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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2002
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-7398	23-2990190
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	36-0938600
1-1401	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348 (610) 765-8200	23-3064219

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_].

The number of shares outstanding of each registrant's common stock as of October 15, 2002 was as follows:

Exelon Corporation Common Stock, without par value	322,984,742
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,409
PECO Energy Company Common Stock, without par value	170,478,507
Exelon Generation Company, LLC	not applicable

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Filing Format

This combined Form 10-Q is being filed separately by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC (Registrants). Information contained herein relating to any individual registrant has been filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant.

Forward-Looking Statements

Except for the historical information contained herein, certain of the matters discussed in this Report are forward-looking statements that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by a registrant include those discussed herein as well as those listed in Note 8 of Notes to Consolidated Financial Statements, those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook" in Exelon Corporation's 2001 Annual Report, those discussed in "Risk Factors" in PECO Energy Company's Registration Statement on Form S-3, Reg. No. 333-99361, those discussed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exelon Generation Company, LLC's Registration Statement on Form S-4, Reg. No. 333-85496, those discussed in "Risk Factors" in Commonwealth Edison Company's Registration Statement of Form S-3, Reg. No. 333-99363 and other factors discussed in filings with the Securities and Exchange Commission by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. None of the Registrants undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

(in millions, except per share data)	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING REVENUES	$4,370	$4,185	$ 11,245	$ 11,625
OPERATING EXPENSES				
Purchased Power	1,233	1,249	2,543	2,634
Purchased Power from Unconsolidated Affiliate	104	26	220	48
Fuel	373	356	1,233	1,455
Operating and Maintenance	1,114	1,101	3,252	3,293
Depreciation and Amortization	345	369	1,012	1,109
Taxes Other Than Income	201	172	568	493
Total Operating Expense	3,370	3,273	8,828	9,032
OPERATING INCOME	1,000	912	2,417	2,593
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(249)	(283)	(739)	(864)
Distributions on Preferred Securities of Subsidiaries	(11)	(11)	(34)	(34)
Equity in Earnings of Unconsolidated Affiliates, net	92	52	114	77
Other, net	16	(51)	239	48
Total Other Income and Deductions	(152)	(293)	(420)	(773)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	848	619	1,997	1,820
INCOME TAXES	297	243	724	742
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	551	376	1,273	1,078
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (net of income taxes of ($90) and $8 for the nine months ended September 30, 2002 and 2001, respectively)	--	--	(230)	12
NET INCOME	551	376	1,043	1,090
OTHER COMPREHENSIVE INCOME (LOSS) (net of income taxes)				
SFAS 133 Transition Adjustment	--	--	--	44
Cash Flow Hedge Fair Value Adjustment	(28)	13	(109)	(17)
Unrealized Gain (Loss) on Marketable Securities, net	(73)	(30)	(158)	(154)
Interest in Other Comprehensive Income of Unconsolidated Affiliates	(20)	(3)	(21)	(1)
Total Other Comprehensive Income (Loss)	(121)	(20)	(288)	(128)
TOTAL COMPREHENSIVE INCOME	$ 430	$ 356	$ 755	$ 962
AVERAGE SHARES OF COMMON STOCK OUTSTANDING - Basic	323	321	322	320
AVERAGE SHARES OF COMMON STOCK OUTSTANDING - Diluted	324	323	324	323
EARNINGS PER AVERAGE COMMON SHARE:				
BASIC:				
Income Before Cumulative Effect of Changes in Accounting Principles	$ 1.71	$ 1.17	$ 3.95	$ 3.36
Cumulative Effect of Changes in Accounting Principles	--	--	(0.71)	0.04
Net Income	$ 1.71	$ 1.17	$ 3.24	$ 3.40
DILUTED:				
Income Before Cumulative Effect of Changes in Accounting Principles	$ 1.70	$ 1.16	$ 3.93	$ 3.33
Cumulative Effect of Changes in Accounting Principles	--	--	(0.71)	0.04
Net Income	$ 1.70	$ 1.16	$ 3.22	$ 3.37
DIVIDENDS PER COMMON SHARE	$ 0.44	$ 0.42	$ 1.32	$ 1.40

See Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,043	$ 1,090
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation and Amortization, including nuclear fuel	1,284	1,481
Cumulative Effect of a Change in Accounting Principle (net of income taxes)	230	(12)
Net Gain on Sale of Investments (net of income taxes)	(199)	--
Provision for Uncollectible Accounts	107	95
Deferred Income Taxes	293	(101)
Deferred Energy Costs	50	21
Equity in Earnings of Unconsolidated Affiliates, net	(114)	(77)
Net Realized Losses on Nuclear Decommissioning Trust Funds	32	90
Other Operating Activities	162	(76)
Changes in Working Capital:		
Accounts Receivable	(320)	(163)
Inventories	(31)	41
Accounts Payable, Accrued Expenses and Other Current Liabilities	(6)	572
Changes in Receivables and Payables to Unconsolidated Affiliates, net	46	--
Other Current Assets	24	(4)
Net Cash Flows provided by Operating Activities	2,601	2,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(1,534)	(1,352)
Acquisition of Generating Plants	(443)	--
Enterprises Acquisitions, net of cash acquired	--	(39)
Proceeds from the Sale of Investments	287	--
Proceeds from Nuclear Decommissioning Trust Funds	1,184	1,077
Investment in Nuclear Decommissioning Trust Funds	(1,330)	(1,128)
Note Receivable from Unconsolidated Affiliate	(42)	--
Other Investing Activities	81	(143)
Net Cash Flows used in Investing Activities	(1,797)	(1,585)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	956	2,126
Retirement of Long-Term Debt	(1,946)	(1,433)
Change in Short-Term Debt	428	(957)
Dividends on Common Stock	(420)	(448)
Change in Restricted Cash	81	125
Proceeds from Employee Stock Plans	64	52
Contribution from Minority Interest of Consolidated Subsidiary	43	--
Redemption of Preferred Securities of Subsidiaries	(18)	(18)
Other Financing Activities	(16)	32
Net Cash Flows used in Financing Activities	(828)	(521)
INCREASE IN CASH AND CASH EQUIVALENTS	(24)	851
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	461	526
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 490	$ 1,377
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities:		
Contribution of Land from Minority Interest of Consolidated Subsidiary	$ 12	--
Regulatory Asset Fair Value Adjustment	--	$ 347
Purchase Accounting Estimate Adjustments	--	$ 63

See Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 461	$ 485
Restricted Cash	291	372
Accounts Receivable, net		
Customer	2,007	1,687
Other	210	428
Receivable from Unconsolidated Affiliate	40	44
Inventories, at average cost		
Fossil Fuel	189	222
Materials and Supplies	312	249
Deferred Income Taxes	101	23
Other	300	272
Total Current Assets	3,911	3,782
PROPERTY, PLANT AND EQUIPMENT, NET	14,926	13,781
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	6,111	6,423
Nuclear Decommissioning Trust Funds	2,997	3,165
Investments	1,665	1,623
Goodwill, net	4,964	5,335
Other	662	708
Total Deferred Debits and Other Assets	16,399	17,254
TOTAL ASSETS	$ 35,236	$ 34,817

See Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ 788	$ 360
Long-Term Debt Due within One Year	1,501	1,406
Accounts Payable	1,304	964
Accrued Expenses	942	1,182
Other	495	505
Total Current Liabilities	5,030	4,417
LONG-TERM DEBT	11,904	12,879
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	4,506	4,388
Unamortized Investment Tax Credits	305	316
Nuclear Decommissioning Liability for Retired Plants	1,389	1,353
Pension Obligation	315	334
Non-Pension Postretirement Benefits Obligation	893	847
Spent Nuclear Fuel Obligation	854	843
Other	859	694
Total Deferred Credits and Other Liabilities	9,121	8,775
PREFERRED SECURITIES OF SUBSIDIARIES	595	613
MINORITY INTEREST OF CONSOLIDATED SUBSIDIARIES	75	31
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	6,995	6,930
Deferred Compensation	(1)	(2)
Retained Earnings	1,830	1,200
Accumulated Other Comprehensive Income (Loss)	(313)	(26)
Total Shareholders' Equity	8,511	8,102
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 35,236	$ 34,817

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING REVENUES				
Operating Revenues	$1,912	$1,905	$ 4,685	$ 4,826
Operating Revenues from Affiliates	26	14	49	69
Total Operating Revenues	1,938	1,919	4,734	4,895
OPERATING EXPENSES				
Purchased Power	8	6	20	8
Purchased Power from Affiliate	967	948	2,046	2,141
Operating and Maintenance	234	229	620	625
Operating and Maintenance from Affiliates	33	36	104	106
Depreciation and Amortization	129	178	397	512
Taxes Other Than Income	77	82	223	223
Total Operating Expense	1,448	1,479	3,410	3,615
OPERATING INCOME	490	440	1,324	1,280
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(122)	(137)	(374)	(423)
Interest Expense from Affiliate	--	(10)	--	(10)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities	(7)	(7)	(22)	(22)
Interest Income from Affiliates	8	24	23	70
Other, net	(8)	9	6	24
Total Other Income and Deductions	(129)	(121)	(367)	(361)
INCOME BEFORE INCOME TAXES	361	319	957	919
INCOME TAXES	146	141	381	412
NET INCOME	215	178	576	507
OTHER COMPREHENSIVE INCOME (LOSS) (net of income taxes):				
Cash Flow Hedge Fair Value Adjustment	(15)	--	(31)	--
Unrealized Gain (Loss) on Marketable Securities	(1)	(1)	(3)	(5)
Total Other Comprehensive Income (Loss)	(16)	(1)	(34)	(5)
TOTAL COMPREHENSIVE INCOME	$ 199	$ 177	$ 542	$ 502

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 576	$ 507
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation and Amortization	397	512
Provision for Uncollectible Accounts	29	31
Deferred Income Taxes	92	26
Other Operating Activities	86	(27)
Changes in Working Capital:		
Accounts Receivable	(198)	(80)
Inventories	(4)	25
Accounts Payable, Accrued Expenses and Other Current Liabilities	64	324
Changes in Receivables and Payables to Affiliates, net	449	(279)
Other Current Assets	(2)	4
Net Cash Flows provided by Operating Activities	1,489	1,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(549)	(631)
Notes Receivable from Affiliate	14	400
Other Investing Activities	9	--
Net Cash Flows used in Investing Activities	(526)	(231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-Term Borrowings	94	--
Issuance of Long-Term Debt	701	--
Retirement of Long-Term Debt	(1,365)	(260)
Dividends on Common Stock	(353)	(253)
Change in Restricted Cash	(37)	(5)
Other Financing Activities	(10)	--
Net Cash Flows used in Financing Activities	(970)	(518)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7)	294
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	23	141
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 16	$ 435
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities:		
Net Assets Transferred as a result of Restructuring, net of Note Payable	--	$ 1,307
Receivable from Parent	--	$ 1,062
Purchase Accounting Estimate Adjustment	--	$ 63
Regulatory Asset Fair Value Adjustment	--	$ 347
Retirement of Treasury Shares	$ 1,344	$ 2,023

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 16	$ 23
Restricted Cash	78	41
Accounts Receivable, net		
Customer	914	745
Other	89	87
Receivables from Affiliates	8	6
Inventories, at average cost	60	56
Deferred Income Taxes	40	52
Other	17	15
Total Current Assets	1,222	1,025
PROPERTY, PLANT AND EQUIPMENT, NET	7,610	7,351
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	583	667
Investments	54	64
Goodwill, net	4,888	4,902
Notes Receivable from Affiliates	1,300	1,314
Other	311	304
Total Deferred Debits and Other Assets	7,136	7,251
TOTAL ASSETS	$ 15,968	$ 15,627

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-Term Borrowings	$ 94	$ --
Long-Term Debt Due within One Year	798	849
Accounts Payable	200	144
Accrued Expenses	396	374
Payables to Affiliates	615	218
Other	183	212
Total Current Liabilities	2,286	1,797
LONG-TERM DEBT	5,295	5,850
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	1,749	1,671
Unamortized Investment Tax Credits	52	55
Pension Obligation	167	151
Non-Pension Postretirement Benefits Obligation	145	146
Payables to Affiliates	251	297
Other	322	248
Total Deferred Credits and Other Liabilities	2,686	2,568
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY THE COMPANY'S SUBORDINATED DEBT SECURITIES	329	329
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	1,588	2,048
Preference Stock	7	7
Other Paid-in Capital	4,181	5,057
Receivable from Parent	(845)	(937)
Retained Earnings	480	257
Treasury Stock, at cost	--	(1,344)
Accumulated Other Comprehensive Income (Loss)	(39)	(5)
Total Shareholders' Equity	5,372	5,083
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 15,968	$ 15,627

See Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING REVENUES				
Operating Revenues	$1,221	1,048	$ 3,230	$ 2,999
Operating Revenues from Affiliates	3	3	9	9
Total Operating Revenues	1,224	1,051	3,239	3,008
OPERATING EXPENSES				
Purchased Power	68	57	175	147
Purchased Power from Affiliate	441	363	1,090	872
Fuel	40	51	228	335
Operating and Maintenance	125	134	350	352
Operating and Maintenance from Affiliates	15	22	57	61
Depreciation and Amortization	127	115	348	315
Taxes Other Than Income	85	51	207	135
Total Operating Expense	901	793	2,455	2,217
OPERATING INCOME	323	258	784	791
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(93)	(105)	(280)	(324)
Interest Expense from Affiliate	--	--	--	(8)
Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership, which holds Solely Subordinated Debentures of the Company	(2)	(2)	(7)	(7)
Interest Income from Affiliates	--	9	--	10
Other, net	5	3	7	20
Total Other Income and Deductions	(90)	(95)	(280)	(309)
INCOME BEFORE INCOME TAXES	233	163	504	482
INCOME TAXES	76	59	166	171
NET INCOME	157	104	338	311
Preferred Stock Dividends	(2)	(2)	(6)	(7)
NET INCOME ON COMMON STOCK	$ 155	$ 102	$ 332	$ 304
OTHER COMPREHENSIVE INCOME				
Net Income	$ 157	$ 104	$ 338	$ 311
Other Comprehensive Income (Loss) (net of income taxes):				
SFAS 133 Transition Adjustment	--	--	--	40
Cash Flow Hedge Fair Value Adjustment	(5)	(10)	(10)	(20)
Unrealized Gain (Loss) on Marketable Securities	(1)	--	--	--
TOTAL COMPREHENSIVE INCOME	$ 151	$ 94	$ 328	$ 331

See Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 338	$ 311
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation and Amortization	348	315
Provision for Uncollectible Accounts	48	50
Deferred Income Taxes	(64)	(49)
Deferred Energy Costs	50	14
Other Operating Activities	15	(23)
Changes in Working Capital:		
Accounts Receivable	(69)	(64)
Changes in Receivables and Payables to Affiliates, net	(27)	154
Inventories	(8)	(21)
Accounts Payable, Accrued Expenses and Other Current Liabilities	(107)	92
Other Current Assets	(51)	(35)
Net Cash Flows provided by Operating Activities	473	744
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(180)	(153)
Other Investing Activities	3	(1)
Net Cash Flows used in Investing Activities	(177)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of Long-Term Debt	(571)	(1,167)
Issuance of Long-Term Debt	225	805
Contribution from Parent	30	121
Change in Short-Term Debt	274	(161)
Dividends on Preferred and Common Stock	(261)	(176)
Change in Restricted Cash	113	98
Change in Receivable and Payable to Affiliate, net	--	(41)
Retirement of Mandatorily Redeemable Preferred Stock	(19)	(18)
Settlement of Interest Rate Swap Agreements	(5)	31
Net Cash Flows used in Financing Activities	(214)	(508)
INCREASE IN CASH AND CASH EQUIVALENTS	82	82
Cash Transferred in Restructuring	--	(31)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32	49
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 114	$ 100
SUPPLEMENTAL CASH FLOW INFORMATION Non-cash Investing and Financing Activities:		
Net Assets Transferred as a result of Restructuring, net of Receivable from Affiliates	--	$ 1,577
Contribution of Receivable from Parent	--	$ 1,983

See Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 114	$ 32
Restricted Cash	210	323
Accounts Receivable, net		
Customer	310	286
Other	30	33
Receivables from Affiliates	17	1
Inventories, at average cost		
Fossil Fuel	79	72
Materials and Supplies	7	7
Prepaid Taxes	50	1
Other	10	58
Total Current Assets	827	813
PROPERTY, PLANT AND EQUIPMENT, NET	4,121	4,047
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	5,527	5,756
Investments	21	24
Pension Asset	37	13
Other	83	85
Total Deferred Debits and Other Assets	5,668	5,878
TOTAL ASSETS	$ 10,616	$ 10,738

See Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ 375	$ 101
Payables to Affiliates	130	187
Long-Term Debt Due within One Year	689	548
Accounts Payable	61	54
Accrued Expenses	277	397
Deferred Income Taxes	27	27
Other	37	21
Total Current Liabilities	1,596	1,335
LONG-TERM DEBT	4,950	5,438
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	2,881	2,938
Unamortized Investment Tax Credits	25	27
Non-Pension Postretirement Benefits Obligation	271	239
Payable to Affiliate	--	44
Other	118	110
Total Deferred Credits and Other Liabilities	3,295	3,358
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF A PARTNERSHIP, WHICH HOLDS SOLELY SUBORDINATED DEBENTURES OF THE COMPANY	128	128
MANDATORILY REDEEMABLE PREFERRED STOCK	--	19
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	1,942	1,912
Receivable from Parent	(1,788)	(1,878)
Preferred Stock	137	137
Retained Earnings	347	270
Accumulated Other Comprehensive Income	9	19
Total Shareholders' Equity	647	460
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 10,616	$ 10,738

See Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

(in millions)	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING REVENUES				
Operating Revenues	$ 750	$ 787	$1,924	$ 2,180
Operating Revenues from Affiliates	1,463	1,404	3,309	3,223
Total Operating Revenues	2,213	2,191	5,233	5,403
OPERATING EXPENSES				
Purchased Power	1,251	1,209	2,555	2,504
Purchased Power from Affiliates	6	59	26	85
Fuel	273	242	706	691
Operating and Maintenance	351	322	1,098	1,046
Operating and Maintenance Expense from Affiliates	40	42	136	127
Depreciation and Amortization	68	57	197	224
Taxes Other Than Income	37	36	126	121
Total Operating Expense	2,026	1,967	4,844	4,798

OPERATING INCOME	187	224	389	605
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(22)	(27)	(48)	(62)
Interest Expense from Affiliates	(1)	(14)	(3)	(38)
Equity in Earnings of Unconsolidated Affiliates	87	60	119	99
Interest Income from Affiliates	--	10	--	10
Other, net	14	(35)	54	(17)
Total Other Income and Deductions	78	(6)	122	(8)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	265	218	511	597
INCOME TAXES	102	78	198	228
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	163	140	313	369
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	--	--	13	12
NET INCOME	163	140	326	381
OTHER COMPREHENSIVE INCOME (LOSS) (net of income taxes)				
Unrealized Gain (Loss) on Marketable Securities	(69)	(54)	(151)	(134)
SFAS 133 Transition Adjustment	--	--	--	4
Cash Flow Hedge Fair Value Adjustment	(11)	50	(79)	14
Interest in Other Comprehensive Income of Unconsolidated Affiliates	(20)	(3)	(21)	(1)
Total Other Comprehensive Income (Loss)	(100)	(7)	(251)	(117)
TOTAL COMPREHENSIVE INCOME	$ 63	$ 133	$ 75	$ 264

See Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 326	$ 381
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation and Amortization, including nuclear fuel	475	531
Cumulative Effect of a Change in Accounting Principle (net of income taxes)	(13)	(12)
Provision for Uncollectible Accounts	20	3
Deferred Income Taxes	246	(84)
Equity in (Earnings) Losses of Unconsolidated Affiliates	(119)	(99)
Net Realized Losses on Nuclear Decommissioning Trust Funds	32	90
Other Operating Activities	109	(162)
Changes in Working Capital:		
Accounts Receivable	(90)	(4)
Changes in Receivables and Payables to Affiliates, net	(325)	13
Inventories	(22)	(37)
Accounts Payable, Accrued Expenses and Other Current Liabilities	174	145
Other Current Assets	(42)	17
Net Cash Flows provided by Operating Activities	771	782
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(715)	(497)
Acquisition of Generating Plants	(443)	--
Proceeds from Nuclear Decommissioning Trust Funds	1,184	1,077
Investment in Nuclear Decommissioning Trust Funds	(1,330)	(1,128)
Note Receivable from Affiliate	(42)	--
Other Investing Activities	3	6
Net Cash Flows used in Investing Activities	(1,343)	(542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Note Payable, Affiliate	348	(696)
Contribution from Minority Interest in Consolidated Subsidiary	43	--
Issuance of Long-Term Debt	30	821
Retirement of Long-Term Debt	(4)	(3)
Distribution to Member	(30)	(156)
Net Cash Flows provided by (used in) Financing Activities	387	(34)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185)	206
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	224	4
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 39	$ 210
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities:		
Contribution of Land from Minority Interest of Consolidated Subsidiary	$ 12	--

See Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 39	$ 224
Accounts Receivable, net		
Customer	443	316
Other	63	150
Receivables from Affiliates	783	373
Inventories, at average cost		
Fossil Fuel	101	105
Materials and Supplies	228	202
Deferred Income Taxes	7	--
Other	113	65
Total Current Assets	1,777	1,435
PROPERTY, PLANT AND EQUIPMENT, NET	2,796	2,003
DEFERRED DEBITS AND OTHER ASSETS		
Nuclear Decommissioning Trust Funds	2,997	3,165
Investments	922	816
Note Receivable from Affiliate	246	291
Deferred Income Taxes	340	212
Other	202	223
Total Deferred Debits and Other Assets	4,707	4,707
TOTAL ASSETS	$ 9,280	$ 8,145

See Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2002	December 31, 2001
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due within One Year	$ 6	$ 4
Accounts Payable	892	585
Payables to Affiliates	33	34
Note Payable to Affiliate	348	--
Accrued Expenses	257	303
Deferred Income Taxes	--	7
Other	194	171
Total Current Liabilities	1,730	1,104
LONG-TERM DEBT	1,096	1,021
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	247	--
Unamortized Investment Tax Credits	228	234
Nuclear Decommissioning Liability for Retired Plants	1,389	1,353
Pension Obligation	100	118
Non-Pension Postretirement Benefits Obligation	404	384
Spent Nuclear Fuel Obligation	854	843
Other	324	280
Total Deferred Credits and Other Liabilities	3,546	3,212
MINORITY INTEREST OF CONSOLIDATED SUBSIDIARY	55	--
COMMITMENTS AND CONTINGENCIES		
MEMBER'S EQUITY		
Membership Interest	2,286	2,316
Undistributed Earnings	850	523
Accumulated Other Comprehensive Income (Loss)	(283)	(31)
Total Member's Equity	2,853	2,808
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 9,280	$ 8,145

See Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data, unless otherwise noted)

1. BASIS OF PRESENTATION (Exelon, ComEd, PECO and Generation)

The accompanying consolidated financial statements as of September 30, 2002 and for the three and nine months then ended are unaudited, but include all adjustments that Exelon Corporation (Exelon), Commonwealth Edison Company (ComEd), PECO Energy Company (PECO) and Exelon Generation Company, LLC (Generation) consider necessary for a fair presentation of their respective financial statements. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2001 consolidated balance sheets were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles (GAAP). Certain prior-year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income or shareholders' or member's equity. These notes should be read in conjunction with the Notes to Consolidated Financial Statements of Exelon, ComEd and PECO included in or incorporated by reference in Item 8 of their Annual Report on Form 10-K for the year ended December 31, 2001 and the Notes to Consolidated Financial Statements in Generation's Form S-4 registration statement No. 333-85496 declared effective on April 24, 2002 by the Securities and Exchange Commission (SEC), (Generation's Form S-4). See ITEM 6. Exhibits and Reports on Form 8-K.

The consolidated financial statements contained herein include the accounts of majority-owned subsidiaries after the elimination of intercompany transactions. Investments and joint ventures in which a 20% to 50% interest is owned and a significant influence is exerted are accounted for under the equity method of accounting. The proportionate interests in jointly owned electric utility plants are consolidated. Investments in which less than a 20% interest is owned are accounted for under the cost method of accounting. Exelon owns 100% of all significant consolidated subsidiaries, either directly or indirectly, except for ComEd of which Exelon owns 99%, InfraSource of which Exelon owns 95% and Southeast Chicago Energy Project, LLC of which Exelon owns 70% through Generation. Exelon and Generation have reflected the third-party interests in the above majority owned investments as minority interests in their Consolidated Statements of Cash Flows, Consolidated Balance Sheets and in Other, Net on the Consolidated Statements of Income and Comprehensive Income.

2. ADOPTION OF NEW ACCOUNTING PRINCIPLES (Exelon, ComEd, PECO and Generation)

SFAS No. 141 and SFAS No. 142

In 2001, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standard (SFAS) No. 141, "Business Combinations" (SFAS No. 141), which requires that all business combinations be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. In addition, SFAS No. 141 requires that unamortized negative goodwill related to

pre-July 1, 2001 purchases be recognized as a change in accounting principle concurrent with the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). At December 31, 2001, AmerGen Energy Company, LLC (AmerGen), an equity-method investee of Generation, had $43 million of negative goodwill, net of accumulated amortization, recorded on its balance sheet. Upon AmerGen's adoption of SFAS No. 141 in January 2002, Generation recognized its proportionate share of income of $22 million ($13 million, net of income taxes) as a cumulative effect of a change in accounting principle.

Exelon, ComEd, PECO and Generation adopted SFAS No. 142 as of January 1, 2002. SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. Other than goodwill, Exelon does not have significant other intangible assets recorded on its consolidated balance sheets. Under SFAS No. 142, goodwill is no longer subject to amortization, however, goodwill is subject to an assessment for impairment using a two-step fair value based test, the first step of which must be performed at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to the fair value of the goodwill. If the fair value of goodwill is less than the carrying amount, an impairment loss is reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss is reflected as a cumulative effect of a change in accounting principle.

As of December 31, 2001, Exelon's Consolidated Balance Sheets reflected approximately $5.3 billion in goodwill net of accumulated amortization, including $4.9 billion of net goodwill related to the October 20, 2000 merger of Unicom Corporation (Unicom), the former parent company of ComEd, and PECO (Merger) recorded on ComEd's Consolidated Balance Sheets, with the remainder related to acquisitions by Exelon Enterprises Company, LLC (Enterprises). The first step of the transitional impairment analysis indicated that ComEd's goodwill was not impaired but that an impairment did exist with respect to goodwill recorded in Enterprises' reporting units. Exelon's infrastructure services business (InfraSource), the energy services business (Exelon Services) and the competitive retail energy sales business (Exelon Energy) were determined to be those reporting units of Enterprises that had goodwill allocated to them. The second step of the analysis, which compared the fair value of each of Enterprises' reporting units' goodwill to the carrying value at December 31, 2001, indicated a total goodwill impairment of $357 million ($243 million, net of income taxes and minority interest). The fair value of the Enterprises' reporting units was determined using discounted cash flow models reflecting the expected range of future cash flow outcomes related to each of the Enterprises reporting units over the life of the investment. These cash flows were discounted to 2002 using a risk-adjusted discount rate. The impairment was recorded as a cumulative effect of a change in accounting principle in the first quarter of 2002.

The changes in the carrying amount of goodwill by reportable segment (see Note 6 for further discussion of reportable segments) for the nine months ended September 30, 2002 are as follows:

	Energy Delivery	Enterprises	Total
Balance as of January 1, 2002	$ 4,902	$ 433	$ 5,335
Impairment losses	--	(357)	(357)
Settlement of pre-Merger income tax contingencies	(7)	--	(7)
Merger severance adjustment	(7)	--	(7)
Balance as of September 30, 2002	$ 4,888	$ 76	$ 4,964

The September 30, 2002, Energy Delivery goodwill relates to ComEd and the remaining Enterprises goodwill relates to the InfraSource and Exelon Services reporting units. Consistent with SFAS No. 142, the remaining goodwill will be reviewed for impairment on an annual basis, or more frequently if significant events occur that could indicate an impairment exists. ComEd and Enterprises plan to perform an impairment review in the fourth quarter of 2002. Such future review would be consistent with the review conducted related to the implementation of SFAS No. 142 (implementation review), which required estimates of numerous items with varying degrees of uncertainty, such as discount rates, terminal value earnings multiples, future revenue levels and estimated future expenditure levels for ComEd and Enterprises; load growth and the resolution of future rate proceedings for ComEd; and customer base and construction back logs for Enterprises. Significant changes from the assumptions used in the implementation review could possibly result in a future impairment loss. The Illinois legislation provides that reductions to ComEd's common equity resulting from goodwill impairments will not impact ComEd's earnings through 2006 under the earnings provisions of the legislation.

The components of the net transitional impairment loss recognized in the first quarter of 2002 as a cumulative effect of a change in accounting principle are as follows:

Exelon	
Enterprises goodwill impairment (net of income taxes of $103 million)	$ (254)
Minority interest (net of income taxes of $4 million)	11
Elimination of AmerGen negative goodwill (net of income taxes of $9 million)	13
Total cumulative effect of a change in accounting principle	$ (230)

Generation	
Elimination of AmerGen negative goodwill (net of income taxes of $9 million) recorded as cumulative effect of a change in accounting principle	$ 13

The following tables set forth Exelon's net income and earnings per common share and ComEd's net income for the three and nine months ended September 30, 2002 and 2001, respectively, adjusted to exclude 2001 amortization expense related to goodwill that is no longer being amortized.

Exelon

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Reported income before cumulative effect of changes in accounting principles	$ 551	$ 376	$ 1,273	$ 1,078
Cumulative effect of changes in accounting principles	--	--	(230)	12
Reported net income	551	376	1,043	1,090
Goodwill amortization	--	37	--	114
Adjusted net income	$ 551	$ 413	$ 1,043	$ 1,204
Basic earnings per common share:				
Reported income before cumulative effect of changes in accounting principles	$ 1.71	$ 1.17	$ 3.95	$ 3.36
Cumulative effect of changes in accounting principles	--	--	(0.71)	0.04
Reported net income	1.71	1.17	3.24	3.40
Goodwill amortization	--	0.12	--	0.36
Adjusted net income	$ 1.71	$ 1.29	$ 3.24	$ 3.76
Diluted earnings per common share:				
Reported income before cumulative effect of changes in accounting principles	$ 1.70	$ 1.16	$ 3.93	$ 3.33
Cumulative effect of changes in accounting principles	--	--	(0.71)	0.04
Reported net income	1.70	1.16	3.22	3.37
Goodwill amortization	--	0.11	--	0.35
Adjusted net income	$ 1.70	$ 1.27	$ 3.22	$ 3.72

ComEd

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Reported net income	$ 215	$ 178	$ 576	$ 507
Goodwill amortization	--	32	--	97
Adjusted net income	$ 215	$ 210	$ 576	$ 604

Generation

The cessation of the amortization of negative goodwill of AmerGen on January 1, 2002 did not have a material impact on Generation's reported net income for the three or nine months ended September 30, 2002.

EITF Issue 02-3

Exelon and Generation early adopted the provision of Emerging Issues Task Force (EITF) Issue 02-3 "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3) issued by the FASB EITF in June 2002 that requires revenues and energy costs related to energy trading contracts to be presented on a net basis in the income statement. Prior to the second quarter of 2002, revenues from trading activity were presented in Revenue and the energy costs related to energy trading were presented as either Purchased Power or Fuel expense on Exelon and Generation's Consolidated Statements of Income. For comparative purposes, energy costs related to energy trading have been reclassified in prior periods to revenue to conform to the net basis of presentation required by EITF 02-3. For the three and nine months ended September 30, 2001, $93 million and $123 million of purchased power expense, respectively, and $7 million and $12 million of fuel expense, respectively, was reclassified and reflected as a reduction to revenue. The three months ended March 31, 2002 included $504 million of purchased power expense and $9 million of fuel expense that has been reclassified and reflected as a reduction to revenue in the nine months ended September 30, 2002.

SFAS No. 144

In September 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). Exelon, ComEd, PECO and Generation adopted SFAS No. 144 on January 1, 2002. SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and its provisions are generally applied prospectively. The adoption of this statement had no effect on Exelon, ComEd, PECO or Generation's reported financial positions, results of operations or cash flows.

SFAS No. 145

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS No. 145). SFAS No. 145 eliminates SFAS No. 4 "Reporting Gains and Losses from Extinguishment of Debt" (SFAS No. 4) and thus allows for only those gains or losses on the extinguishment of debt that meet the criteria of extraordinary items to be treated as such in the financial statements. SFAS No. 145 also amends Statement of Financial Accounting Standards No. 13, "Accounting for Leases" (SFAS No. 13) to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The adoption of SFAS No. 145 had no effect on Exelon, ComEd, PECO or Generation's reported financial positions, results of operations or cash flows.

SFAS No. 133

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133) applies to all derivative instruments and requires that such instruments be recorded on the balance sheet either as an asset or a liability measured at their fair value through earnings, with special accounting permitted for certain qualifying hedges. On January 1, 2001, Exelon, ComEd, PECO, and Generation adopted SFAS No. 133. Generation recognized a non-cash gain of $12 million, net of income taxes, in earnings and deferred a non-cash gain of $4 million, net of income taxes, in accumulated other comprehensive income and

PECO deferred a non-cash gain of $40 million, net of income taxes, in accumulated other comprehensive income.

3. ACQUISITIONS AND DISPOSITIONS (Exelon and Generation) Acquisition of Generating Plants from TXU

On April 25, 2002, Generation acquired two natural-gas and oil-fired plants from TXU Corp. (TXU) for an aggregate purchase price of $443 million. The purchase included the 893-megawatt Mountain Creek Steam Electric Station in Dallas and the 1,441-megawatt Handley Steam Electric Station in Fort Worth. The transaction included a purchased power agreement for TXU to purchase power during the months of May through September from 2002 through 2006. During the periods covered by the purchased power agreement, TXU will make fixed capacity payments, variable expense payments, and will provide fuel to Exelon in return for exclusive rights to the energy and capacity of the generation plants. Substantially all of the purchase price has been allocated to property, plant and equipment.

Sale of AT&T Wireless

On April 1, 2002, Enterprises sold its 49% interest in AT&T Wireless PCS of Philadelphia, LLC to a subsidiary of AT&T Wireless Services for $285 million in cash. Enterprises recorded an after-tax gain of $116 million in other, net on the $84 million investment, which had been reflected in Deferred Debits and Other Assets on Exelon's Consolidated Balance Sheets.

Sithe New England Holdings Acquisition

On June 26, 2002, Generation agreed to purchase Sithe New England Holdings, LLC (Sithe New England), a subsidiary of Sithe Energies Inc. (Sithe), and related power marketing operations in exchange for a $543 million note. In addition, Generation will assume various Sithe guarantees related to an equity contribution agreement between Sithe New England and Sithe Boston Generation (Boston Generation), a project subsidiary of Sithe New England. The equity contribution agreement requires, among other things, that Sithe New England, upon the occurrence of certain events, contribute up to $38 million of equity for the purpose of completing the construction of two generating facilities. Boston Generation established a $1.2 billion credit facility in order to finance the construction of these two generating facilities. The approximately $1.1 billion expected to be outstanding under the facility at the transaction closing date, will be reflected on Exelon's Consolidated Balance Sheet. Sithe New England has provided security interests in and has pledged the stock of its other project subsidiaries to Boston Generation. If the closing conditions are satisfied, the transaction could be completed in November 2002.

The purchase involves approximately 4,471 megawatts (MWs) of generation capacity, consisting of 1,670 MWs in operation and 2,421 MWs under construction, which would increase Generation's net assets by approximately $1.6 billion. Sithe New England's generation facilities are located primarily in Massachusetts.

Generation is a 49.9% owner of Sithe and accounts for the investment as an unconsolidated equity investment. The Sithe New England purchase would not affect the accounting for Sithe as an equity investment. Separate from the Sithe New England transaction, Generation is subject to a Put and Call Agreement (PCA) that gives Generation the right to purchase (Call) the remaining 50.1% of Sithe, and gives the other Sithe shareholders the right to sell (Put) their interest to

Generation. If the Put option is exercised, Generation has the obligation to complete the purchase. The PCA provides that the Put and Call options become exercisable as of December 18, 2002 and expire in December 2005. The Sithe New England purchase is a separate transaction from the PCA in that it is intended to enable Generation to acquire only the Sithe assets that fit Generation's strategy, accelerate the realization of synergies, and reduce the amount of debt needed to finance the transaction.

See ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Exelon Corporation - for further discussion of the PCA.

4. REGULATORY ISSUES (Exelon, ComEd and PECO)

On June 1, 2001, ComEd filed with the Illinois Commerce Commission (ICC) to establish delivery service charges for residential customers in preparation for residential customer choice, which began in May 2002. The filing also updated delivery service charges for non-residential customers.

On April 1, 2002, the ICC issued an interim order in ComEd's Delivery Services Rate Case. The interim order is subject to an audit of test year (2000) expenditures, including capital plant expenditures, with a final order to be issued in 2003. The order sets delivery rates for residential customers choosing a new retail electric supplier. The new rates became effective May 1, 2002 when residential customers became eligible to choose their supplier of electricity. Traditional bundled rates paid by customers that retain ComEd as their electricity supplier are not affected by this order. Bundled rates will remain frozen through 2006, as a result of the June 6, 2002 amendments to the Illinois Restructuring Act that extended the freeze on bundled rates for an additional two years. Delivery service rates for non-residential customers are not affected by the order. The potential revenue impact of the interim order is not expected to be material in 2002.

On October 10, 2002, ComEd received the audit report on the audit of test year expenditures by the Liberty Consulting Group (Liberty), a consulting firm engaged by the ICC in conjunction with the audit of test year expenditures. Using the interim order as a starting point, Liberty recommends certain additional disallowances to test year expenditures and rate base levels, which, if ultimately approved by the ICC would result in lower residential delivery service charges and higher non-residential delivery service charges. The ICC will hold hearings on the Liberty audit report and responses from ComEd and other parties. A final decision is expected in the middle of 2003.

ComEd intends to contest the Liberty audit findings in the reopened hearings and cannot currently determine what portion, if any, of the Liberty audit recommendations the ICC will accept. If the ICC ultimately determines that all or some portion of ComEd's distribution plant is not recoverable through rates, ComEd may be required to write-off some or all of the amount of its investment that the ICC determines is not recoverable. The estimated potential write-off, before income taxes, could be up to approximately $100 million if the Liberty audit recommendations were to be accepted by the ICC in their entirety. ComEd recorded a charge to earnings, before income taxes, of $12 million in the third quarter of 2002, representing the estimated minimum probable write-off exposure resulting from the audit findings.

As permitted by the Pennsylvania Electric Competition Act, the Pennsylvania Department of Revenue calculated a 2002 Revenue Neutral Reconciliation (RNR) adjustment to the gross receipts tax rate in order to neutralize the impact of electric restructuring on its tax revenues. In January 2002, the Pennsylvania Public Utility Commission (PUC) approved the RNR adjustment to the gross receipts tax rate collected from customers. Effective January 1, 2002, PECO implemented the change in the gross receipts tax rate. The RNR adjustment increases the gross receipts tax rate, which will increase PECO's annual revenues and tax obligations by approximately $50 million in 2002. The RNR adjustment was under appeal. The case was remanded to the PUC and in August 2002, the PUC ruled that PECO is properly authorized to recover these costs.

5. EARNINGS PER SHARE (Exelon)

Diluted earnings per share are calculated by dividing net income by the weighted average number of shares of common stock outstanding, including shares issuable upon exercise of stock options outstanding under Exelon's stock option plans considered to be common stock equivalents. The following table shows the effect of these stock options on the weighted average number of shares outstanding used in calculating diluted earnings per share (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Average common shares outstanding	323	321	322	320
Assumed exercise of stock options	1	2	2	3
Average diluted common shares outstanding	324	323	324	323

Stock options not included in average common shares used in calculating diluted earnings per share due to their antidilutive effect were five million for the three and nine months ended September 30, 2002 and four million and one million for the three and nine months ended September 30, 2001, respectively.

