or persons calling the meeting. The person or persons calling the meeting shall cause such notice of the meeting and of its purpose to be given as he may deem appropriate, and such notice may be given orally or in writing, in person or by telephone, mail or telegram.

Section 7. QUORUM: BOARD ACTION. A majority of the Directors then in office shall constitute a quorum for the transaction of business at any meeting. Unless otherwise provided by law, any action of the Board may be taken upon the affirmative vote of a majority of the Directors present at a duly convened meeting or upon the unanimous written consent of all Directors.

Section 8. PARTICIPATION OTHER THAN BY ATTENDANCE. To the full extent permitted by law, any Director may participate in any regular or special meeting of the Board of Directors or of any committee of the Board of Directors by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are able to hear each other.

Section 9. VACANCIES. The Board of Directors may fill any vacancy on the Board. Any Director so elected shall hold office until the election and qualification of his successor or until such Director's earlier death, resignation, disqualification or removal.

Section 10. COMPENSATION. Each Director who does not receive a salary from the Bank shall be entitled to such compensation as the Board shall determine for his service upon the Board of Directors and any of its committees, for his attendance at meetings of the Board and any of its committees and for his expenses incident thereto. Directors shall also be entitled to such compensation as the Board shall determine for services rendered to the Bank in any capacity other than as Directors.

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Section 11. RESIGNATION; REMOVAL. Any Director may resign by submitting his resignation to the Chairman of the Board or the Secretary of the Board. Such resignation shall become effective upon its submission or at any later time specified. Any Director may be removed from office by action of the shareholders or the Board taken in accordance with applicable law.

Section 12. BOARD OF CONSULTANTS. The Chairman of the Board may appoint as members of a Board of Consulting Directors any person whose experience and knowledge would be useful to the Bank. Members of the Board of Consultants shall not be members of the Board of Directors and shall serve the Bank in an advisory capacity in such manner as may be designated by the Chief Executive

Officer. Members of the Board of Consultants shall not be charged with the responsibilities, nor shall they be subject to the liabilities, of Directors.

ARTICLE THREE

COMMITTEES OF THE BOARD

Section 1. APPOINTMENT; POWERS. The Board may appoint one or more standing or temporary committees consisting of two or more Directors. The Board may invest such committees with such powers and authority, subject to such conditions, as it may see fit.

Section 2. EXECUTIVE COMMITTEE. The Board shall appoint from among its members an Executive Committee which, so far as may be permitted by law and except as specifically limited by the Board pursuant to Section 1 hereof, shall have all the powers and may exercise all the authority of the Board during the intervals between the meetings thereof, and shall have such additional responsibility as may be delegated to it from time to time by the Board of Directors. All acts done and powers conferred by the Executive Committee shall be deemed to be, and may be certified as being, done or conferred under authority of the Board.

Section 3. TERM; VACANCIES; ALTERNATES. All committee members appointed by the Board shall serve at the pleasure of the Board. The Board may fill any committee vacancy and may designate one or more eligible Directors as alternate members of any committee to take the place of any absent or disqualified member at any meeting. The Chairman of the Board may appoint a Director who is eligible to serve on any such committee as a member pro tempore to take the place of any absent or disqualified member or alternate member.

Section 4. ORGANIZATION. All committees shall determine their own organization, procedures and times and places of meetings, unless otherwise directed by the Board and except as otherwise provided in these By-Laws.

ARTICLE FOUR

OFFICERS

Section 1. CHIEF EXECUTIVE OFFICER. The Board of Directors shall appoint one of its members who shall either be the Chairman of the Board of the Bank, the President, a Vice Chairman of the Board or any other senior officer of the Bank to be the Chief Executive Officer. He shall be the Chief Executive Officer of the Bank and shall have general executive powers concerning all the operations and business of the Bank. The Chief Executive Officer shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board of Directors and he may delegate to any other officer such executive and other powers and duties as he deems advisable.

Section 2. CHAIRMAN OF THE BOARD. The Board of Directors shall appoint one of its members to be the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and

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of the Board of Directors. He shall have general executive powers and he shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board of Directors or the Chief Executive Officer. In the event of the absence or disability of the Chairman of the Board, the President shall preside at all meetings of the shareholders and of the Board of Directors and shall exercise all other powers and authority of the Chairman of the Board.