6. SEGMENT INFORMATION (Exelon, ComEd and PECO)

Exelon operates in three business segments: energy delivery, generation and enterprises. Beginning in 2002, Exelon evaluates the performance of its business segments on the basis of net income. ComEd and PECO operate in one business segment, Energy Delivery. Exelon's segment information for the three months and nine months ended September 30, 2002 as compared to the same periods in 2001 and at September 30, 2002 and December 31, 2001 are as follows:

Three Months Ended September 30, 2002 as compared to Three Months Ended September 30, 2001

	Energy Delivery	Generation	Enterprises	Corporate and Intersegment Eliminations	Consolidated
Revenues(1):					
2002	$ 3,162	$ 2,213	$ 509	$ (1,514)	$ 4,370
2001	2,970	2,191	529	(1,505)	4,185
Intersegment Revenues:					
2002	$ 29	$ 1,463	$ 22	$ (1,514)	$ --
2001	17	1,404	84	(1,505)	--
Operating Expenses(1):					
2002	$ 2,350	$ 2,026	$ 494	$ (1,500)	$ 3,370
2001	2,272	1,967	529	(1,495)	3,273
Net Income/(Loss)					
2002	$ 370	$ 163	$ 15	$ 3	$ 551
2001	280	140	(33)	(11)	376

Nine Months Ended September 30, 2002 as compared to Nine Months Ended September 30, 2001

	Energy Delivery	Generation	Enterprises	Corporate and Intersegment Eliminations	Consolidated
Revenues(2):					
2002	$ 7,973	$ 5,233	$ 1,475	$(3,436)	$ 11,245
2001	7,903	5,403	1,742	(3,423)	11,625
Intersegment Revenues:					
2002	$ 59	$ 3,309	$ 72	$(3,440)	$ --
2001	78	3,223	124	(3,425)	--
Operating Expenses(2):					
2002	$ 5,865	$ 4,844	$ 1,510	$ (3,391)	$ 8,828
2001	5,833	4,798	1,794	(3,393)	9,032
Net Income/(Loss):					
2002	$ 908	$ 326	$(174)	$ (17)	$1,043
2001	810	381	(63)	(38)	1,090
Total Assets:					
September 30, 2002	$ 26,584	$9,280	$1,310	$(1,938)	$ 35,236
December 31, 2001	26,365	8,145	1,790	(1,483)	34,817

(1) $59 million and $58 million in utility taxes are included in the Revenues and Expenses for the three months ended September 30, 2002 and 2001, respectively, for ComEd. $64 million and $50 million in utility taxes are included in the Revenues and Expenses for the three months ended September 30, 2002 and 2001, respectively, for PECO.

(2) $157 million and $156 million in utility taxes are included in the Revenues and Expenses for the nine months ended September 30, 2002 and 2001, respectively, for ComEd. $157 million and $103 million in utility taxes are included in the Revenues and Expenses for the nine months ended September 30, 2002 and 2001, respectively, for PECO.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Exelon, ComEd, PECO and Generation)

During the three and nine months ended September 30, 2002 and 2001, Exelon recorded pre-tax gains and losses in other comprehensive income relating to mark-to-market (MTM) adjustments of contracts designated as cash flow hedges as follows:

	ComEd	PECO	Generation	Enterprises	Exelon
Three months ended September 30, 2002	$ (36)	$ --	$ (24)	$ 4	$ (56)
Three months ended September 30, 2001	--	(12)	84	9	81
Nine months ended September 30, 2002	(42)	(1)	(132)	19	(156)
Nine months ended September 30, 2001	--	(4)	(23)	11	(16)

During the three months ended September 30, 2002 and 2001, and the nine months ended September 30, 2002 and 2001, Generation recognized net MTM gains on non-trading energy derivative contracts not designated as cash flow hedges, in operating revenues as follows:

	2002	2001
Three months ended September 30,	$ 1	$ 7
Nine months ended September 30,	11	29

During the three months ended September 30, 2002 and 2001, and the nine months ended September 30, 2002 and 2001, Generation recognized net MTM gains and losses on energy trading contracts, in earnings as follows:

	2002	2001
Three months ended September 30,	$ --	$ 4
Nine months ended September 30,	(13)	(2)

During the three months ended September 30, 2002 and 2001 and the nine months ended September 30, 2002 and 2001, PECO reclassified other income in the Consolidated Statements of Income and Comprehensive Income, as a result of the discontinuance of cash flow hedges related to certain forecasted financing transactions that were no longer probable of occurring as follows:

	2002	2001
Three months ended September 30,	$ --	$ --
Nine months ended September 30,	--	6

As of September 30, 2002, deferred net gains/(losses) on derivative instruments accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months are as follows:

	ComEd	PECO	Generation	Enterprises	Exelon
Net Gains (Losses) Expected to be Reclassified	$ (1)	$ 15	$ (48)	$ 5	$ (29)

Amounts in accumulated other comprehensive income related to interest rate cash flow hedges are reclassified into earnings when the forecasted interest payment occurs. Amounts in accumulated other comprehensive income related to energy commodity cash flows are reclassified into earnings when the forecasted purchase or sale of the energy commodity occurs.

During the three months ended September 30, 2002 and 2001 and the nine months ended September 30, 2002 and 2001, Generation did not reclassify any amounts from accumulated other comprehensive income into earnings as a result of forecasted energy commodity transactions no longer being probable.

Generation classifies investments in the trust accounts for decommissioning nuclear plants as available-for-sale. The following tables show the fair values, gross unrealized gains and losses and amortized cost bases for the securities held in these trust accounts.

	September 30, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 1,754	$ 59	$ (557)	$ 1,256
Debt securities				
Government obligations	989	73	--	1,062
Other debt securities	674	33	(28)	679
Total debt securities	1,663	106	(28)	1,741
Total available-for-sale securities	$ 3,417	$ 165	$ (585)	$ 2,997

Unrealized gains and losses are recognized in Accumulated Depreciation and Accumulated Other Comprehensive Income in Generation's Consolidated Balance Sheet.

For the three months ended September 30, 2002, proceeds from the sale of decommissioning trust investments and gross realized gains and losses on those sales were $295 million, $12 million and $21 million, respectively. For the nine months ended September 30, 2002, proceeds from the sale of decommissioning trust investments and gross realized gains and losses on those sales were $1,184 million, $43 million and $77 million, respectively.

For the nine months ended September 30, 2002, net realized losses of $2 million were recognized in Accumulated Depreciation in Generation's Consolidated Balance Sheets and $32 million of net realized losses were recognized in Other Income and Deductions in Generation's Consolidated Statements of Income and Comprehensive Income. The available-for-sale securities held at September 30, 2002 have an average maturity of eight to ten years. The cost of these securities was determined on the basis of specific identification.

8. COMMITMENTS AND CONTINGENCIES (Exelon, ComEd, PECO and Generation)

For information regarding capital commitments, nuclear decommissioning and spent fuel storage, see the Commitments and Contingencies Note in the Consolidated Financial Statements of Exelon, ComEd and PECO for the year ended December 31, 2001 and Generation's S-4.

Environmental Liabilities

Exelon has identified 71 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. As of September 30, 2002, Exelon had accrued $150 million for environmental investigation and remediation costs that currently can be reasonably estimated, including $127 million for MGP investigation and remediation.

As of September 30, 2002, ComEd had accrued $107 million (discounted) for environmental investigation and remediation costs that currently can be reasonably estimated. This reserve included $103 million for MGP investigation and remediation. The MGP reserve was increased by $17 million in the third quarter of 2002 as the result of a delay in implementing the ongoing remediation for a MGP site in Oak Park, Illinois.

As of September 30, 2002, PECO had accrued $34 million (undiscounted) for environmental investigation and remediation costs that currently can be reasonably estimated, including $24 million for MGP investigation and remediation.

As of September 30, 2002, Generation had accrued $9 million (undiscounted) for environmental investigation and remediation cost, none of which relates to MGP investigation and remediation.

Exelon, ComEd, PECO and Generation cannot predict the extent to which they will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by environmental agencies or others, or whether such costs may be recoverable from third parties.

Energy Commitments

Exelon and Generation had long-term commitments relating to the net purchase and sale of energy, capacity and transmission rights from unaffiliated utilities, including Midwest Generation LLC (Midwest Generation), and others, including AmerGen, as expressed in the following table:

	Net Capacity Purchases (1)	Power Only Sales	Power Only Purchases from AmerGen	Power Only Purchases from Non-Affiliates	Transmission Rights Purchases (2)
2002	$ 191	$ 850	$ 47	$ 796	$ 32
2003	597	1,954	261	1,467	75
2004	642	944	315	744	93
2005	357	231	489	212	84
2006	329	92	494	177	3
Thereafter	4,150	22	2,003	901	--
Total	$ 6,266	$ 4,093	$ 3,609	$ 4,297	$ 287

(1) Net Capacity Purchases includes Midwest Generation commitments as of October 2, 2002. On October 2, 2002, Generation notified Midwest Generation of its exercise of termination options under the existing Collins Generating Station (Collins) and Peaking Unit (Peaking) Purchase Power Agreements. Generation exercised its termination options on 1,727 MWs in 2003 and 2004. In 2003, Generation will take 1,778 MWs of option capacity under the Collins and Peaking Unit Agreements as well as 1,265 MWs of option capacity under the Coal Generation Purchase Power Agreement. Net capacity purchases in 2004 include 3,474 MWs of optional capacity from Midwest Generation. Net Capacity Purchases also include capacity sales to TXU under the purchase power agreement entered into in connection with the purchase of two generating plants in April 2002, which states that TXU will purchase the plant output from May through September from 2002 through 2006. The combined capacity of the two plants is 2,334 MWs.

(2) Transmission Rights Purchases include estimated commitments in 2004 and 2005 for additional transmission rights that will be required to fulfill firm sales contracts.

Additionally, Generation has the following commitments.

In connection with the 2001 corporate restructuring, ComEd entered into a purchase power agreement (PPA) with Generation under which Generation has agreed to supply all of ComEd's load requirements through 2004. Prices for this energy vary depending upon the time of day and month of delivery. During 2005 and 2006, ComEd's PPA is a partial requirements agreement under which ComEd will purchase all of its required energy and capacity from Generation, up to the available capacity of the nuclear generating plants formerly owned by ComEd and transferred to Generation. Under the terms of the PPA, Generation is responsible for obtaining any required transmission service. The PPA also specifies that prior to 2005, ComEd and Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating the PPA effective December 31, 2004. ComEd will obtain any additional supply required from market

sources in 2005 and 2006, and subsequent to 2006, will obtain all of its supply from market sources, which could include Generation.

In connection with the 2001 corporate restructuring, PECO entered into a PPA with Generation under which PECO obtains substantially all of its electric supply from Generation through 2010. Also, under the restructuring, PECO assigned its rights and obligations under various PPAs and fuel supply agreements to Generation. Generation supplies power to PECO from the transferred generation assets, assigned PPAs and other market sources.

Under terms of the 2001 corporate restructuring, ComEd remits to Generation any amounts collected from customers for nuclear decommissioning. Under an agreement effective September 2001, PECO remits to Generation any amounts collected from customers for nuclear decommissioning.

Litigation

Exelon

Securities Litigation. Between May 8 and June 14, 2002, several class action lawsuits were filed in the Federal District Court in Chicago asserting nearly identical securities law claims on behalf of purchasers of Exelon securities between April 24, 2001 and September 27, 2001 (Class Period). The complaints allege that Exelon violated Federal securities laws by issuing a series of materially false and misleading statements relating to its 2001 earnings expectations during the Class Period. The court consolidated the pending cases into one lawsuit and has appointed two lead plaintiffs as well as lead counsel.

On October 1, 2002, the plaintiffs filed a consolidated amended complaint. In addition to the original claims, this complaint contains allegations of new facts and contains several new theories of liability. Exelon believes the lawsuit is without merit and is vigorously contesting this matter.

ComEd

Chicago Franchise. In March 1999, ComEd reached a settlement agreement with the City of Chicago (Chicago) to end the arbitration proceeding between ComEd and Chicago regarding their January 1, 1992 franchise agreement. As part of the settlement agreement, ComEd and Chicago agreed to a revised combination of ongoing work under the franchise agreement and new initiatives that will result in defined transmission and distribution expenditures by ComEd to improve electric services in Chicago. The settlement agreement provides that ComEd would be subject to liquidated damages if the projects are not completed by various dates, unless it was prevented from doing so by events beyond its reasonable control. In addition, ComEd and Chicago established an Energy Reliability and Capacity Account, into which ComEd paid $25 million during each of the years 1999 through 2001 and has conditionally agreed to pay $25 million at the end of 2002, to help ensure an adequate and reliable electric supply for Chicago.

FERC Municipal Request for Refund. Three of ComEd's wholesale municipal customers filed a complaint and request for refund with FERC, alleging that ComEd failed to properly adjust its rates, as provided for under the terms of the electric service contracts with the municipal customers and to track certain refunds made to ComEd's retail customers in the years 1992 through 1994. In the

third quarter of 1998, FERC granted the complaint and directed that refunds be made, with interest. ComEd filed a request for rehearing. On April 30, 2001, FERC issued an order granting rehearing in which it determined that its 1998 order had been erroneous and that no refunds were due from ComEd to the municipal customers. On June 29, 2001, FERC denied the customers' requests for rehearing of the order granting rehearing. In August 2001, each of the three wholesale municipal customers appealed the April 30, 2001 FERC order to the Federal circuit court, which consolidated the appeals for the purposes of briefing and decision.

Retail Rate Law. In 1996, several developers of non-utility generating facilities filed litigation against various Illinois officials claiming that the enforcement against those facilities of an amendment to Illinois law removing the entitlement of those facilities to state-subsidized payments for electricity sold to ComEd after March 15, 1996 violated their rights under the Federal and state constitutions. The developers also filed suit against ComEd for a declaratory judgment that their rights under their contracts with ComEd were not affected by the amendment. On August 4, 1999, the Illinois Appellate Court held that the developers' claims against the state were premature, and the Illinois Supreme Court denied leave to appeal that ruling. Developers of both facilities have since filed amended complaints repeating their allegations that ComEd breached the contracts in question and requesting damages for such breach reflecting the state-subsidized rate to which the developers claim they were entitled under their contracts. These matters are in the discovery phase. ComEd is contesting each case.

Service Interruptions. In August 1999, three class action lawsuits were filed against ComEd, and subsequently consolidated, in the Circuit Court of Cook County, Illinois seeking damages for personal injuries, property damage and economic losses related to a series of service interruptions that occurred in the summer of 1999. The combined effect of these interruptions resulted in over 168,000 customers losing service for more than four hours. Conditional class certification was approved by the court for the sole purpose of exploring settlement. ComEd filed a motion to dismiss the complaints. On April 24, 2001, the court dismissed four of the five counts of the consolidated complaint without prejudice and the sole remaining count was dismissed in part. On June 1, 2001, the plaintiffs filed a second amended consolidated complaint and ComEd has filed an answer. A portion of any settlement or verdict may be covered by insurance.

Enron. As a result of Enron Corp.'s bankruptcy proceeding, ComEd has potential monetary exposure for 366 of its customer accounts that were served by Enron Energy Services (EES) as a billing agent. EES has rejected its contracts with these accounts, with the exception of approximately 100 accounts for which EES retains its billing agency. ComEd is working to ensure that customers know what amounts are owed to ComEd on accounts for which EES has been removed as billing agent, and has obtained updated billing addresses for these accounts. With regard to the accounts for which EES retains its billing agency, ComEd's total amount outstanding is not material. Because that amount is owed to ComEd by individual customers, it is not part of the bankrupt Enron's estate. The ICC has rescinded EES's authority to act as an alternative retail energy supplier in Illinois. However, EES never served as a supplier, as opposed to a billing agent, to any of ComEd's retail accounts.

Generation

Godley Park District Litigation. On April 18, 2001, the Godley Park District filed suit in Will County Circuit Court against ComEd and Generation alleging that oil spills at Braidwood Station have contaminated the Park District's water supply. The complaint sought actual damages, punitive damages of $100 million and statutory penalties. The court dismissed all counts seeking punitive damages and statutory penalties, and the plaintiff has filed an amended complaint before the court. The amended complaint added counts under the Illinois Public Utility Act (PUA), which provides for statutory penalties and allows recovery of attorney's fees. On April 20, 2002, the Court denied ComEd and Generation's motion to dismiss the additional counts under the PUA. ComEd and Generation are contesting the liability and damages sought by the plaintiff. As a result of the 2001 corporate restructuring, Generation has responsibility for this matter.

Cotter Corporation Litigation. During 1989 and 1991, actions were brought in Federal and state courts in Colorado against ComEd and its subsidiary, Cotter Corporation (Cotter), seeking unspecified damages and injunctive relief based on allegations that Cotter permitted radioactive and other hazardous material to be released from its mill into areas owned or occupied by the plaintiffs, resulting in property damage and potential adverse health effects. In 1994, a Federal jury returned nominal dollar verdicts against Cotter on eight plaintiffs' claims in the 1989 cases, which verdicts were upheld on appeal. The remaining claims in the 1989 actions were settled or dismissed. In 1998, a jury verdict was rendered against Cotter in favor of 14 of the plaintiffs in the 1991 cases, totaling approximately $6 million in compensatory and punitive damages, interest and medical monitoring. On appeal, the Tenth Circuit Court of Appeals reversed the jury verdict, and remanded the case for new trial. These plaintiffs' cases were consolidated with the remaining 26 plaintiffs' cases, which had not been tried. The consolidated trial was completed on June 28, 2001. The jury returned a verdict against Cotter and awarded $16.3 million in various damages. On November 20, 2001, the District Court entered an amended final judgment that included an award of both pre-judgment and post-judgment interests, costs, and medical monitoring expenses that total $43.3 million. This matter is being appealed by Cotter in the Tenth Circuit Court of Appeals. Cotter is vigorously contesting the award.

In November 2000, another trial involving a separate sub-group of 13 plaintiffs, seeking $19 million in damages plus interest was completed in Federal District Court in Denver. The jury awarded nominal damages of $42,500 to 11 of 13 plaintiffs, but awarded no damages for any personal injury or health claims, other than requiring Cotter to perform periodic medical monitoring at minimal cost. Cotter and the plaintiffs both appealed the verdict to the Tenth Circuit Court of Appeals.

On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability incurred by Cotter as a result of these actions, as well as any liability arising in connection with the West Lake Landfill discussed in the next paragraph. In connection with Exelon's 2001 corporate restructuring, the responsibility to indemnify Cotter for any liability related to these matters was transferred by ComEd to Generation.

The United States Environmental Protection Agency (EPA) has advised Cotter that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. Cotter is alleged to have disposed of approximately 39,000 tons of soils mixed with 8,700 tons of leached barium sulfate at the site. Cotter, along with three other companies identified by the EPA as potentially responsible parties (PRPs), is reviewing a draft feasibility study that recommends capping the site. The PRPs are also engaged in discussions with the State of Missouri and the EPA. The estimated costs of remediation for the site are $10 million to $15 million. Once a final feasibility study is complete and a remedy selected, it is expected that the PRPs will agree on an allocation of responsibility for the costs. Until an agreement is reached, Generation cannot predict its share of the costs.

Real Estate Tax Appeals. Generation is involved in tax appeals regarding a number of its nuclear facilities, Limerick Generating Station (Montgomery County, PA), Peach Bottom Atomic Power Station (York County, PA), Quad Cities Station (Rock Island County, IL), and one of its fossil facilities, Eddystone (Delaware County, PA). Generation is also involved in the tax appeal for Three Mile Island (Dauphin County, PA) through AmerGen. Generation does not believe the outcome of these matters will have a material adverse effect on Generation's results of operations or financial condition.

General

Exelon, ComEd, PECO and Generation are involved in various other litigation matters. The ultimate outcome of such matters, as well as the matters discussed above, while uncertain, are not expected to have a material adverse effect on their respective financial condition or results of operations.

Credit Contingencies

Generation

Generation is a counterparty to Dynegy Inc. (Dynegy) in various energy transactions. In early July 2002, the credit ratings of Dynegy were downgraded by two credit rating agencies to below investment grade. As of September 30, 2002, Generation had a net receivable from Dynegy of approximately $7 million, and consistent with the terms of the existing credit arrangement, has received collateral in support of this receivable. Generation also has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,040 MW gas-fired qualified facility that has an energy only long-term tolling arrangement with Dynegy, with a related financial swap arrangement. As of September 30, 2002, Sithe had recognized an asset on its balance sheet related to the fair value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy is unable to fulfill the terms of this agreement, Sithe would be required to write-off the fair value asset, which Generation estimates would result in an approximate $22 million reduction in its equity earnings from Sithe, based on Generation's current 49.9% investment ownership in Sithe. Additionally, the future economic value of Sithe's investment in the Independence Station and AmerGen's purchased power arrangement with Illinois Power, a subsidiary of Dynegy, could be impacted by events related to Dynegy's financial condition.

9. MERGER-RELATED COSTS (Exelon, ComEd, PECO and Generation)

In association with the Merger, Exelon recorded certain reserves for restructuring costs. The reserves associated with PECO were charged to expense pursuant to EITF Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)"; while the reserves associated with Unicom were recorded as part of the application of purchase accounting and did not affect results of operations, consistent with EITF Issue 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination."

Exelon, PECO and Generation

Merger costs charged to expense. PECO's merger-related costs charged to expense in 2000 were $248 million, consisting of $116 million for PECO employee costs and $132 million of direct incremental costs incurred by PECO in conjunction with the merger transaction. Direct incremental costs represent expenses directly associated with completing the Merger, including professional fees, regulatory approval and settlement costs, and settlement of compensation arrangements. Employee costs represent estimated severance costs and pension and postretirement benefits provided under Exelon's merger separation plans for eligible employees who are expected to be involuntarily terminated before December 2002 due to integration activities of the merged companies. Additional employee severance costs of $48 million, primarily related to PECO employees, were charged to operating and maintenance expense in 2001, and a $10 million reduction in the estimated liability related to Generation employees was recorded in operating and maintenance expense in the first quarter of 2002. Employee costs are being paid from the Exelon's pension and post-retirement benefit plans, except for certain benefits such as outplacement services, continuation of health care coverage and educational benefits. As of September 30, 2002 a liability of $7 million is reflected on Exelon's balance sheet for payment of these benefits, of which $2 million is reflected on PECO's balance sheet and $3 million is reflected on Generation's balance sheet.

A total of 960 PECO positions are expected to be eliminated as a result of the merger, 274 of which related to generation, 230 of which related to PECO energy delivery and the remainder from the enterprises and corporate support areas of the company. As of September 30, 2002, 788 of the positions had been eliminated, of which 162 related to PECO energy delivery, and 181 related to generation and the remainder to enterprises and corporate support. The remaining positions are expected to be eliminated in the fourth quarter of 2002.

Additionally, in the third quarter of 2000, approximately $20 million of closing costs and $8 million of stock compensation costs associated with Unicom were charged to expense.

Exelon, ComEd and Generation

Merger Costs Included in Purchase Price Allocation. The purchase price allocation as of December 31, 2000 included a liability of $307 million for Unicom employee costs and liabilities of approximately $39 million for estimated costs of exiting various business activities of former Unicom activities that were not compatible with the strategic business direction of Exelon.

During 2001, Exelon, ComEd and Generation finalized plans for consolidation of functions, including negotiation of an agreement with the International Brotherhood of Electrical Workers Local 15 regarding severance benefits to union employees. Also, in January of 2001, ComEd transferred a portion of its employee related liabilities to Generation, Enterprises and Business Services Company (BSC) as part of the corporate restructuring. In the third quarter of 2002, Exelon reduced its reserve by $12 million due to the elimination of identified positions through normal attrition, which did not require payments under Exelon's merger separation plans, and a determination that certain positions would not be eliminated by the end of 2002 as originally planned due to a change in certain business plans. The reduction in the reserve was recorded as a purchase price adjustment to goodwill. In 2001 and through September 30, 2002, Exelon, ComEd and Generation recorded adjustments to the purchase price allocation as follows:

Exelon

	Original Estimate	Adjustments 2001	Adjustments 2002	Adjusted Liabilities
Employee severance payments	$ 128	$ 33	$ (10)	$ 151 (a)
Other benefits	21	9	(2)	28 (a)
Employee severance payments and other benefits	149	42	(12)	179
Actuarially determined pension and postretirement costs	158	(11)	--	147 (b)
Total Unicom employee cost	$ 307	$ 31	$ (12)	$ 326

(a) The increase is a result of the identification in 2001 of additional positions to be eliminated, partially offset by the 2002 elimination of identified positions through normal attrition and changes in certain business plans.
(b) The reduction results from lower estimated pension and post retirement welfare benefits reflecting revised actuarial estimates.

The following table provides a reconciliation of the reserve for employee severance and other benefits associated with the Merger:

Adjusted employee severance and other benefits reserve	$ 179
Payments to employees (October 2000-June 2002)	(125)
Payments to employees (July 2002-September 2002)	(10)
Employee severance and other benefits reserve as of September 30, 2002	$ 44

ComEd

	Original Estimate	Transfer	Adjustments 2001	Adjustments 2002	Adjusted Liabilities
Employee severance payments	$ 128	$ (68)	$ 17	$ (7)	$ 70 (a)
Other benefits	21	(14)	8	(2)	13 (a)
Employee severance payments and other benefits	149	(82)	25	(9)	83
Actuarially determined pension and postretirement costs	158	(82)	10	--	86 (b)
Unicom employee cost - ComEd	$ 307	$ (164)	$ 35	$ (9)	$ 169

(a) The increase is a result of the identification in 2001 of additional positions to be eliminated, partially offset by the 2002 elimination of identified positions through normal attrition and changes in certain business plans.
(b) The reduction results from lower estimated pension and post retirement welfare benefits reflecting revised actuarial estimates.

The following table provides a reconciliation of ComEd's reserve for employee severance and other benefits associated with the Merger:

Adjusted employee severance and other benefits reserve	$ 83
Payments to employees (October 2000-June 2002)	(54)
Payments to employees (July 2002-September 2002)	(5)
Employee severance and other benefits reserve as of September 30, 2002	$ 24

Generation

	Original Estimate	Adjustments 2001	2002	Adjusted Liabilities
Employee severance payments	$ 45	$ (12)	$ (2)	$ 31 (a)
Other benefits	5	2	--	7 (a)
Employee severance payments and other benefits	50	(10)	(2)	38
Actuarially determined pension and postretirement costs	71	(25)	--	46 (b)
Unicom employee cost - Generation	$ 121	$ (35)	$ (2)	$ 84

(a) The increase is a result of the identification in 2001 of additional positions to be eliminated, partially offset by the 2002 elimination of identified positions through normal attrition and changes in certain business plans.

(b) The reduction results from lower estimated pension and post retirement welfare benefits reflecting revised actuarial estimates.

The following table provides a reconciliation of the reserve for employee severance and other benefits associated with the Merger:

Adjusted employee severance and other benefits reserve	$ 38
Payments to employees (October 2000-June 2002)	(26)
Payments to employees (July 2002-September 2002)	(3)
Employee severance and other benefits reserve as of September 30, 2002	$ 9

Exelon, ComEd and Generation

The following table provides the status of the former Unicom positions identified to be eliminated as a result of the Merger:

	Corporate & Other	ComEd	Generation	Total
Estimate at October 20, 2000	180	1,022	1,073	2,275
2001 adjustments (a)	109	206	(197)	118
Total estimated positions to be eliminated	289	1,228	876	2,393
Terminated employees (October 2000-June 2002)	(241)	(648)	(699)	(1,588)
Terminated employees (July 2002-September 2002)	(9)	(49)	(13)	(71)
Normal attrition	(9)	(148)	(75)	(232)
Business plan changes (b)	(2)	(99)	(49)	(150)
Remaining positions to be eliminated by the end of 2002	28	284	40	352

(a) The increase is a result of the identification of additional positions to be eliminated in 2001.

(b) The reduction is due to a determination in the third quarter of 2002, that certain positions would not be eliminated by the end of 2002 as originally planned due to a change in certain business plans.

10. LONG-TERM DEBT (Exelon, ComEd and PECO) ComEd

On September 30, 2002, ComEd paid on maturity $200 million of variable rate senior notes due September 30, 2002.

On September 16, 2002, ComEd paid on maturity $200 million of 7.375% First Mortgage Bonds, Series 85, due September 15, 2002. On September 16, 2002, ComEd also redeemed $200 million of 8.375% First Mortgage Bonds, Series 86, at a redemption price of 103.425% of the principal amount. These bonds had a maturity date of September 15, 2022.

On June 13, 2002, ComEd issued $200 million of 6.15% First Mortgage Bonds, Series 98, due March 15, 2012. The $200 million bond issuance was a refinancing of the $200 million of 8.5% First Mortgage Bonds, Series 84 redeemed on July 15, 2002 at a redemption price of 103.915% of the principal amount. These redeemed bonds had a maturity date of July 15, 2022.

In connection with the issuance of the $200 million of First Mortgage Bonds, ComEd settled a forward starting interest rate swap in the notional amount of $75 million resulting in a $1 million pre-tax loss recorded in other comprehensive income, which is being amortized over the expected remaining life of the related debt.

On June 4, 2002, ComEd issued $100 million of Illinois Development Finance Authority floating-rate Pollution Control Revenue Refunding Bonds, Series 2002 due April 15, 2013. The $100 million bond issuance was used to redeem $100 million of 7.25% Illinois Development Finance Authority Pollution Control Revenue Refunding Bonds, Series 1991. These redeemed bonds had a maturity date of June 1, 2011.

On March 21, 2002, ComEd redeemed $200 million of 8.625% First Mortgage Bonds, Series 81, at a redemption price of 103.84% of the principal amount. These bonds had a maturity date of February 1, 2022.

On March 13, 2002, ComEd issued $400 million of 6.15% First Mortgage Bonds, Series 98, due March 15, 2012. This $400 million bond issuance refinanced other First Mortgage Bonds. In connection with the bond issuance, ComEd settled forward starting interest rate swaps in the aggregate notional amount of $375 million, resulting in a $9 million pre-tax loss recorded in other comprehensive income, which is being amortized over the expected remaining life of the related debt.

During the nine months ended September 30, 2002, ComEd recorded prepayment premiums of $24 million and net unamortized premiums, discounts and debt issuance expenses of $3 million, associated with the early retirement of debt in 2002 that have been deferred by ComEd in regulatory assets and will be amortized to interest expense over the life of the related new debt issuance consistent with regulatory recovery.

PECO

On September 23, 2002, PECO issued $225 million of 4.75% First and Refunding Mortgage Bonds, due October 1, 2012. This bond issuance repaid commercial paper that was used to pay at maturity $222 million of First and Refunding Mortgage Bonds with a weighted average interest rate of 7.30%. In

connection with the issuance of the First and Refunding Mortgage Bonds, PECO settled forward starting interest rate swaps in the aggregate notional amount of $200 million resulting in a $5 million pre-tax loss recorded in other comprehensive income, which is being amortized over the expected remaining life of the related debt.

11. SALE OF ACCOUNTS RECEIVABLE (Exelon and PECO)

PECO is party to an agreement, which expires in November 2005, with a financial institution under which it can sell or finance with limited recourse an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable. As of September 30, 2002, PECO had sold a $225 million interest in accounts receivable, consisting of a $164 million interest in accounts receivable that PECO accounted for as a sale under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125" and a $61 million interest in special-agreement accounts receivable which were accounted for as a long-term note payable. PECO retains the servicing responsibility for these receivables. The agreement requires PECO to maintain the $225 million interest, which, if not met, requires cash, which would otherwise be received by PECO under this program, to be held in escrow until the requirement is met. At September 30, 2002, PECO met this requirement.

12. RELATED-PARTY TRANSACTIONS (Exelon, ComEd, PECO and Generation) Exelon and Generation

Exelon and Generation's financial statements reflect related-party transactions with unconsolidated affiliates as reflected in the tables below.

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Purchased Power from AmerGen (1)	$ 104	$ 26	$ 220	$ 48
Interest Income from AmerGen (2)	1	--	2	--
Services Provided to AmerGen (3)	16	18	46	50
Services Provided to Sithe (4)	--	--	1	--
Services Provided by Sithe (5)	3	--	5	--

	September 30, 2002	December 31, 2001
Net Receivable from AmerGen (1,2,3)	$ 42	$ 44
Net Payable to Sithe (4,5)	3	--

(1) Generation has entered into PPAs dated December 18, 2001 and November 22, 1999 with AmerGen. Under the 2001 PPA, Generation has agreed to purchase from AmerGen all the energy from Unit No. 1 at Three Mile Island Nuclear Station from January 1, 2002 through December 31, 2014. Under the 1999 PPA, Generation has agreed to purchase from AmerGen all of the residual energy from Clinton Nuclear Power Station (Clinton), through December 31, 2002. Currently, the residual output approximates 29% of the total output of Clinton. In accordance with the terms of the AmerGen partnership agreement, the 1999 PPA will be extended through the end of the AmerGen partnership agreement.

(2) In February 2002, Generation entered into an agreement to loan AmerGen up to $75 million at an interest rate equal to the 1-month London Interbank Offering Rate plus 2.25%. In July 2002, the limit of the loan agreement was increased to $100 million and the maturity date was extended to July 1, 2003. As of September 30 2002, the outstanding principal balance of the loan was $42 million.

(3) Under a service agreement dated March 1, 1999, Generation provides AmerGen with certain operation and support services to the nuclear facilities owned by AmerGen. This service agreement has an indefinite term and may be terminated by Generation or AmerGen on 90 days notice. Generation is compensated for these services in an amount agreed to in the work order, which is not less than the higher of its fully allocated cost for performing each service or the market price for such service.

(4) Under a service agreement dated December 18, 2000, Generation provides certain engineering and environmental services for fossil fuels facilities owned by Sithe and for certain developmental projects. Generation is compensated for these services in the amount agreed to in the work order, but not less than the higher of fully allocated costs for performing such services or the market price.

(5) Under a service agreement dated December 18, 2000, Sithe provides Generation certain fuel and project development services. Sithe is compensated for these services in the amount agreed to in the work order, but not less than the higher of fully allocated costs for performing such services or the market price.

Generation's additional related-party transactions are discussed in the "Generation" section of this note.

ComEd

ComEd's financial statements reflect related-party transactions as reflected in the tables below.

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Operating Revenues from Affiliates				
Generation (1)	$ 22	$ 9	$ 41	$ 30
Enterprises (1)	4	5	8	39
Purchased Power from Affiliate				
PPA with Generation (2)	967	948	2,046	2,141
O&M from Affiliates				
BSC (3)	29	32	94	90
Exelon Services (4)	3	4	9	16
InfraSource (7)	1	--	1	--
Interest Income from Affiliates				
UII (5)	8	14	23	51
PECO (6)	--	--	--	8
Generation (8)	--	9	--	9
Other	--	1	--	2
Interest Expense from Affiliate				
Generation (12)	--	10	--	10
Capitalized costs				
BSC (3)	3	1	6	6
InfraSource (7)	3	3	16	21
Cash Dividends Paid to Parent	118	105	353	253

	September 30,2002	December 31, 2001
Receivables from Affiliates		
UII (5)	$ 8	$ --
BSC (3,8)	--	6
Notes Receivable from Affiliates		
UII (5)	1,284	1,297
Other	16	17
Payables to Affiliates		
Generation Decommissioning (9)	59	59
Generation (1,2,8)	544	136
BSC (3,8)	12	--
Exelon Corporate (11)	--	13
Other	--	10
Deferred Credits and Other Liabilities		
Generation Decommissioning obligation (9)	244	291
Other	7	6
Shareholders' Equity - Receivable from Parent (10)	845	937

(1) ComEd provides electric, transmission, and other ancillary services to Generation and Enterprises.

(2) Effective January 1, 2001, ComEd entered into a PPA with Generation. See Note 8 of Combined Notes to Consolidated Financial Statements for further information regarding the PPA. The Generation payable primarily consists of services related to the PPA.

(3) ComEd receives a variety of corporate support services from Exelon Business Services Company (BSC), including legal, human resources, financial and information technology services. A portion of such services, provided at cost including applicable overhead, is capitalized.

(4) ComEd has contracted with Exelon Services to provide energy conservation services to ComEd customers.

(5) ComEd has a note and interest receivable from Unicom Investments Inc. (UII) relating to the December 1999 fossil plant sale. (6) At December 31, 2000, ComEd had a $400 million receivable from PECO, which was repaid in the second quarter of 2001. (7) ComEd receives substation and transmission engineering and construction services under contracts with InfraSource. A portion
of such services is capitalized.

(8) In order to benefit from economies of scale, ComEd processes certain invoice payments on behalf of Generation and BSC. During 2001, ComEd earned interest from Generation relating to these invoice payments.

(9) ComEd had a short-term and long-term payable to Generation, primarily representing ComEd's legal requirements to remit collections of nuclear decommissioning costs from customers to Generation.

(10) ComEd has a non-interest bearing receivable from Exelon related to the 2001 corporate restructuring. The receivable is expected to be settled over the years 2002 through 2008.

(11) ComEd pays Exelon for a variety of corporate expenses including allocations under a tax sharing agreement and stock options.

(12) In consideration for the net assets transferred as part of the corporate restructuring effective January 1, 2001, ComEd had a note payable to affiliates of $463 million. This note payable was repaid during 2001.

PECO

PECO's financial statements reflect a number of related-party transactions as reflected in the table below.

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Operating Revenues from Affiliate				
Generation (1)	$ 3	$ 3	$ 9	$ 9
Purchased Power from Affiliate				
Generation (2)	441	363	1,090	872
O&M from Affiliates				
BSC (3)	10	15	36	47
Enterprises (4)	5	7	21	14
Interest Expense from Affiliates				
ComEd (5)	--	--	--	8
Interest Income from Affiliates				
Generation (7)	--	5	--	6
Other	--	4	--	4
Cash Dividends Paid to Parent	85	69	255	169

	September 30, 2002	December 31, 2001
Receivables from Affiliates		
BSC (3)	$ 17	$ --
Other	--	1
Payables to Affiliates		
Generation (2)	122	117
BSC (3)	--	61
Enterprises (4)	8	9
Deferred Credits and Other Liabilities		
BSC	--	44
Capitalized Costs		
Enterprises (4)	16	29
Shareholders' Equity - Receivable from Parent (6)	1,788	1,878

(1) PECO provides energy to Generation for Generation's own use.

(2) Effective January 1, 2001, PECO entered into a PPA with Generation. See Note 8 of Combined Notes to Consolidated Financial Statements for further information regarding the PPA.

(3) PECO provides services to BSC related to invoice processing. PECO receives a variety of corporate support services from BSC, including legal, human resources, financial and information technology services. Such services are provided at cost, including applicable overhead.

(4) PECO receives services from Enterprises for construction, which are capitalized, and the deployment of automated meter reading technology, which is expensed.

(5) At December 31, 2000, PECO had a $400 million payable to ComEd, which was repaid in the second quarter of 2001. The average annual interest rate on this payable for the period outstanding was 6.5%.

(6) PECO has a non-interest bearing receivable from Exelon related to the 2001 corporate restructuring. The receivable is expected to be settled over the years 2001 through 2010.

(7) PECO received interest income from Generation in 2001 related to a loan.

Generation

In addition to the transactions described in the "Exelon and Generation" section of this footnote, Generation's financial statements reflect a number of related-party transactions as reflected in the tables below.

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
Operating Revenues from Affiliates				
PPA with ComEd (1)	$ 946	$ 945	$ 2,021	$ 2,133
PPA with PECO (1)	441	363	1,090	872
PPA with Exelon Energy (2)	73	93	190	210
Decommissioning with ComEd	3	3	8	8
Purchased Power from Affiliates				
ComEd (3)	--	7	13	20
PECO(3)	--	2	1	4
Exelon Energy (3)	6	50	12	61
O&M from Affiliates				
ComEd (3)	4	2	11	10
PECO (3)	3	1	8	5
BSC (3)	33	39	117	112
Interest Expense from Affiliates				
Exelon (5,6)	1	--	3	23
ComEd (8)	--	9	--	9
PECO (9)	--	5	--	6
Interest Income from Affiliate				
ComEd (10)	--	10	--	10

	September 30, 2002	December 31, 2001
Receivables from Affiliates		
ComEd (1,3,8)	$ 544	$ 136
PECO (1)	122	117
Exelon Energy (2)	19	17
Note Receivable from Affiliate		
ComEd (7)	59	59
Long-term Notes Receivable from Affiliates		
ComEd (7)	244	291
Other	2	--
Accounts Payable		
Exelon (6)	14	23
BSC (4)	19	11
Note Payable-Exelon (5)	348	--

(1) Effective January 1, 2001, Generation entered into PPAs with ComEd and PECO. See Note 8 of Combined Notes to Consolidated Financial Statements for further information on the PPAs.