Section 3. PRESIDENT. The Board of Directors shall appoint one of its members to be President. The President shall have general executive powers, and he shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board of Directors or the Chief Executive Officer.

Section 4. THE VICE CHAIRMEN. The Board of Directors may appoint one or more of its members to be Vice Chairmen of the Board. Each Vice Chairman of the Board shall have general executive powers, and he shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board of Directors or the Chief Executive Officer.

Section 5. SENIOR OFFICERS. The Board of Directors may appoint one or more senior officers of the Bank, any of whom may be designated as executive, senior, group or administrative vice presidents or given any other descriptive titles. Each senior officer shall have and exercise such powers and duties as may be conferred upon, or assigned to, him by the Board of Directors or the Chief Executive Officer.

Section 6. SECRETARY OF THE BOARD; ASSISTANT SECRETARIES. The Board of Directors shall appoint a Secretary of the Board. The Secretary of the Board shall act as secretary of all meetings of the shareholders, of the Board and of the Executive Committee, and shall keep minutes of all such meetings. The Secretary of the Board shall give such notice of the meetings as is required by law or these By-Laws. The Secretary of the Board shall be the custodian of the minute book and all other general corporate records. The Secretary of the Board shall be the custodian of the corporate seal and shall have the power to affix and attest the same, and he may delegate such power to one or more officers, employees or agents of the Bank. The Secretary of the Board shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board of Directors or the Chairman of the Board. The Board or the Chairman of the Board may appoint one or more Assistant Secretaries of the Board who shall assist the Secretary of the Board in the performance of his duties. At the direction of the Secretary of the Board or in the event of his absence or disability, an Assistant Secretary of the Board shall perform the duties of the Secretary of the Board. Each Assistant Secretary of the Board shall have and exercise such further powers and duties as may be conferred upon, or assigned to, him by the Board, the Chairman of the Board or the Secretary of the Board.

Section 7. OTHER OFFICERS. The Board of Directors, the Chief Executive Officer or the delegate of either of them may appoint or hire such additional officers of the Bank, who may be designated as vice presidents, assistant vice presidents, officers, assistant officers or given any other descriptive titles, and may hire such additional employees as it or he may deem necessary or desirable to transact the business of the Bank. Unless the Board of Directors should otherwise direct, the Chief Executive Officer or such delegate may establish the conditions of employment of any of the persons mentioned above and may fix their compensation and dismiss them. Such persons may have such descriptive titles as may be appropriate, and they shall, respectively, have and exercise such powers and duties as pertain to their several offices or as may be conferred upon, or assigned to, them by the appropriate appointing authority.

Section 8. TENURE OF OFFICE. The Chief Executive Officer, the Chairman of the Board, the President and the Vice Chairmen of the Board shall each hold office for the year for which the Board was elected or until their earlier death, resignation, disqualification or removal. All other appropriate officers and employees shall hold office at the pleasure of the appointing authority.

Section 9. COMPENSATION. The Board of Directors may fix the compensation of

those officers appointed pursuant to Sections 1, 2, 3, 4, and 5 (excluding officers below the rank of Executive Vice President)

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of this Article Four as the Board may deem appropriate, and it may award additional compensation to any officer or employee of the Bank for any year or years based upon the performance of that person during any such period, the success of the operations of the Bank during any such period or any other reason deemed appropriate. Unless the Board of Directors shall otherwise direct, the Chief Executive Officer or his delegate shall fix the compensation of all other officers or employees of the Bank.

ARTICLE FIVE

STOCK, STOCK CERTIFICATES AND HOLDERS OF RECORD

Section 1. STOCK CERTIFICATES. Every holder of fully paid stock of the Bank shall be entitled to a certificate or certificates evidencing the number of shares so held. Such certificates shall be in such form as the Board of Directors may from time to time prescribe in accordance with law. Such certificates shall be signed by the Chairman of the Board, the President or any Vice Chairman of the Board and countersigned by the Secretary of the Board or any other officer so authorized by the Board of Directors and sealed with the seal of the Bank, and such signatures and seal may be facsimile or otherwise as permitted by law.