(2) Generation sells power to Exelon Energy.

(3) Generation purchases power from AmerGen under PPAs as discussed in the Exelon and Generation section of this note. Additionally, Generation purchases power from PECO for Generation's own use, buys back excess power from Exelon Energy and purchases transmission and ancillary services from ComEd.

(4) Generation receives a variety of corporate support services from BSC, including legal, human resources, financial and information technology services. Such services are provided at cost, including applicable overhead.

(5) Generation had a $348 million payable to Exelon at September 30, 2002, which includes $331 million related to the acquisition of two generating plants in April of 2002.

(6) In relation to the December 18, 2001 acquisition of 49.9% of Sithe common stock, Generation had a $700 million payable to Exelon, which was repaid in the second quarter of 2001.

(7) Generation had a short-term and a long-term receivable from ComEd, primarily representing ComEd's legal requirements to remit collections of nuclear decommissioning costs from customers to Generation resulting from the 2001 corporate restructuring.

(8) In order to facilitate payment processing, ComEd processes certain invoice payments on behalf of Generation.

(9) Generation paid interest to PECO in 2001 related to a loan.

(10) In consideration for the net assets transferred as a part of the corporate restructuring effective January 1, 2001, Generation had a note receivable from ComEd. This note was repaid in 2001.

13. NEW ACCOUNTING PRONOUNCEMENTS (Exelon, ComEd, PECO and Generation)

In June 2001, the FASB issued SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143). In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146).

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. Exelon expects to adopt SFAS No. 143 on January 1, 2003. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction under the doctrine of promissory estoppel. Adoption of SFAS No. 143 will change the accounting for the decommissioning of Generation's nuclear generating plants as well as certain other long-lived assets.

As it relates to nuclear decommissioning, the effect of this cumulative adjustment will be to change the decommissioning liability to reflect the fair value of the decommissioning obligation at the balance sheet date. Additionally, the standard will require the accrual of an asset related to the decommissioning obligation, which will be amortized over the remaining lives of the plants. The net difference between the asset recognized and the liability recorded upon adoption of SFAS No. 143 will be charged to earnings and recognized as a cumulative effect of a change in accounting principle, net of expected regulatory recovery. The decommissioning liability to be recorded represents an obligation for the future decommissioning of the plants and, as a result, accretion expense will be accrued on this liability until such time as the obligation is satisfied.

Currently, Generation records the obligation for decommissioning ratably over the lives of the plants. Exelon, ComEd, PECO and Generation are in the process of evaluating the impact of adopting SFAS 143 on their financial condition. Based on the current information and assumptions, Exelon estimates that the non-cash impact on 2003 earnings per share (EPS) to be up to a negative ten cents. However, if economic conditions change the assumptions, the EPS impact could be more or less than ten cents per share. Additionally, the adoption of the standard is expected to result in a large non-cash one-time cumulative effect of a change in accounting principle gain of at least $1.5 billion, after tax. Like the EPS impact, the one-time impact could change with a change in the assumptions or economic conditions. The final determination is in part a function of the Treasury bond rate at the time of the adoption of the standard. Additionally, although over the life of the plant the charges to earnings for the depreciation of the asset and the interest on the liability will be equal to the amounts that would have been recognized as decommissioning expense under the current accounting, the timing of those charges will change and in the near-term period subsequent to adoption, the depreciation of the asset and the interest on the liability is expected to result in an increase in expense.

SFAS No. 146 requires that the liability for costs associated with exit or disposal activities be recognized when incurred, rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

14. CHANGE IN ACCOUNTING ESTIMATE (Exelon, ComEd and Generation) Generation

Effective April 1, 2001, Generation changed its accounting estimates related to the depreciation and decommissioning of certain generating stations. The estimated service lives were extended by 20 years for three nuclear stations, by periods of up to 20 years for certain fossil stations and by 50 years for a pumped storage station. Effective July 1, 2001, the estimated service lives were extended by 20 years for the remainder of Exelon's operating nuclear stations. These changes were based on engineering and economic feasibility studies performed by Generation considering, among other things, future capital and maintenance expenditures at these plants. The service life extension is subject to Nuclear Regulatory Commission (NRC) approval of an extension of existing NRC operating licenses, which are generally 40 years. The estimated annualized reduction in expense from the change is $132 million ($79 million, net of income taxes). As a result of the change, net income for the three months and nine months ended September 30, 2002 increased approximately

$37 million ($22 million, net of income taxes) and approximately $96 million ($58 million, net of income taxes), respectively.

ComEd

Effective April 1, 2002, ComEd changed its accounting estimate related to the allowance for uncollectible accounts. This change was based on an independently prepared evaluation of the risk profile of ComEd's customer accounts receivable. As a result of the new evaluation, the allowance for uncollectible accounts reserve was reduced by $11 million in the second quarter of 2002.

Effective July 1, 2002, ComEd has lowered its depreciation rates based on a new depreciation study reflecting its significant construction program in recent years, changes in and development of new technologies, and changes in estimated plant service lives since the last depreciation study. The annualized reduction in depreciation expense, based on December 31, 2001 plant balances, is estimated to be approximately $100 million ($60 million, net of income taxes). As a result of the change, net income for the three months and nine months ended September 30, 2002 increased approximately $24 million ($14 million, net of income taxes).

15. SUBSEQUENT EVENTS

ComEd

On October 15, 2002, ComEd paid at maturity $100 million of 9.17% medium-term notes due October 15, 2002.

PECO

On October 9, 2002, PECO exchanged $250 million of 5.95% First and Refunding Mortgage Bonds, due November 1, 2011, for $250 million of 5.95% First and Refunding Mortgage Bonds, due November 1, 2011, which are registered under the Securities Act. The exchange bonds are identical to the outstanding bonds except for the elimination of certain transfer restrictions and registration rights pertaining to the outstanding bonds. PECO did not receive any cash proceeds from issuance of the exchange bonds.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions, unless otherwise noted)

EXELON CORPORATION

GENERAL

Exelon Corporation (Exelon), through its subsidiaries, operates in three business segments:

- Energy Delivery, consisting of the retail electricity distribution and transmission businesses of Commonwealth Edison Company (ComEd) in northern Illinois and PECO Energy Company (PECO) in southeastern Pennsylvania and the natural gas distribution business of PECO in the Pennsylvania counties surrounding the City of Philadelphia.
- Generation, consisting of Exelon Generation Company, LLC's (Generation) electric generating facilities, energy marketing operations and equity interests in Sithe Energies, Inc. (Sithe) and AmerGen Energy Company, LLC (AmerGen).
- Enterprises, consisting of Exelon Enterprises Company, LLC's (Enterprises) competitive retail energy sales, energy and infrastructure services, communications and other investments weighted towards the communications, energy services and retail services industries.

See Note 6 of the Combined Notes to Consolidated Financial Statements for further segment information.

Generation early adopted the provision of Emerging Issues Task Force (EITF) Issue 02-3 "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3) issued by the Financial Accounting Standards Board (FASB) EITF in June 2002 that requires revenues and energy costs related to energy trading contracts to be presented on a net basis in the income statement. For comparative purposes, energy costs related to energy trading have been reclassified in prior periods to revenue to conform to the net basis of presentation required by EITF 02-3.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2002 Compared To Three Months Ended September 30, 2001

Net Income and Earnings Per Share

Net income increased $175 million, or 47%, for the three months ended September 30, 2002. Diluted earnings per common share increased $0.54 per share, or 47%. The increase in net income reflects higher earnings in Energy Delivery,

primarily related to an increase in retail sales due to warmer summer weather, the discontinuation of goodwill amortization at Energy Delivery and Enterprises required by the adoption of FASB Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) and certain other factors affecting net income, which are discussed in the remainder of the results of operations section.

Exelon evaluates its performance on a business segment basis. The analysis below presents the operating results for each of its business segments for the three months ended September 30, 2002 compared to the three months ended September 30, 2001.

Corporate provides its business segments a variety of support services including legal, human resources, financial and information technology services. These costs are allocated to the business segments. Additionally, Corporate costs reflect costs for strategic long-term planning, certain governmental affairs, and interest costs and income from various investment and financing activities.

Net Income by Business Segment

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
Energy Delivery	$ 370	$ 280	$ 90	32.1%
Generation	163	140	23	16.4%
Enterprises	15	(33)	48	(145.5%)
Corporate	3	(11)	14	(127.3%)
Total	$ 551	$ 376	$ 175	46.5%

Results of Operations - Energy Delivery Business Segment

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 3,162	$2,970	$ 192	6.5%
OPERATING EXPENSES				
Purchased Power	1,485	1,374	111	8.1%
Fuel	40	51	(11)	(21.6%)
Operating and Maintenance	407	421	(14)	(3.3%)
Depreciation and Amortization	256	293	(37)	(12.6%)
Taxes Other Than Income	162	133	29	21.8%
Total Operating Expense	2,350	2,272	78	3.4%
OPERATING INCOME	812	698	114	16.3%
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(215)	(253)	38	(15.0%)
Distributions on Preferred Securities of Subsidiaries	(11)	(11)	--	--
Other, net	5	46	(41)	(89.1%)
Total Other Income and Deductions	(221)	(218)	(3)	1.4%
INCOME BEFORE INCOME TAXES	591	480	111	23.1%
INCOME TAXES	221	200	21	10.5%
NET INCOME	$ 370	$ 280	$ 90	32.1%

Energy Delivery's gross margin (revenue net of purchased power and fuel) increased $92 million, $81 million of which was attributable to warmer summer weather in the third quarter of 2002 as compared to the third quarter of 2001, which increased retail electric volume.

Lower operating and maintenance expense reflects operating productivity improvements and lower storm restoration costs, partially offset by costs associated with the deployment of automated meter reading technology and increased corporate allocations, a $17 million increase in the reserve for manufactured gas plant (MGP) investigation and remediation.

Energy Delivery's depreciation and amortization expense decreased by $37 million reflecting $32 million for the discontinuation of goodwill amortization due to the adoption of SFAS No. 142 as of January 1, 2002 and a $24 million decrease due to lower depreciation rates at ComEd effective July 1, 2002, partially offset by $6 million of higher regulatory asset amortization and higher depreciation expense related to higher plant in service balances.

ComEd completed a depreciation study and implemented lower depreciation rates effective July 1, 2002. The new depreciation rates reflect ComEd's significant construction program in recent years, changes in and development of new technologies, and changes in estimated plant service lives since the last depreciation study. The annual reduction in depreciation expense is estimated to be approximately $100 million based on December 31, 2001 plant balances.

Lower interest expense reflects a reduction in debt outstanding and lower interest rates due to debt refinancing. The reduction in other, net, primarily reflects lower intercompany interest income reflecting lower interest

rates from Generation and from Unicom Investment, Inc. and a $12 million reserve for a potential plant disallowance from an audit performed in conjunction with ComEd's delivery services rate case.

Energy Delivery's effective income tax rate was 37.4% for the three months ended September 30, 2002, compared to 41.7% for the three months ended September 30, 2001. The decrease in the effective tax rate was primarily attributable to the discontinuation of goodwill amortization as of January 1, 2002, which was not deductible for income tax purposes, and a reduction in state income taxes.

Energy Delivery Operating Statistics and Revenue Detail

Energy Delivery's electric sales statistics and revenue detail are as follows:

	Three Months Ended September 30,			
Retail Deliveries - (in gigawatthours (GWh))	2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	12,543	10,573	1,970	18.6%
Small Commercial & Industrial	8,095	8,298	(203)	(2.4%)
Large Commercial & Industrial	6,079	6,341	(262)	(4.1%)
Public Authorities & Electric Railroads	1,836	2,299	(463)	(20.1%)
	28,553	27,511	1,042	3.8%
Unbundled Deliveries (2)				
Alternative Energy Suppliers				
Residential	371	990	(619)	(62.5%)
Small Commercial & Industrial	1,794	998	796	79.8%
Large Commercial & Industrial	2,428	1,796	632	35.2%
Public Authorities & Electric Railroads	299	92	207	n.m.
	4,892	3,876	1,016	26.2%
PPO (ComEd Only)				
Small Commercial & Industrial	782	827	(45)	(5.4%)
Large Commercial & Industrial	1,249	1,447	(198)	(13.7%)
Public Authorities & Electric Railroads	345	150	195	130.0%
	2,376	2,424	(48)	(2.0%)
Total Unbundled Deliveries	7,268	6,300	968	15.4%
Total Retail Deliveries	35,821	33,811	2,010	5.9%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a Competitive Transition Charge (CTC).
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier or ComEd's Power Purchase Option (PPO).
n.m. - not meaningful

Electric Revenue	Three Months Ended September 30, 2002	2001	Variance	% Change
Bundled Revenues (1)				
Residential	$ 1,318	$ 1,120	$ 198	17.7%
Small Commercial & Industrial	757	767	(10)	(1.3%)
Large Commercial & Industrial	402	408	(6)	(1.5%)
Public Authorities & Electric Railroads	125	138	(13)	(9.4%)
	2,602	2,433	169	7.0%
Unbundled Revenues (2)				
Alternative Energy Suppliers				
Residential	32	81	(49)	(60.5%)
Small Commercial & Industrial	60	16	44	n.m.
Large Commercial & Industrial	67	19	48	n.m.
Public Authorities & Electric Railroads	10	1	9	n.m.
	169	117	52	44.4%
PPO (ComEd Only)				
Small Commercial & Industrial	57	77	(20)	(25.9%)
Large Commercial & Industrial	74	120	(46)	(38.3%)
Public Authorities & Electric Railroads	19	13	6	46.2%
	150	210	(60)	(28.6%)
Total Unbundled Revenues	319	327	(8)	(2.4%)
Total Electric Retail Revenues	2,921	2,760	161	5.8%
Wholesale and Miscellaneous Revenue (3)	174	134	40	29.9%
Total Electric Revenue	$ 3,095	$ 2,894	$ 201	6.9%

(1) Bundled revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive electric generation service from an alternative energy supplier or ComEd's PPO. Revenues from customers choosing an alternative energy supplier include a distribution charge and a CTC. Revenues from customers choosing ComEd's PPO includes an energy charge at market rates, transmission, and distribution charges and a CTC. Transmission charges received from alternative energy suppliers are included in wholesale and miscellaneous revenue.
(3) Wholesale and miscellaneous revenues include sales to alternative energy suppliers, transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the three months ended September 30, 2002, as compared to the same period in 2001 are attributable to the following:

	Variance
Weather	$ 146
Rate Changes	(29)
Customer Choice	(3)
Other Effects	47
Electric Retail Revenue	$ 161

- Weather. The demand for electricity services is impacted by weather conditions. Very warm weather in summer months and very cold weather in other months is referred to as "favorable weather conditions," because these weather conditions result in increased sales of electricity. Conversely, mild weather reduces demand.

The weather impact was favorable compared to the prior year as a result of warmer summer weather during the third quarter of 2002. Cooling degree days in the ComEd and PECO service territories were 26% and 20% higher, respectively, in the third quarter of 2002 as compared to the third quarter of 2001.

- Rate Changes. The decrease in revenues attributable to rate changes reflects the 5% ComEd residential rate reduction, effective October 1, 2001, required by the Illinois restructuring legislation partially offset by $13 million resulting from an increase in PECO's gross receipts tax rate. The increase in PECO's gross receipts tax rate is expected to increase PECO's annual revenue and tax obligation by approximately $50 million in 2002.
- Customer Choice. All ComEd and PECO customers have the choice to purchase energy from other suppliers. This choice generally does not impact kWh deliveries, but affects revenue collected from customers related to energy supplied by Energy Delivery. On May 1, 2002, all ComEd residential customers became eligible to choose their supplier of electricity; however, as of September 30, 2002, no alternative electric supplier has sought approval from the Illinois Commerce Commission (ICC) and no electric utilities have chosen to enter the ComEd residential market for the supply of electricity.

  The customer choice effect is attributable to a decrease in revenues of $43 million from customers in Illinois electing to purchase energy from an Alternative Retail Electric Supplier (ARES) or the PPO, under which customers can purchase power from ComEd at a market-based rate (ComEd and PECO continue to collect delivery charges from these customers) offset by increased revenues of $40 million from customers in Pennsylvania selecting or returning to PECO as their electric generation supplier.
- Other Effects. Exclusive of weather effects, higher delivery volume affected Energy Delivery's revenue compared to the same 2001 period.

The increase in wholesale revenue for the three months ended September 30, 2002 as compared to the three months ended September 30, 2001 was due primarily to reimbursement to ComEd from Generation of $12 million for third-party energy reconciliations.

Energy Delivery's gas sales statistics and revenue detail are as follows:

	Three Months Ended September 30,		
	2002	2001	Variance
Deliveries in million cubic feet (mmcf)	11,347	10,525	822
Revenue	$67	$ 75	$ (8)

The changes in gas revenue for the quarter ended September 30, 2002, as compared to the same 2001 period, are as follows:

(in millions)	Variance
Rate Changes	$ (4)
Weather	(3)
Volume	(1)
Gas Revenue	$ (8)

- Rate Changes. The unfavorable variance in rates is attributable to an adjustment of the purchased gas cost recovery by the PUC effective in December 2001. The average rate per million cubic feet for the quarter ended September 30, 2002 was 17% lower than the same 2001 period. PECO's gas rates are subject to periodic adjustments by the PUC designed to recover or refund the difference between actual cost of purchased gas and the amount included in base rates and to recover or refund increases or decreases in certain state taxes not recovered in base rates.
- Weather. The demand for gas service is impacted by weather conditions. Very cold weather in winter months is referred to as a "favorable weather condition," because this weather condition results in increased sales of gas. Conversely, mild weather reduces demand. Heating degree-days decreased 92% in the quarter ended September 30, 2002 compared to the same 2001 period.
- Volume. Exclusive of weather impact, delivery volume was consistent for the quarter ended September 30, 2002 compared to the same 2001 period.

Results of Operations - Generation Business Segment

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 2,213	$2,191	$ 22	1.0%
OPERATING EXPENSES				
Purchased Power	1,257	1,268	(11)	(0.9%)
Fuel	273	242	31	12.8%
Operating and Maintenance	391	364	27	7.4%
Depreciation and Amortization	68	57	11	19.3%
Taxes Other Than Income	37	36	1	2.8%
Total Operating Expense	2,026	1,967	59	3.0%
OPERATING INCOME	187	224	(37)	(16.5%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(23)	(41)	18	(43.9%)
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	87	60	27	45.0%
Other, net	14	(25)	39	156.0%
Total Other Income and Deductions	78	(6)	84	n.m.
INCOME BEFORE INCOME TAXES	265	218	47	21.6%
INCOME TAXES	102	78	24	30.8%
NET INCOME	$ 163	$ 140	$ 23	16.4%

Net income for the three months ended September 30, 2002 was positively impacted by increased revenue from affiliates, increased revenue from the acquisition of two generating plants in April 2002, reduced interest expense, increased equity in earnings of unconsolidated subsidiaries and lower losses on nuclear decommissioning trust funds, partially offset by depressed wholesale market prices for energy, increased depreciation expense, and increased operating and maintenance expenses. Operating revenues, net of fuel and purchased power, increased by $2 million reflecting a $59 million increase in revenue from Generation's retail affiliates driven by a weather-driven increase in sales volume to these affiliates partially offset by the impact of depressed wholesale market prices for energy. Generation's revenues include $8 million due to the net effect of the energy reconciliation of certain third-party sales in ComEd's service territory and the impact of that energy reconciliation on Generation's PPA with ComEd. Operating and maintenance expense increased by $27 million due to $10 million arising from an increased number of nuclear plant refueling outage days, $3 million related to increased fossil plant outage work and $7 million related to the two generating plants acquired in April 2002. These increases were partially offset by other operating cost reductions including cost reductions related to Exelon's Cost Management Initiative. The increase in depreciation expense reflects additional depreciation expense on routine capital additions, the acquisition of two generating plants acquired in April 2002 and Southeast Chicago Energy Project, LLC's (Southeast Chicago) peaking facility (Southeast Chicago Energy Project). The decrease in interest expense is due to a lower interest rate on the spent nuclear fuel obligation and lower affiliate interest expense. Equity in earnings of unconsolidated affiliates increased primarily due to a Sithe mark-to-market adjustment, partially offset by an impairment adjustment recorded at Sithe. Other, net increased $39 million for the three months ended September 30, 2002 compared to

the same period in the prior year primarily due to lower losses on decommissioning trust investments during 2002 as compared to the same period in 2001. Additionally, revenue for the three months ended September 30, 2002 includes a net trading portfolio loss of $12 million compared to a net $5 million gain for the three months ended September 30, 2001.

Generation Operating Statistics:

For the three months ended September 30, 2002 and 2001, Generation's sales and the supply of these sales exclusive of the trading portfolio were as follows:

	Three Months Ended September 30,		
Sales (in GWhs)	2002	2001	% Change
Energy Delivery	34,535	32,692	5.6%
Exelon Energy	1,461	2,038	(28.3%)
Market Sales	21,177	17,781	19.1%
Total Sales	57,173	52,511	8.9%

	Three Months Ended September 30,		
Supply of Sales (in GWhs)	2002	2001	% Change
Nuclear Generation	29,817	28,456	4.8%
Purchases - non-trading portfolio	23,425	20,505	14.2%
Fossil and Hydro Generation	3,931	3,550	10.7%
Total Supply	57,173	52,511	8.9%

Trading volume of 28,455 GWhs and 1,832 GWhs for the three months ended September 30, 2002 and 2001, respectively, is not included in the table above.

Generation's average margin data for the three months ended September 30, 2002 and 2001 were as follows:

	Three Months Ended September 30,		
($/MWh)	2002	2001	% Change
Average Realized Revenue			
Energy Delivery	$ 40.18	$ 40.01	0.4%
Exelon Energy	49.72	46.67	6.5%
Market Sales	35.50	42.55	(16.6%)
Total Sales - excluding the trading portfolio	38.69	41.13	(5.9%)
Average Supply Cost (1) - excluding trading portfolio	$ 26.66	$ 28.70	(7.1%)
Average Margin - excluding the trading portfolio	$ 12.04	$ 12.43	(3.1%)

(1) Average Supply costs represent purchased power and fuel costs.

Generation's nuclear fleet, including AmerGen, performed at a capacity factor of 93.9% for the three months ended September 30, 2002 compared to 93.0% for the same period in 2001. Generation's nuclear units' production costs, including AmerGen, for the three months ended September 30, 2002 were $12.40 per MWh compared to $12.52 per MWh for the same period in 2001. Reduced unit production costs reflect additional generation due to power uprates, headcount reductions and Exelon's Cost Management Initiative. Generation's average purchased power costs for wholesale operations were $53.75 per MWh for the three

months ended September 30, 2002, compared to $62.18 per MWh for the same period in 2001. The decrease in purchased power costs was primarily due to depressed wholesale power market prices.

Results of Operations - Enterprises Business Segment

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 509	$ 529	$ (20)	(3.8%)
OPERATING EXPENSES				
Purchased Power	73	88	(15)	(17.0%)
Fuel	60	63	(3)	(4.8%)
Operating and Maintenance	349	361	(12)	(3.3%)
Depreciation and Amortization	11	16	(5)	(31.3%)
Taxes Other Than Income	1	1	--	--
Total Operating Expense	494	529	(35)	(6.6%)
OPERATING INCOME	15	--	15	n.m.
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(3)	(9)	6	(66.7%)
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	8	(8)	16	(200.0%)
Other, net	--	(34)	34	(100.0%)
Total Other Income and Deductions	5	(51)	56	(109.8%)
INCOME BEFORE INCOME TAXES	20	(51)	71	(139.2%)
INCOME TAXES	5	(18)	23	(127.8%)
NET INCOME	$ 15	$ (33)	$ 48	(145.4%)

Enterprises' net income increased $48 million for the three months ended September 30, 2002 compared to the same period in 2001. The increase in net income is primarily attributable to increased operating income of $15 million, higher equity in earnings of unconsolidated affiliates of $11 million due to the discontinuance of losses on AT&T Wireless PCS of Philadelphia, LLC (AT&T Wireless) as a result of the sale of Enterprises' 49% interest in AT&T Wireless to a subsidiary of AT&T Wireless Services, $10 million of equity in earnings from a communications joint venture relating to its recovery of trade receivables previously considered uncollectible and a $36 million loss in 2001 from a write-down of a communications investment.

Operating revenues decreased $20 million, or 3.8%, for the three months ended September 30, 2002, compared to the same period in 2001. The decrease in operating revenues was primarily attributable to reduced retail energy sales of $50 million from Exelon Energy, Inc. (Exelon Energy) due to exiting the retail energy business in the Pennsylvania, New Jersey and Maryland area (PJM market). This decrease was partially offset by higher electric revenues of $22 million primarily resulting from higher electric prices in Illinois for Exelon Energy, higher revenues of $4 million from Exelon Services, Inc. (Exelon Services) from increased construction project revenues and higher revenues of $4 million from InfraSource, Inc. (InfraSource) primarily from increased infrastructure and construction services in the electric line of business.

Enterprises' operating and other expenses, net decreased $91 million for the three months ended September 30, 2002 compared to the same period in 2001. The decrease was primarily attributable to lower power costs of $34 million resulting from reduced operations of retail energy sales from Exelon Energy exiting the PJM market, reduced costs at InfraSource of $10 million relating to construction services in the electric line of business in addition to overall reductions in administrative expenses, higher equity in earnings of unconsolidated affiliates of $11 million as a result of the discontinuance of losses on AT&T Wireless as a result of the AT&T Wireless sale, $10 million of equity in earnings from a communications joint venture relating to its recovery of trade receivables previously considered uncollectible, lower depreciation and amortization of $5 million from the discontinuance of goodwill amortization, lower interest expense of $6 million and a $36 million loss in 2001 from a write-down of a communications investment. These decreases were partially offset by higher electric purchased power costs in Illinois of $19 million and increased costs relating to construction projects at Exelon Services of $5 million.

The effective income tax rate was 25.0% for the three months ended September 30, 2002, compared to 35.3% for the three months ended September 30, 2001. The decrease in the effective tax rate was primarily attributable to a $5 million reduction in estimated state income taxes recorded during the quarter and the discontinuation of goodwill amortization as of January 1, 2002, that was not deductible for income tax purposes.

Nine Months Ended September 30, 2002 Compared To Nine Months Ended September 30, 2001

Net Income and Earnings Per Share

Exelon's income before the cumulative effect of changes in accounting principles increased $195 million, or 18%, for the nine months ended September 30, 2002. Diluted earnings per common share on the same basis increased $0.60 per share, or 18%. The increase in income before the cumulative effect of changes in accounting principles reflects higher earnings due to the sale of AT&T Wireless, a 1.6% increase in retail sales reflecting warmer summer weather partially offset by mild winter weather, the extension of the estimated service lives of generating stations in 2001 and the discontinuation of goodwill amortization required by the adoption of SFAS No. 142, partially offset by lower wholesale energy prices, increased nuclear refueling outage costs, employee severance costs and certain other factors affecting net income, which are discussed in the remainder of the results of operations section. Net income included net pre-tax charges of $10 million for severance costs, primarily related to executive severance.

Net income decreased $47 million, or 4%, for the nine months ended September 30, 2002. Diluted earnings per common share decreased $0.15 per share, or 4%. Net income for the nine months ended September 30, 2002 included a $230 million charge for the cumulative effect of changes in accounting principles, reflecting goodwill impairment upon the adoption of SFAS No. 142. Net income for the nine months ended September 30, 2001 included $12 million of income for the cumulative effect of adopting SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). See Note 2 of the Combined Notes to Consolidated Financial Statements for further information regarding the adoption of SFAS No. 133.

The analysis below presents the operating results for each of Exelon's business segments for the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001.

Income Before Cumulative Effect of Changes in Accounting Principles by Business Segment

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
Energy Delivery	$ 908	$ 810	$ 98	12.1%
Generation	313	369	(56)	(15.2%)
Enterprises	69	(63)	132	(209.5%)
Corporate	(17)	(38)	21	55.3%
Total	$ 1,273	$ 1,078	$ 195	18.1%

Results of Operations - Energy Delivery Business Segment

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 7,973	$7,903	$ 70	0.9%
OPERATING EXPENSES				
Purchased Power	3,331	3,167	164	5.2%
Fuel	228	335	(107)	(31.9%)
Operating and Maintenance	1,131	1,145	(14)	(1.2%)
Depreciation and Amortization	745	828	(83)	(10.0%)
Taxes Other Than Income	430	358	72	20.1%
Total Operating Expense	5,865	5,833	32	0.5%
OPERATING INCOME	2,108	2,070	38	1.8%
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(654)	(759)	105	(13.8%)
Distributions on Preferred Securities of Subsidiaries	(34)	(34)	--	--
Other, net	35	117	(82)	(70.1%)
Total Other Income and Deductions	(653)	(676)	23	(3.4%)
INCOME BEFORE INCOME TAXES	1,455	1,394	61	4.4%
INCOME TAXES	547	584	(37)	(6.3%)
NET INCOME	$ 908	$ 810	$ 98	12.1%

Energy Delivery's gross margin (revenue net of purchased power and fuel) increased $13 million, $55 million of which was attributable primarily to warmer summer weather, which increased retail electric and gas volumes, partially offset by a warmer winter.

Lower operating and maintenance expense reflects operating productivity improvements and lower storm restoration costs, a decrease in the provisions for bad debt expense and a decrease in the provision for obsolete inventory, partially offset by increased pension and postretirement benefit costs and increased corporate allocations, including a portion of executive severance

charges, an increase in the provision for injuries and damages and an increase in reserves for MGP investigation and remediation.

Energy Delivery's depreciation and amortization expense decreased by $83 million reflecting $97 million from the discontinuation of goodwill amortization due to the adoption of SFAS No. 142 as of January 1, 2002 and a $24 million decrease due to lower depreciation rates at ComEd effective July 1, 2002, partially offset by $14 million of higher regulatory asset amortization and higher depreciation expense related to higher plant in service balances.

Lower interest expense reflects reductions in the amount of debt outstanding as well as lower interest rates due to debt refinancing. The reduction in other, net primarily reflects lower intercompany interest income reflecting lower interest rates and a $12 million reserve for a potential plant disallowance resulting from an audit performed in conjunction with ComEd's delivery service rate case.

Energy Delivery's effective income tax rate was 37.6% for the nine months ended September 30, 2002, compared to 41.9% for the nine months ended September 30, 2001. The decrease in the effective tax rate was primarily attributable to the discontinuation of goodwill amortization as of January 1, 2002, which was not deductible for income tax purposes, and a reduction in state income taxes.

Energy Delivery Operating Statistics and Revenue Detail

Energy Delivery's electric sales statistics and revenue detail are as follows:

Retail Deliveries - (in GWhs)	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	28,984	26,243	2,741	10.4%
Small Commercial & Industrial	22,782	22,289	493	2.2%
Large Commercial & Industrial	17,436	17,682	(246)	(1.4%)
Public Authorities & Electric Railroads	5,715	6,574	(859)	(13.1%)
	74,917	72,788	2,129	2.9%
Unbundled Deliveries (2)				
Alternative Energy Suppliers				
Residential	1,720	2,365	(645)	(27.3%)
Small Commercial & Industrial	4,075	3,521	554	15.7%
Large Commercial & Industrial	5,551	6,131	(580)	(9.5%)
Public Authorities & Electric Railroads	618	235	383	163.0%
	11,964	12,252	(288)	(2.4%)
PPO (ComEd Only)				
Small Commercial & Industrial	2,384	2,448	(64)	(2.6%)
Large Commercial & Industrial	3,952	4,324	(372)	(8.6%)
Public Authorities & Electric Railroads	861	734	127	17.3%
	7,197	7,506	(309)	(4.1%)
Total Unbundled Deliveries	19,161	19,758	(597)	(3.0%)
Total Retail Deliveries	94,078	92,546	1,532	1.7%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a CTC charge.
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier or ComEd's PPO.

Electric Revenue	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Revenues (1)				
Residential	$ 2,880	$ 2,659	$ 221	8.3%
Small Commercial & Industrial	2,007	1,910	97	5.1%
Large Commercial & Industrial	1,152	1,095	57	5.2%
Public Authorities & Electric Railroads	356	388	(32)	(8.3%)
	6,395	6,052	343	5.7%
Unbundled Revenues (2)				
Alternative Energy Suppliers				
Residential	129	184	(55)	(30.0%)
Small Commercial & Industrial	107	110	(3)	(2.8%)
Large Commercial & Industrial	111	121	(10)	(8.3%)
Public Authorities & Electric Railroads	18	4	14	n.m.
	365	419	(54)	(12.9%)
PPO (ComEd Only)				
Small Commercial & Industrial	155	167	(12)	(7.2%)
Large Commercial & Industrial	214	267	(53)	(19.9%)
Public Authorities & Electric Railroads	48	44	4	9.1%
	417	478	(61)	(12.8%)
Total Unbundled Revenues	782	897	(115)	(12.8%)
Total Electric Retail Revenues	7,177	6,949	228	3.3%
Wholesale and Miscellaneous Revenue (3)	438	472	(34)	(7.2%)
Total Electric Revenue	$ 7,615	$ 7,421	$ 194	2.6%

(1) Bundled revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive electric generation service from an alternative energy supplier or ComEd's PPO. Revenue from customers choosing an alternative energy supplier includes a distribution charge and a CTC. Revenues from customers choosing ComEd's PPO includes an energy charge at market rates, transmission, and distribution charges and a CTC. Transmission charges received from alternative energy suppliers are included in wholesale and miscellaneous revenue.
(3) Wholesale and miscellaneous revenues include sales to alternative energy suppliers, transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the nine months ended September 30, 2002, as compared to the same period in 2001 are attributable to the following:

	Variance
Weather	$ 115
Customer Choice	84
Rate Changes	(54)
Other Effects	83
Electric Retail Revenue	$ 228

o Weather. The weather impact was favorable compared to the prior year as a result of warmer summer weather in ComEd and PECO service territories partially offset by warmer winter weather in the ComEd and PECO service territories. Cooling degree days in the ComEd and PECO service territories were 27% and 14% higher, respectively, in the nine months ended September 30, 2002 as compared to the same period in 2001. Heating degree days in the

ComEd and PECO service territories were 7% and 16% lower, respectively, in the nine months ended September 30, 2002 as compared to the same period in 2001.

- Customer Choice. The increase in electric retail revenues due to customer choice results from increased revenues of $205 million from customers in Pennsylvania selecting or returning to PECO as their electric generation supplier, partially offset by a decrease in revenues of $121 million from customers in Illinois electing to purchase energy from an ARES or the PPO, under which customers can purchase power from ComEd at a market-based rate. ComEd and PECO continue to collect delivery charges from these customers.
- Rate Changes. The decrease in revenues attributable to rate changes reflects the 5% ComEd residential rate reduction, effective October 1, 2001, required by the Illinois restructuring legislation and the timing of a $60 million PECO rate reduction in effect for 2001 and 2002, offset by $39 million due to an increase in PECO's gross receipts tax rate effective January 1, 2002 and the expiration of a 6% reduction in PECO's rates during the first quarter of 2001.
- Other Effects. For ComEd, other items impacting revenues were primarily a strong housing construction market in Chicago which contributed to residential and small commercial and industrial customer volume growth in the early portion of the year, partially offset by the unfavorable impact of a slower economy on large commercial and industrial customers. For PECO, other items impacting revenues were $53 million from higher delivery volume, exclusive of weather impacts, partially offset by an $11 million settlement of CTCs by a large customer in the first quarter of 2001.

The reduction in wholesale revenue for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 was due primarily to a decrease in off-system sales due to the expiration of wholesale contracts that were offered by ComEd from June 2000 to May 2001 to support the open access program in Illinois, and a 2001 reversal of reserve for revenue refunds related to certain of ComEd's municipal customers as a result of a favorable FERC ruling, partially offset by an increase of $12 million due primarily to reimbursement from Generation for third-party energy reconciliations.

Energy Delivery's gas sales statistics and revenue detail are as follows:

	Nine Months Ended September 30,		
	2002	2001	Variance
Deliveries in mmcf	56,990	58,536	(1,546)
Revenue	$358	$482	$ (124)

The changes in gas revenue for the nine months ended September 30, 2002, as compared to the same 2001 period, are as follows:

	Variance
Rate Changes	$ (67)
Weather	(33)
Volume	(23)
Other	(1)
Gas Revenue	$ (124)

- Rate Changes. The unfavorable variance in rates is attributable to an adjustment of the purchased gas cost recovery by the PUC effective in December 2001. The average rate per million cubic feet for the nine months ended September 30, 2002 was 23% lower than the same 2001 period.
- Weather. The unfavorable weather impact is attributable to warmer winter weather during the nine months ended September 30, 2002 as compared to the same 2001 period. Heating degree-days decreased 16% in the nine months ended September 30, 2002 compared to the same 2001 period.
- Volume. Exclusive of weather impacts, lower delivery volume reduced revenue by $23 million in the nine months ended September 30, 2002 compared to the same 2001 period. Total deliveries to customers decreased 3% in the nine months ended September 30, 2002 compared to the same 2001 period, primarily as a result of slower economic conditions in 2002 offset by increased customer growth.

Results of Operations - Generation Business Segment

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 5,233	$5,403	$ (170)	(3.1%)
OPERATING EXPENSES				
Purchased Power	2,581	2,589	(8)	(0.3)%
Fuel	706	691	15	2.2%
Operating and Maintenance	1,234	1,173	61	5.2%
Depreciation and Amortization	197	224	(27)	(12.1%)
Taxes Other Than Income	126	121	5	4.1%
Total Operating Expense	4,844	4,798	46	1.0%
OPERATING INCOME	389	605	(216)	(35.7%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(51)	(100)	49	(49.0%)
Equity in Earnings of Unconsolidated Affiliates, net	119	99	20	20.2%
Other, net	54	(7)	61	n.m.
Total Other Income and Deductions	122	(8)	130	n.m.
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	511	597	(86)	(14.4%)
INCOME TAXES	198	228	(30)	(13.2%)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	313	369	(56)	(15.2%)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	13	12	1	8.3%
NET INCOME	$ 326	$ 381	$ (55)	(14.4%)

Net income for the nine months ended September 30, 2002 was adversely impacted by a lower margin on wholesale energy sales due to depressed market prices for energy, a reduced supply of low-cost nuclear generation, and increased operating and maintenance expense, partially offset by an increase in revenue from affiliates, increased revenue from the acquisition of two generating plants in April 2002, increased interest income decreased depreciation and interest expense and lower nuclear decommissioning trust fund losses. Operating revenues, net of fuel and purchased power, decreased by $177 million reflecting a decrease in margin on market sales attributable to lower margin from market sales, offset by weather related increases in sales to affiliates and a decrease trading margins. Market sales margins were negatively impacted by lower average market sales prices. The effect of the lower sales prices were partially offset by lower average supply costs and increased market sales volumes. The decrease in trading margins was principally attributed to lower purchase power costs associated with lower wholesale market prices realized and reduced transmission costs. Operating and maintenance expense increased, primarily due to $65 million of costs incurred for the additional refueling outages during the nine months ended September 30, 2002 as compared to the same period in 2001, as well as additional allocated corporate costs including executive severance. These additional expenses were partially offset by other operating cost reductions, including $11 million related to headcount reductions, a $10 million reduction in Generation's severance accrual and cost

reductions related to Exelon's Cost Management Initiative. The decline in depreciation expense reflects extension of the estimated service lives of generating stations, partially offset by additional depreciation expense on plant placed in service, including two generating plants in April 2002 and the Southeast Chicago Energy Project. Lower interest expense is due to capitalized interest and a lower interest rate on the spent nuclear fuel obligation, partially offset by an increase in interest expense on long-term debt. Other, net increased $61 million for the nine months ended September 30, 2002 compared to the same period in the prior year primarily due to substantial market losses on decommissioning trust investments during 2001 as compared to the same period in 2002. Additionally, trading activities were initiated in April 2001. Revenue for the nine months ended September 30, 2002 includes a net trading portfolio loss of $27 million compared to a net $1 million loss in the nine months ended September 30, 2001.