Section 2. TRANSFER OF STOCK. Except as otherwise provided by law, transfer of share certificates and of the shares of stock of the Bank represented thereby shall be made only on the books of the Bank upon surrender to the Bank or its agent of the certificate or certificates for such shares properly endorsed by the shareholder, or by his assignee, agent or legal representative, who shall furnish proper evidence of assignment, authority or legal succession, or by the agent of one of the foregoing thereunto duly authorized by an instrument duly executed and filed with the Bank in accordance with regular commercial practice.

Section 3. LOST, STOLEN OR DESTROYED CERTIFICATES. The holder of any shares of the Bank shall immediately notify it of any loss, theft or destruction of the stock certificate representing such shares. New certificates for shares of stock may be issued to replace such certificates upon satisfactory proof of the loss, theft or destruction and upon such other terms and conditions as the Board of Directors, the Chief Executive Officer or any person designated by either of them may from time to time determine.

Section 4. HOLDERS OF RECORD. The Bank shall be entitled to treat any person in whose name shares of stock of the Bank stand on its books as the holder and owner in fact thereof for all purposes, and it shall not be bound to recognize any equitable or other claims to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

ARTICLE SIX

SIGNING AUTHORITY

Section 1. SIGNING AUTHORITY. The Chairman of the Board, the President, any Vice Chairman of the Board, any Executive Vice President, any Senior Vice President or any Vice President of the Bank shall have full power and authority, in the name and on behalf of the Bank, under the seal of the Bank or otherwise, to execute, acknowledge and deliver any and all agreements, instruments or other documents relating to property or rights of all kinds

held or owned by the Bank or to the operation of the Bank, all as may be incidental to the operation of the Bank and subject to such limitations as the Board of Directors or the Chief Executive Officer may impose. Any such agreement, instrument or document may also be executed, acknowledged and delivered in the name and on behalf of the Bank, under seal of the Bank or otherwise, by such other officers, employees or agents of the Bank as the Board of Directors, the Chief Executive Officer, or the delegate of either of them may from time to time authorize. In each such case, the authority so conferred shall be subject to such limitations as the Board of Directors, the Chief Executive Officer or the delegate may impose. Any officer, employee or agent authorized hereunder to execute, acknowledge and deliver any such agreement, instrument or document is also

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authorized to cause the Secretary of the Board, any Assistant Secretary of the Board or any other authorized person to affix the seal of the Bank thereto and to attest it.

Section 2. TRUST DEPARTMENT SIGNING AUTHORITY. The Chief Executive Officer, the Chairman of the Board, the President, any Vice Chairman of the Board, the Officer in Charge of the Trust Department, any senior officer of Vice President in such department and, in the case of (c) below, any officer in the Trust Department shall have full power and authority, in the name and on behalf of the Bank as trustee, administrator, executor, registrar, transfer agent, or in any other fiduciary capacity, under seal of the Bank or otherwise;

(a) To execute, acknowledge and deliver deeds, bonds, mortgages, agreements, indentures, bills of sale, powers of attorney and all other instruments in writing that may be necessary or proper in the management or in the sale, leasing or other disposition of any real or personal property held by the Bank in any fiduciary capacity; and to execute, acknowledge, deliver or accept agreements, indentures, deeds of trust or mortgages that may be necessary or proper in the acceptance of trusts, depositaryships, agency, custodian, escrow or any other fiduciary accounts;

(b) To execute, acknowledge and deliver any instrument in writing that may be necessary in order to assign, subordinate, release, satisfy or affect in any other manner of record the whole or part of any judgment or of any mortgage or other lien (except a corporate mortgage, deed of trust, indenture or other instrument executed and delivered to the Bank as trustee for the purpose of securing an issue of corporate obligations) held by the Bank in any fiduciary capacity;

(c) To execute, acknowledge and deliver all receipts, schedules, affidavits, authentications or certifications of the Bank as trustee under any mortgage, deed of trust, indenture or agreement securing or providing for bonds, debentures, notes or other securities and all certificates as registrar or transfer agent, and all checks as disbursing agent, and all certificates of deposit, interim certificates and trust receipts or certificates;

(d) To execute, acknowledge and deliver, pursuant to the terms of any corporate mortgage, deed of trust, indenture or other instrument executed and delivered to the Bank as trustee for the purpose of securing an issue of corporate obligations, any instrument in writing that may be necessary to assign, modify, release or satisfy any such mortgage, deed of trust, indenture or other instrument or that may be necessary to release all or any part of the property covered by such mortgage, deed of trust, indenture or other instrument from the lien thereof;

(e) To appear in any court of record and to enter upon the record in such court an assignment, subordination, release or satisfaction, in whole or in part, of any judgment held by or controlled by the Bank in any fiduciary capacity;

(f) To verify under oath all pleadings and all other instruments of every nature and description that may be prepared by or on behalf of the Bank in any fiduciary capacity and of which such verification may be necessary or proper.

All such powers and authority shall be subject to such limitations as the Board of Directors or the Chief Executive Officer may impose.

Any such agreement, instrument or other document may also be executed, acknowledged and delivered in the name and on behalf of the Bank in any fiduciary capacity, under seal of the Bank or otherwise, by such other officers, employees or agents of the Bank as the Board of Directors, the Chief Executive Officer, the Officer in Charge of the Trust Department or the delegate of any of them may from time to time authorize. In each such case, the authority so conferred shall be subject to such limitations as the Board of Directors, the Chief Executive Officer, the Officer in Charge of the Trust Department or the delegate may impose.

Any officer, employee or agent authorized hereunder to execute, acknowledge and deliver any such agreement, instrument or document is also authorized to cause the Secretary of the Board, any Assistant

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Secretary of the Board, any Trust Department officer or any other authorized person to affix the seal of the Bank thereto and to attest it or to guarantee signatures to assignments of any registered securities.

ARTICLE SEVEN

TRUST DEPARTMENT

Section 1. EXERCISE OF FIDUCIARY POWERS. The administration of all fiduciary powers of the Bank, except those incident to the conduct of the banking business, shall be conducted through the Trust Department. All fiduciary records of the Trust Department shall be kept separate and distinct from other records of the Bank.

Section 2. TRUST COMMITTEE. The Board shall appoint, from among its members, a Trust Committee of not less than five members which, so far as may be permitted by law and except as specifically limited by the Board pursuant to Article Three, Section 1 hereof, shall have general responsibility for the proper exercise of the fiduciary powers of the Bank. The Trustee Committee may appoint such committees of the Trust Department as it may deem necessary or desirable for the proper exercise of the Bank's fiduciary powers, and it may assign to any such committee or to any officer or employee of the Trust Department the administration of such of the fiduciary powers of the Bank as it may consider proper.

Section 3. MANAGEMENT. The Board of Directors shall appoint an Officer of the Bank who shall be responsible for the activities of the Trust Department, subject to the general supervision of the Board of Directors and the Chief Executive Officer. The Officer in Charge of the Trust Department shall do or cause to be done all things necessary or proper in carrying on the business of the Trust Department in accordance with the provisions of law and all applicable regulations.

Section 4. TRUST DEPARTMENT OFFICERS. The Board of Directors or the Chief Executive Officer may appoint such other officers of the Trust Department as it or he may deem necessary or desirable for the proper exercise of the Bank's fiduciary powers. Such officers shall, respectively, have and exercise such powers and duties as pertain to their several offices or as may be conferred upon, or assigned to, them by the Board of Directors or the Chief Executive Officer.

Section 5. TRUST AND SECURITIES AND INVESTMENTS. Any funds or assets held in the Trust Department shall be kept separate from the assets of the Bank and shall be placed in the joint custody or control of not less than two officers or employees of the Bank who are adequately bonded and are designated for that purpose by the Trust Committee of the Board of Directors or by any officer of the Trust Department to whom the Trust Committee may delegate such power of designation.