Generation Operating Statistics:

For the nine months ended September 30, 2002 and 2001, Generation's sales and the supply of these sales, excluding the trading portfolio, were as follows:

	Nine Months Ended September 30,		
Sales (in GWhs)	2002	2001	% Change
Energy Delivery	90,579	90,001	0.6%
Exelon Energy	4,067	5,044	(19.4%)
Market Sales	61,089	53,787	13.6%
Total Sales	155,735	148,832	4.6%

	Nine Months Ended September 30,		
Supply of Sales (in GWhs)	2002	2001	% Change
Nuclear Generation	86,127	87,397	(1.5%)
Purchases - non-trading portfolio	59,496	52,459	13.4%
Fossil and Hydro Generation	10,112	8,976	12.7%
Total Supply	155,735	148,832	4.6%

Trading volume of 51,260 GWhs and 2,286 GWhs for the nine months ended September 30, 2002 and 2001, respectively, is not included in the table above.

Generation's average margin data for the nine months ended September 30, 2002 and 2001 were as follows:

($/MWh)	Nine Months Ended September 30, 2002	2001	% Change
Average Realized Revenue			
Energy Delivery	$ 34.33	$ 33.37	2.9%
Exelon Energy	46.75	42.28	10.6%
Market Sales	31.55	39.95	(21.0%)
Total Sales - excluding the trading portfolio	33.56	36.05	(6.9%)
Average Supply Cost (1) - excluding trading portfolio	$ 21.04	$ 21.72	(3.1%)
Average Margin - excluding the trading portfolio	$ 12.52	$ 14.18	(11.7%)

(1) Average supply cost includes purchase power and fuel cost.

Generation's nuclear fleet, including AmerGen, performed at a capacity factor of 92.1% for the nine months ended September 30, 2002 compared to 95.1% the same period in 2001. Generation's nuclear fleet's production costs, including AmerGen, for the nine months ended September 30, 2002 were $13.05 per MWh compared to $12.40 per MWh for the same period in 2001. The lower capacity factor and increased unit production costs are primarily due to 186 days of planned outage time in the nine months ended September 30, 2002 versus 55, days in the same period in 2001. Increased unit production costs are partially offset by headcount reductions and Exelon's Cost Management Initiatives. Generation's average purchased power costs for wholesale operations were $43.60 per MWh for the nine months ended September 30, 2002, compared to $49.77 per MWh for the same period in 2001. The decrease in purchased power costs was primarily due to depressed wholesale power market prices.

Results of Operations - Enterprises Business Segment

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$1,475	$1,742	$ (267)	(15.3%)
OPERATING EXPENSES				
Purchased Power	181	244	(63)	(25.8%)
Fuel	294	429	(135)	(31.5%)
Operating and Maintenance	983	1,066	(83)	(7.8%)
Depreciation and Amortization	46	47	(1)	(2.1%)
Taxes Other Than Income	6	8	(2)	(25.0%)
Total Operating Expense	1,510	1,794	(284)	(15.8%)
OPERATING INCOME	(35)	(52)	17	(32.7%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(11)	(31)	20	(64.5%)
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	3	(22)	25	(113.6%)
Other, net	158	4	154	n.m.
Total Other Income and Deductions	150	(49)	199	n.m.
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	115	(101)	216	(213.9%)
INCOME TAXES	46	(38)	84	(221.1%)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	69	(63)	132	(209.5%)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(243)	--	(243)	n.m.
NET INCOME	$ (174)	$ (63)	$ (111)	176.2%

Enterprises' net income increased $132 million for the nine months ended September 30, 2002 compared to the same period in 2001, excluding the cumulative effect of a change in accounting principle. The increase in net income is primarily attributable to the AT&T Wireless sale that resulted in an after-tax gain of $116 million, increased operating income of $17 million, higher equity in earnings of unconsolidated affiliates of $18 million due to the discontinuation of losses on AT&T Wireless as a result of the AT&T Wireless sale, $10 million of equity in earnings from a communications joint venture relating to its recovery of trade receivables previously considered uncollectible and a $26 million net loss in 2001 from the write-down of a communications investment. These increases were partially offset by $40 million of investment write-downs and $4 million of net asset write-downs in 2002 and an $18 million gain in 2001 from the sale of a communications investment. Enterprises' net loss increased $111 million after reflecting the cumulative effect of a change in accounting principle resulting from the adoption of SFAS No. 142, which no longer allows amortization of goodwill but requires testing goodwill for impairment on an annual basis. The impairment booked during the first quarter, as a result of transitional impairment testing, was $243 million net of income taxes and minority interest.

Operating revenues decreased $267 million for the nine months ended September 30, 2002, compared to the same period in 2001. The decrease in operating revenues was attributable to lower gas sales of $110 million primarily

resulting from lower gas prices, reduced retail energy sales of $141 million from Exelon Energy exiting the PJM market, lower revenues of $52 million from Exelon Services from reduced construction projects and lower revenues of $24 million from InfraSource from the continued decline in the telecommunications industry and reduced construction services in that industry. These decreases were partially offset by higher electric revenues of $60 million primarily resulting from higher electric prices in Illinois for Exelon Energy.

Enterprises' operating and other expenses, net decreased $483 million for the nine months ended September 30, 2002 compared to the same period in 2001. The decrease is primarily attributable to a pre-tax gain of $198 million recorded on the AT&T Wireless sale, lower gas costs of $109 million primarily resulting from lower gas prices, lower power costs of $154 million resulting from reduced operations of retail energy sales from Exelon Energy exiting the PJM market, reduced costs relating to construction projects at Exelon Services of $41 million, reduced costs relating to construction services in the telecommunications industry and overall reductions in administrative expenses at InfraSource of $35 million, lower interest expense of $20 million, higher equity in earnings of unconsolidated affiliates of $18 million as a result of the discontinuance of losses on AT&T Wireless as a result of the AT&T Wireless sale, $10 million of equity in earnings from a communications joint venture relating to its recovery of trade receivables previously considered uncollectible and a $26 million net loss in 2001 from the write-down of a communications investment. These decreases were partially offset by higher electric purchased power costs in Illinois of $68 million for Exelon Energy, write-down of communications investments of $29 million, write-down of energy related investments of $11 million, a net write-down of other assets of $4 million in 2002 and a $18 million gain in 2001 from the sale of a communications investment.

The effective income tax rate was 40.0% for the nine months ended September 30, 2002, compared to 37.6% for the nine months ended September 30, 2001. The increase in the effective tax rate was primarily attributable to the AT&T Wireless sale offset by the discontinuation of goodwill amortization as of January 1, 2002, that was not deductible for income tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

Exelon's businesses are capital intensive and require considerable capital resources. Exelon's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financings including the issuance of commercial paper. Exelon's access to external financing at reasonable terms is dependent on the credit ratings of Exelon and its subsidiaries and the general business condition of Exelon and the utility industry. Capital resources are used primarily to fund Exelon's capital requirements, including construction, investments in new and existing ventures, repayments of maturing debt and preferred securities of subsidiaries and payment of common stock dividends. Any potential future acquisitions could require external financing, including the issuance by Exelon of common stock.

Cash Flows from Operating Activities

Cash flows provided by operations for the nine months ended September 30, 2002 were $2.6 billion compared to $3.0 billion in the nine months ended September 30, 2001. Approximately 70% of 2002 cash flows provided by operations for the nine months ended September 30, 2002 were provided by Energy Delivery and approximately 30% were provided by Generation. Enterprises' cash flows from operations were immaterial to Exelon for the nine months ended September 30, 2002. Energy Delivery's cash flows from operating activities primarily result from sales of electricity and gas to a stable and diverse base of retail customers and are weighted toward the third quarter. Energy Delivery's future cash flows will depend upon the ability to achieve operating cost reductions, and the impact of the economy, weather and customer choice on its revenues. Generation's cash flows from operating activities primarily result from the sale of electric energy to wholesale customers, including Energy Delivery and Enterprises. Generation's future cash flow from operating activities will depend upon future demand and market prices for energy and the ability to continue to produce and supply power at competitive costs. Although the amounts may vary from period to period as a result of the uncertainties inherent in business, Exelon expects that Energy Delivery and Generation will continue to provide a reliable and steady source of internal cash flow from operations for the foreseeable future.

Cash Flows from Investing Activities

Cash flows used in investing activities for the nine months ended September 30, 2002 were $1.8 billion, compared to $1.6 billion for the nine months ended September 30, 2001. The increase was primarily attributable to the $443 million acquisition of two generating plants from TXU Corp. (TXU) and increased capital expenditures partially offset by $285 million of proceeds from the AT&T Wireless sale. Capital expenditures, other than the TXU acquisition, by business segment for the nine months ended September 30, 2002 and 2001 are as follows:

	Nine Months Ended September 30,	
	2002	2001
Energy Delivery	$ 729	$ 784
Generation	715	497
Enterprises	34	53
Corporate and Other	56	18
Total Capital Expenditures	$ 1,534	$ 1,352

Energy Delivery's capital expenditures for 2002 reflect the continuation of efforts to further improve the reliability of its distribution system. Energy Delivery's investing activities were funded primarily through operating activities.

Generation's capital expenditures for 2002 are for additions to and upgrades of existing facilities (including nuclear refueling outages), nuclear fuel, and increases in capacity at existing plants. Generation's investing activities were funded from operating activities, borrowings from Exelon and the use of available cash.

Generation closed the purchase of the two natural-gas and oil-fired generating plants from TXU on April 25, 2002. The $443 million purchase was funded with Exelon commercial paper. Exelon expects to repay the commercial paper utilizing Generation's internal cash flows.

Capital expenditures have increased for the nine months ended September 30, 2002 as compared to 2001 due to higher nuclear fuel expenditures, growth and an increase in the number of planned refueling outages, during which significant work is performed on additions to or upgrades of existing facilities.

In February 2002, Generation entered into an agreement to loan AmerGen up to $75 million at an interest rate of one-month LIBOR plus 2.25%. In July 2002, the loan agreement and the loan were increased to $100 million and the maturity date was extended to July 1, 2003. As of September 30, 2002, the balance of the loan to AmerGen was $42 million.

Enterprises' capital expenditures for 2002 are primarily for additions to or upgrades of existing facilities. On April 1, 2002, Exelon Enterprises closed on the sale of its 49% interest in AT&T Wireless for $285 million in cash.

Cash Flows from Financing Activities

Cash flows used in financing activities were $828 million in the nine months ended September 30, 2002 compared to $521 million for the same period in 2001 due to higher levels of net reductions in short-term and long-term debt and payments of dividends on common stock of $420 million. Debt financing activities during the nine months ended September 30, 2002 are discussed in the Contractual Obligations and Commercial Commitments section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Credit Issues

Exelon meets its short-term liquidity requirements primarily through the issuance of commercial paper by Exelon, at the holding company level, and by ComEd, PECO and Generation. Exelon, along with ComEd, PECO and Generation, participates in a $1.5 billion unsecured 364-day revolving credit facility with a group of banks effective December 12, 2001. Under the terms of this credit facility, Exelon has the flexibility to increase or decrease the sublimits of each of the participants upon written notification to these banks. As of September 30, 2002, Exelon's sublimit is $700 million at the holding company level. This credit facility is used principally to support the $700 million commercial paper program at the Exelon holding company level. At September 30, 2002, Exelon had $319 million of commercial paper outstanding at the holding company level. At September 30, 2002, the Exelon Consolidated Balance Sheet reflects the $788 million total amount of commercial paper outstanding for all participants in the credit facility.

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, Exelon operates an intercompany money pool. Participation in the money pool is subject to authorization by the Exelon Corporate Treasurer. Exelon, ComEd and its subsidiary Commonwealth Edison of Indiana, Inc., PECO, Generation and Business Services Company currently may participate in the money pool. Funding of, and borrowings from, the money pool are predicated on whether such funding results in mutual economic benefits to each of the participants, although Exelon is not permitted to be a net borrower from the fund. Interest on borrowings is based on short-term market rates of interest, or specific borrowing rates if the funds are provided by external financing. There have been no material money pool transactions in 2002.

At September 30, 2002, Exelon had outstanding $788 million of notes payable consisting principally of commercial paper. For the nine months ended September 30, 2002, the average interest rate on notes payable was approximately 1.91%. Certain of the credit agreements to which Exelon, ComEd, PECO and Generation are a party require each of them to maintain a debt to total capitalization ratio of 65% or less (excluding securitization debt and for PECO, excluding the receivable from parent recorded in PECO's shareholders' equity). At September 30, 2002, the debt to total capitalization ratios on that basis for Exelon, ComEd, PECO and Generation were 46%, 42%, 41% and 34%, respectively.

At September 30, 2002, Exelon's capital structure consisted of 58% of long-term debt, 37% common stock, 3% notes payable and 2% preferred securities of subsidiaries. Total debt included $6.3 billion of securitization debt constituting obligations of certain consolidated special purpose entities, representing 27% of capitalization.

Exelon and its subsidiaries' access to the capital markets, including the commercial paper market, and their financing costs in those markets are dependent on their respective credit ratings. None of Exelon's or its subsidiaries' borrowings are subject to default or prepayment as a result of a downgrading of credit ratings although such a downgrading could increase interest charges under Exelon's bank credit facility. Exelon and its subsidiaries from time to time enter into energy commodity and other derivative transactions that require the maintenance of investment grade ratings. Failure to maintain investment grade ratings would allow the counterparty to terminate the derivative and settle the transaction on a net present value basis.

Under the Public Utility Holding Company Act of 1935 (PUHCA) and the Federal Power Act, Exelon, ComEd, PECO and Generation can pay dividends only from retained, undistributed or current earnings: however, an SEC order granted permission to Exelon and ComEd to pay up to $500 million in dividends out of additional paid-in capital, provided that Exelon agreed not to pay dividends out of paid-in capital after December 31, 2002 if its common equity is less than 30% of its total capitalization. At September 30, 2002, Exelon had retained earnings of $1.8 billion, which includes ComEd retained earnings of $480 million, PECO retained earnings of $347 million and Generation retained earnings of $850 million.

Contractual Obligations and Commercial Commitments

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments represent commitments triggered by future events. Exelon's contractual obligations and commercial commitments as of September 30, 2002 were materially unchanged, other than in the normal course of business, from the amounts set forth in the December 31, 2001 Form 10-K except for the following:

o ComEd issued $600 million of 6.15% First Mortgage Bonds, Series 98 due March 15, 2012, issued $100 million of Illinois Development Finance Authority floating-rate Pollution Control Revenue Refunding Bonds, Series 2002 due April 15, 2013, redeemed $100 million of 7.25% Illinois Development Finance Authority Pollution Control Revenue Refunding Bonds, Series 1991, due June 1, 2011, redeemed $200 million of 8.625% First Mortgage Bonds, Series 81 due February 1, 2022, redeemed $200 million of 8.5% First Mortgage Bonds, Series 84 due July 15, 2022, paid at maturity $200 million of 7.375% First Mortgage Bonds, Series 85 due September 15, 2002, redeemed $200 million of 8.375% First Mortgage Bonds, Series 86 due

September 15, 2022, paid at maturity $200 million of variable rate senior notes due September 30, 2002, paid at maturity $100 million of 9.17% medium-term notes due October 15, 2002, and retired $254 million of transitional trust notes. At September 30, 2002, ComEd had $94 million in short-term borrowings.

- PECO issued $225 million of 4.75% First and Refunding Mortgage Bonds due October 1, 2012. This bond issuance repaid commercial paper that was used to pay at maturity $222 million of First and Refunding Mortgage Bonds. PECO made principal payments of $326 million on transition bonds and made additional borrowings of commercial paper of $274 million.
- Guarantees increased approximately $280 million, primarily related to a $410 million increase in the amount of performance bonds, bid bonds and surety bonds required by Enterprises, partially offset by $120 million in letters of credit on pollution control bonds at Generation being renewed and no longer required to be guaranteed.
- Insured long-term debt increased $100 million related to ComEd's issuance of $100 million in variable rate debt that has been credit enhanced through the purchase of insurance coverage.
- On April 25, 2002 Generation closed the purchase of two generating plants from TXU. The $443 million purchase was funded primarily with commercial paper issued by Exelon.
- On June 26, 2002, Generation agreed to purchase Sithe New England Holdings, LLC (Sithe New England), a subsidiary of Sithe, and related power marketing operations for a $543 million note. In addition, Generation will assume various Sithe guarantees related to an equity contribution agreement between Sithe New England and Sithe Boston Generation (Boston Generation), a project subsidiary of Sithe New England. The equity contribution agreement requires, among other things, that Sithe New England, upon the occurrence of certain events, contribute up to $38 million of equity for the purpose of completing the construction of two generating facilities. Boston Generation established a $1.2 billion credit facility in order to finance the construction of these two generating facilities. The approximately $1.1 billion expected to be outstanding under the facility at the transaction closing date, will be reflected on Exelon's Consolidated Balance Sheet. Sithe New England has provided security interests in and has pledged the stock of its other project subsidiaries to Boston Generation. If the closing conditions are satisfied, the purchase could be completed in November 2002.
- At September 30, 2002, Southeast Chicago, a company 70% owned by Generation, was obligated to make equity distributions of $55 million over the next 20 years to the unaffiliated third party owning the remaining 30% of Southeast Chicago. This amount reflects a return of such third party's investment in Southeast Chicago's peaking facility in Chicago, IL. Generation has the right to purchase, generally at a premium, and this third party has the right to require Generation to purchase, generally at a discount, its remaining investment in Southeast Chicago. Additionally, Generation may be required to purchase the third party's remaining investment in Southeast Chicago upon the occurrence of certain events, including upon a failure by Generation to maintain an investment grade rating.
- Purchase obligations increased by $2.3 billion, primarily due to an increase of $3.8 billion in power only purchases and a $0.1 billion increase in transmission rights purchases partially offset by a $1.6 billion decrease in net capacity purchase commitments. Approximately $2 billion of the increase in power only purchases is due to Generation's agreement to purchase all the energy from Unit No. 1 at Three Mile Island after December 31, 2001 through December 31, 2014 and the remaining $1.8 billion increase is primarily due to purchase contracts entered into in lieu of a portion of the Midwest Generation options contracts. The increase in transmission rights purchases is primarily due to estimated commitments in 2004 and 2005 for additional transmission rights that will be required to fulfill firm sales contracts. The decrease in net capacity purchase

commitments is due primarily to the decision not to exercise options to purchase 4,411 MWs of capacity from Midwest Generation in 2002 through 2004 as well as the increase in capacity sales under the TXU tolling agreement.

Off Balance Sheet Obligations

Generation owns 49.9% of the outstanding common stock of Sithe and has an option, beginning on December 18, 2002 and expiring in December 2005 to purchase the remaining common stock outstanding (Remaining Interest) in Sithe. The purchase option expires on December 18, 2005. In addition, the Sithe stockholders who own in the aggregate the Remaining Interest have the right to require Generation to purchase the Remaining Interest (Put Rights) during the same period in which Generation can exercise its purchase option. At the end of this exercise period, if Generation has not exercised its purchase option and the other Sithe stockholders have not exercised their Put Rights, Generation will have an additional one-time option to purchase shares from the other stockholders in Sithe to bring Generation's ownership in Sithe from the current 49.9% to 50.1% of Sithe's total outstanding common stock.

If Generation exercises its option to acquire the Remaining Interest, or if all the other Sithe stockholders exercise their Put Rights, the purchase price for 70% of the Remaining Interest will be set at fair market value subject to a floor of $430 million and a ceiling of $650 million. The balance of the Remaining Interest will be valued at fair market value subject to a floor of $141 million and a ceiling of $330 million. In either instance, the floor and ceiling will accrue interest from the beginning of the exercise period.