Section 6. VOTING OF SECURITIES. The Officer in Charge of the Trust Department, and any officer of the Trust Department designated by him, may vote shares of stock of any corporation held by the Bank in a fiduciary capacity, whether by proxy or by attendance at a meeting of the holders of such shares.

ARTICLE EIGHT

GENERAL PROVISIONS

Section 1. FISCAL YEAR. The fiscal year of the Bank shall be the calendar year.

Section 2. RECORDS. The Articles of Association, By-Laws and the proceedings of all meetings of the shareholders, the Board of Directors, the Executive Committee, and any other committee of the Board shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary of the Board or other person acting as secretary of the meeting.

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Section 3. SEAL. The Board of Directors shall from time to time prescribe the form of a suitable corporate seal.

Section 4. GENDER AND NUMBER. Any reference in these By-Laws to one gender, whether masculine, feminine or neuter, includes the other two, and the singular includes the plural and vice versa unless the context indicates otherwise.

ARTICLE NINE

BY-LAWS

Section 1. AMENDMENTS. These By-Laws may be amended, altered and repealed, and new By-Laws may be adopted, either by action of the shareholders or (except as otherwise provided by law) by action of the Board of Directors.

Section 2. INSPECTION. A copy of the By-Laws, with all amendments thereto, shall at all times be kept in a convenient place at the main office of the Bank and shall be open for inspection by all shareholders during normal business hours.

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REPORT OF CONDITION

CONSOLIDATED DOMESTIC AND FOREIGN SUBSIDIARIES OF
 THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
 AS OF MARCH 31, 1995

ASSETS

<TABLE>
 <CAPTION>

	THOUSANDS OF DOLLARS

<S>	<C>
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin.....	\$ 188,129
Interest-bearing balances.....	205,035
Held-to-maturity securities.....	474,138
Available-for-sale securities.....	530,083
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:	
Federal funds sold.....	140,000
Loans and lease financing receivables:	
</TABLE>	
<TABLE>	
<S>	<C>
Loans and leases, net of unearned income.....	\$2,189,305
LESS: Allowance for loan and lease losses.....	90,762

</TABLE>	
<TABLE>	
<S>	<C>
Loans and leases, net of unearned income and allowance.....	2,098,543
Assets held in trading accounts.....	63
Premises and fixed assets (including capitalized leases).....	127,630
Other real estate owned.....	45,997
Investments in unconsolidated subsidiaries and associated companies.....	0
Customer's liability to this bank on acceptances outstanding.....	750
Intangible assets.....	15,200
Other assets.....	82,322

TOTAL ASSETS.....	\$3,907,890
	=====

LIABILITIES

Deposits:	
In domestic offices.....	2,987,290
</TABLE>	
<TABLE>	
<S>	<C>
Noninterest-bearing.....	\$ 738,540
Interest-bearing.....	2,248,750

</TABLE>	
<TABLE>	
<S>	<C>
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	312,068
</TABLE>	
<TABLE>	
<S>	<C>

Noninterest-bearing.....	\$	10,587
Interest-bearing.....		301,481

</TABLE>

<TABLE>

<S>

<C>

Federal funds purchased and securities sold under agreement to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased.....		8,500
Securities sold under agreements to repurchase.....		195,931
Demand notes issued to the U.S. Treasury.....		39,337
Trading liabilities.....		566
Other borrowed money:		
With original maturity of one year or less.....		363
Bank's liability on acceptances executed and outstanding.....		750
Other liabilities.....	\$	60,402

TOTAL LIABILITIES.....	\$	3,605,207

EQUITY CAPITAL

Common Stock.....		20,771
Surplus.....		242,422
Undivided profits and capital reserves.....		51,963
Net unrealized holding gains (losses) on available-for-sale securities.....		(13,174)
Cumulative foreign currency transaction adjustments.....		701
TOTAL EQUITY CAPITAL.....		302,683

TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL.....		3,907,890
		=====

</TABLE>

I, John L. Davis, Executive Vice President and Chief Financial Officer of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

/s/ John L. Davis

JOHN L. DAVIS

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

/s/ Joe L. Allbritton

/s/ Timothy C. Coughlin

JOE L. ALLBRITTON

TIMOTHY C. COUGHLIN