If Generation increases its ownership in Sithe to 50.1% or more, Sithe will become a consolidated subsidiary and Exelon's financial results will include Sithe's financial results from the date of purchase. At September 30, 2002, Sithe had total assets of $4.2 billion and total debt of $2.1 billion, including $1.6 billion of subsidiary debt incurred to finance the construction of two new generating facilities of which $1.1 billion is associated with Sithe New England, $0.4 billion of subordinated debt, $47 million of short-term debt, $33 million of capital leases, and excluding $430 million of non-recourse project debt associated with Sithe's equity investments. For the nine months ended September 30, 2002, Sithe had revenues of $0.9 billion. As of September 30, 2002, Generation had a $722 million equity investment in Sithe.

On June 26, 2002, Generation agreed to purchase Sithe New England, a subsidiary of Sithe, and related power marketing operations in exchange for a $543 million note. In addition, Generation will assume various Sithe guarantees related to an equity contribution agreement between Sithe New England and Boston Generation, a project subsidiary of Sithe New England. The equity contribution agreement requires, among other things, that Sithe New England, upon the occurrence of certain events, contribute up to $38 million of equity for the purpose of completing the construction of two generating facilities. Boston Generation established a $1.2 billion credit facility in order to finance the construction of these two generating facilities. The approximately $1.1 billion expected to be outstanding under the facility at the transaction closing date, will be reflected on Exelon's Consolidated Balance Sheet. Sithe New England has provided security interests in and has pledged the stock of its other project subsidiaries to Boston Generation. If the closing conditions are satisfied, the transaction could be completed in November 2002.

Additionally, the debt on the books of Exelon's unconsolidated equity investments and joint ventures is not reflected on Exelon's Consolidated Balance

Sheets. Total investee debt, at September 30, 2002, including the debt of Sithe described in the preceding paragraph, is currently estimated to be $2.2 billion ($1.1 billion based on Exelon's ownership interest of the investments).

Generation and British Energy plc (British Energy), Generation's joint venture partner in AmerGen, have each agreed to provide up to $100 million to AmerGen at any time that the Management Committee of AmerGen determines that in order to protect the public health and safety and/or to comply with Nuclear Regulatory Commission (NRC) requirements, such funds are necessary to meet ongoing operating expenses or to safely maintain any AmerGen plant.

Other Factors

Exelon's costs of providing pension and postretirement benefit plans are dependent upon a number of factors, such as the rates of return on pension plan assets, discount rate, and the rate of increase in health care costs. The market value of plan assets has been affected by sharp declines in the equity market since the third quarter of 2000. As a result, at December 31, 2002, Exelon could be required to recognize an additional minimum liability as prescribed by SFAS No. 87 "Employers' Accounting for Pensions" and SFAS No. 132 "Employers' Disclosures about Pensions and Postretirement Benefits." The liability would be recorded as a reduction to common equity, and the equity would be restored to the balance sheet in future periods when the fair value of plan assets exceeds the accumulated benefit obligations. Based upon the market value of plan assets at September 30, 2002 and estimated market performance for the remainder of 2002, the amount of the reduction to common equity (net of income taxes) is estimated to be in the range of $500 million to $1.0 billion. This estimate could increase or decrease as a result of actual market performance in the fourth quarter of 2002. The recording of this reduction would not affect net income or cash flow in 2002 or compliance with debt covenants; however, pension cost and cash funding requirements could increase in future years without a substantial recovery in the equity markets.

Approximately $33 million was included in operating and maintenance expense in 2001 for the cost of Exelon's pension and post-retirement benefit plans, exclusive of the 2001 charges for employee severance programs. These costs are expected to increase in 2002 by approximately $55 million as the result of the effects of the decline in market value of plan assets and discount rates, and increases in health care costs. Further increases in pension and postretirement expense are expected for the year 2003 as a result of the same factors. Although the 2003 increase will depend on market conditions, Exelon preliminarily estimates that pension and postretirement benefit costs will increase by approximately $70 million in 2003 from 2002 cost levels.

Exelon's defined benefit pension plans currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon currently expects to make a discretionary plan contribution in the fourth quarter of 2002 of $100 million to $200 million and a discretionary plan contribution in 2003 of $300 million to $350 million. These contributions are expected to be funded primarily by internally generated cash flows from operations or through external sources.

Generation is a counterparty to Dynegy Inc. (Dynegy) in various energy transactions. In early July 2002, the credit ratings of Dynegy were downgraded by two credit rating agencies to below investment grade. As of September 30, 2002, Generation had a net receivable from Dynegy of approximately $7 million, and consistent with the terms of the existing credit arrangement, has received collateral in support of this receivable. Generation also has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,040 MW gas-fired qualified facility that has an energy only long-term tolling arrangement with Dynegy, with a related financial swap arrangement. As of September 30, 2002, Sithe had recognized an asset on its balance sheet related to the fair value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy is unable to fulfill the terms of this agreement, Sithe would be required to write-off the fair value asset, which Generation estimates would result in an approximate $22 million reduction in its equity earnings from Sithe, based on Generation's current 49.9% investment ownership in Sithe. The fair value of this asset may change over time. Additionally, the future economic value of Sithe's investment in the Independence Station and AmerGen's purchased power arrangement with Illinois Power, a subsidiary of Dynegy, could be impacted by events related to Dynegy's financial condition.

COMMONWEALTH EDISON COMPANY

GENERAL

ComEd operates in a single business segment, Energy Delivery, and its operations consist of its retail electricity distribution and transmission business in northern Illinois.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Significant Operating Trends - ComEd

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 1,938	$1,919	$ 19	1.0%
OPERATING EXPENSES				
Purchased Power	975	954	21	2.2%
Operating and Maintenance	267	265	2	0.8%
Depreciation and Amortization	129	178	(49)	(27.5%)
Taxes Other Than Income	77	82	(5)	(6.1%)
Total Operating Expense	1,448	1,479	(31)	(2.1%)
OPERATING INCOME	490	440	50	11.4%
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(122)	(147)	25	(17.0%)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities	(7)	(7)	--	--
Other, net	--	33	(33)	(100.0%)
Total Other Income and Deductions	(129)	(121)	(8)	(6.6%)
INCOME BEFORE INCOME TAXES	361	319	42	13.2%
INCOME TAXES	146	141	5	3.5%
NET INCOME	$ 215	$ 178	$ 37	20.8%

Net Income

Net income increased $37 million, or 21% for the three months ended September 30, 2002. Net income was impacted by the favorable effect of warmer than normal summer weather, lower depreciation rates, the discontinuation of goodwill amortization and a lower effective income tax rate, partially offset by the effects of a 5% residential rate reduction and customers electing to purchase energy from an ARES or the PPO.

Operating Revenues

ComEd's electric sales statistics are as follows:

Retail Deliveries - (in GWh)	Three Months Ended September 30, 2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	9,121	8,398	723	8.6%
Small Commercial & Industrial	6,029	6,308	(279)	(4.4%)
Large Commercial & Industrial	2,073	2,506	(433)	(17.3%)
Public Authorities & Electric Railroads	1,612	2,105	(493)	(23.4%)
	18,835	19,317	(482)	(2.5%)
Unbundled Deliveries (2)				
ARES				
Small Commercial & Industrial	1,640	898	742	82.6%
Large Commercial & Industrial	2,192	1,548	644	41.6%
Public Authorities & Electric Railroads	299	91	208	n.m.
	4,131	2,537	1,594	62.8%
PPO				
Small Commercial & Industrial	782	827	(45)	(5.4%)
Large Commercial & Industrial	1,249	1,448	(199)	(13.7%)
Public Authorities & Electric Railroads	345	150	195	(130.0%)
	2,376	2,425	(49)	(2.0%)
Total Unbundled Deliveries	6,507	4,962	1,545	31.1%
Total Retail Deliveries	25,342	24,279	1,063	4.4%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy.

(2) Unbundled service reflects customers electing to receive electric generation service from an ARES or the PPO.

n.m. - not meaningful

Electric Revenue	Three Months Ended September 30, 2002	2001	Variance	% Change
Bundled Revenues (1)				
Residential	$ 840	$ 816	$ 24	2.9%
Small Commercial & Industrial	506	531	(25)	(4.7%)
Large Commercial & Industrial	106	126	(20)	(15.9%)
Public Authorities & Electric Railroads	104	119	(15)	(12.6%)
	1,556	1,592	$ (36)	(2.3%)
Unbundled Revenues (2)				
ARES				
Small Commercial & Industrial	51	10	41	n.m.
Large Commercial & Industrial	60	12	48	n.m.
Public Authorities & Electric Railroads	10	1	9	n.m.
	121	23	98	n.m.
PPO				
Small Commercial & Industrial	57	77	(20)	(25.9%)
Large Commercial & Industrial	74	120	(46)	(38.3%)
Public Authorities & Electric Railroads	19	13	6	46.2%
	150	210	(60)	(28.6%)
Total Unbundled Revenues	271	233	38	16.3%
Total Electric Retail Revenues	1,827	1,825	2	0.1%
Wholesale and Miscellaneous Revenue (3)	111	94	17	18.1%
Total Electric Revenue	$ 1,938	$ 1,919	$ 19	1.0%

(1) Bundled revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy.
(2) Revenue from customers choosing an ARES includes a distribution charge and a CTC charge. Transmission charges received from ARES are included in wholesale and miscellaneous revenue. Revenues from customers choosing the PPO includes an energy charge at market rates, transmission, and distribution charges and a CTC charge.
(3) Wholesale and miscellaneous revenues include sales to ARES, transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the three months ended September 30, 2002, as compared to the three months ended September 30, 2001, are attributable to the following:

	Variance
Weather	$ 86
Rate Changes	(45)
Customer Choice	(43)
Other Effects	4
Electric Retail Revenue	$ 2

o Weather. The demand for electricity is impacted by weather conditions. Very warm weather in summer months and very cold weather in other months is referred to as "favorable weather conditions," because these weather conditions result in increased sales of electricity. Conversely, mild weather reduces demand.

The weather impact for the three months ended September 30, 2002 was favorable compared to the three months ended September 30, 2001 as a result of warmer summer weather in the third quarter of 2002 as compared to the third quarter of 2001. Cooling degree-days increased 26% in the three

months ended September 30, 2002 compared to the three months ended September 30, 2001.

- o Rate Changes. The decrease attributable to rate changes reflects a 5% residential rate reduction, effective October 1, 2001, required by the Illinois restructuring legislation.
- o Customer Choice. All ComEd customers have the choice to purchase energy from other suppliers. This choice generally does not impact the volume of deliveries, but affects revenue collected from customers related to energy supplied by ComEd. On May 1, 2002, all ComEd residential customers became eligible to choose their supplier of electricity. However, as of September 30, 2002, no alternative electric supplier has sought approval from the ICC and no electric utilities have chosen to enter the ComEd residential market for the supply of electricity.

  The decrease in revenues reflects customers in Illinois electing to purchase energy from an ARES or the PPO. As of September 30, 2002, approximately 22,700 retail customers had elected to purchase energy from an ARES or the ComEd PPO, an increase from 15,400 customers at September 30, 2001. The MWhs delivered to such customers increased from approximately 5.0 million for the three months ended September 30, 2001 to 6.5 million for the three months ended September 30, 2002, or a 31% increase from the previous year.
- o Other Effects. The slowing economy both nationally and regionally has yielded minimal quarterly gains as business uncertainty and unemployment concerns limit customer activity and electricity sales.

The increase in wholesale and miscellaneous revenue for the three months ended September 30, 2002 as compared to the three months ended September 30, 2001 was due primarily to reimbursement from Generation of $12 million for the third-party energy reconciliations.

Purchased Power Expense

Purchased power expense increased $21 million, or 2% for the three months ended September 30, 2002. The increase in purchased power expense was primarily attributable to a $38 million increase associated with additional increased weather related on-peak sales volume, a $22 million increase due to an increase in the weighted average on-peak/off-peak cost per MWh and $20 million in additional expense resulting from additional energy billed under the PPA with Generation as a result of the third-party energy reconciliations discussed in the operating revenue section above, partially offset by a $62 million decrease as a result of customers choosing to purchase energy from an ARES.

Operating and Maintenance Expense

Operating and maintenance (O&M) expense increased $2 million, or 1%, for the three months ended September 30, 2002. The increase in O&M expense reflects a $17 million increase in the reserve for MGP investigation and remediation as a result of increased costs due to delays in the implementation of ongoing remediation of a MGP site in Oak Park, Illinois partially offset by operating productivity improvements and a $7 million decrease in other O&M items.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $49 million, or 28%, for the three months ended September 30, 2002 as follows:

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
Depreciation Expense	$ 75	$ 87	$ (12)	(13.8%)
Recoverable Transition Costs Amortization	33	35	(2)	(5.7%)
Other Amortization Expense	21	56	(35)	(62.5%)
Total Depreciation and Amortization	$ 129	$ 178	$ (49)	(27.5%)

The decrease in depreciation expense is primarily due to lower depreciation rates effective July 1, 2002, partially offset by higher property, plant and equipment balances. ComEd completed a depreciation study and implemented lower depreciation rates effective July 1, 2002. The new depreciation rates reflect ComEd's significant construction program in recent years, changing in and development of new technologies, and changes in estimated plant service lives since the last depreciation study. The annual reduction in depreciation expense is estimated to be approximately $100 million ($60 million, net of income taxes) based on December 31, 2001 plant balances. As a result of the change, depreciation expense decreased $24 million ($14 million, net of income taxes) for the three month period ended September 30, 2002.

The decrease in other amortization expense is primarily due to a decrease of $32 million due to the discontinuation of goodwill amortization effective January 1, 2002 upon the adoption of SFAS No. 142.

Recoverable transition costs amortization was consistent in the three months ended September 30, 2002 compared to the same period in 2001. ComEd expects to fully recover its recoverable transition costs regulatory asset balance of $202 million by 2004. Consistent with the provision of the Illinois legislation, regulatory assets may be recovered at amounts that provide ComEd an earned return on common equity within the Illinois legislation earnings threshold.

Taxes Other Than Income

Taxes other than income decreased $5 million, or 6%, for the three months ended September 30, 2002. Taxes other than income were positively affected in 2002 as a result of a real estate tax refund in the amount of $5 million.

Interest Charges

Interest charges consist of interest expense and distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts. Interest charges decreased $25 million, or 17%, for the three months ended September 30, 2002. The decrease in interest charges was primarily attributable to the impact of lower interest rates for the three months ended September 30, 2002 as compared to the three months ended September 30, 2001, the early retirement of the $196 million of First Mortgage Bonds in November of 2001 and the retirement of $340 million in transitional trust notes since September 2001 and $10 million of intercompany interest expense in 2001 relating to a payable to Generation, which was repaid during 2001.

Other Income and Deductions

Other income and deductions, excluding interest charges, decreased $33 million, or 100%, for the three months ended September 30, 2002. The decrease was primarily attributable to $9 million in intercompany interest income from Generation in 2001 on the processing of certain invoice payments on behalf of Generation, a $6 million reduction in intercompany interest income from Unicom Investment Inc., reflecting lower interest rates, a $12 million accrual in 2002 for estimated minimum probable write-off exposure resulting from the Liberty audit findings related to ComEd's delivery services rate case and a $6 million decrease in various other income and deductions items.

Income Taxes

The effective income tax rate was 40.4% for the three months ended September 30, 2002, compared to 44.2% for the three months ended September 30, 2001. The decrease in the effective tax rate was primarily attributable to the discontinuation of goodwill amortization as of January 1, 2002, which was not deductible for income tax purposes.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Significant Operating Trends - ComEd

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 4,734	$ 4,895	$ (161)	(3.3%)
OPERATING EXPENSES				
Purchased Power	2,066	2,149	(83)	(3.9%)
Operating and Maintenance	724	731	(7)	(1.0%)
Depreciation and Amortization	397	512	(115)	(22.5%)
Taxes Other Than Income	223	223	--	--
Total Operating Expense	3,410	3,615	(205)	(5.7%)
OPERATING INCOME	1,324	1,280	44	3.4%
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(374)	(433)	59	(13.6%)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities	(22)	(22)	--	--
Other, net	29	94	(65)	(69.1%)
Total Other Income and Deductions	(367)	(361)	(6)	1.7%
INCOME BEFORE INCOME TAXES	957	919	38	4.1%
INCOME TAXES	381	412	(31)	(7.5%)
NET INCOME	$ 576	$ 507	$ 69	13.6%

Net Income

Net income increased $69 million, or 14% for the nine months ended September 30, 2002. Net income was primarily impacted by the discontinuation of goodwill amortization and a lower effective income tax rate partially offset by

the effects of a 5% residential rate reduction and customers electing to purchase energy from an ARES or the PPO.

Operating Revenues

ComEd's electric sales statistics are as follows:

Retail Deliveries - (in GWh)	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	21,392	19,936	1,456	7.3%
Small Commercial & Industrial	17,078	17,986	(908)	(5. 1%)
Large Commercial & Industrial	6,151	8,144	(1,993)	(24.5%)
Public Authorities & Electric Railroads	5,097	6,007	(910)	(15.1%)
	49,718	52,073	(2,355)	(4.5%)
Unbundled Deliveries (2)				
ARES				
Small Commercial & Industrial	3,822	2,005	1,817	90.6%
Large Commercial & Industrial	5,200	3,962	1,238	31.2%
Public Authorities & Electric Railroads	618	227	391	172.2%
	9,640	6,194	3,446	55.6%
PPO				
Small Commercial & Industrial	2,384	2,448	(64)	(2.6%)
Large Commercial & Industrial	3,952	4,324	(372)	(8.6%)
Public Authorities & Electric Railroads	861	734	127	17.3%
	7,197	7,506	(309)	(4.1%)
Total Unbundled Deliveries	16,837	13,700	3,137	22.9%
Total Retail Deliveries	66,555	65,773	782	1.2%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy.

(2) Unbundled service reflects customers electing to receive electric generation service from an ARES or the PPO.

Electric Revenue	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Revenues (1)				
Residential	$ 1,881	$ 1,852	$ 29	1.6%
Small Commercial & Industrial	1,343	1,410	(67)	(4.8%)
Large Commercial & Industrial	324	406	(82)	(20.2%)
Public Authorities & Electric Railroads	297	335	(38)	(11.3%)
	3,845	4,003	(158)	(3.9%)
Unbundled Revenues (2)				
ARES				
Small Commercial & Industrial	94	36	58	161.1%
Large Commercial & Industrial	101	60	41	68.3%
Public Authorities & Electric Railroads	18	3	15	n.m.
	213	99	114	115.2%
PPO				
Small Commercial & Industrial	155	167	(12)	(7.2%)
Large Commercial & Industrial	214	267	(53)	(19.9%)
Public Authorities & Electric Railroads	48	44	4	9.1%
	417	478	(61)	(12.8%)
Total Unbundled Revenues	630	577	53	9.2%
Total Electric Retail Revenues	4,475	4,580	(105)	(2.3%)
Wholesale and Miscellaneous Revenue (3)	259	315	(56)	(17.8%)
Total Electric Revenue	$ 4,734	$ 4,895	$ (161)	(3.3%)

(1) Bundled revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy.
(2) Revenue from customers choosing an ARES includes a distribution charge and a CTC charge. Transmission charges received from ARES are included in wholesale and miscellaneous revenue. Revenues from customers choosing the PPO includes an energy charge at market rates, transmission, and distribution charges and a CTC charge.
(3) Wholesale and miscellaneous revenues include sales to ARES, transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the nine months ended September 30, 2002, as compared to the nine months ended September 30, 2001, are attributable to the following:

	Variance
Customer Choice	$ (121)
Rate Changes	(99)
Weather	73
Other Effects	42
Retail Revenue	$ (105)

o Customer Choice. The decrease in revenues reflects customers in Illinois electing to purchase energy from an ARES or the PPO. As of September 30, 2002, approximately 22,700 retail customers had elected to purchase energy from an ARES or the ComEd PPO, an increase from 15,400 customers at September 30, 2001. The MWhs delivered to such customers increased from approximately 13.7 million for the nine months ended September 30, 2001 to 16.8 million for the nine months ended September 30, 2002, a 23% increase from the previous year.

- Rate Changes. The decrease attributable to rate changes reflects a 5% residential rate reduction, effective October 1, 2001, required by the Illinois restructuring legislation.
- Weather. The weather impact for the nine months ended September 30, 2002 was favorable compared to the nine months ended September 30, 2001 as a result of warmer summer weather partially offset by warmer winter weather in 2002 compared to 2001. Cooling degree-days increased 27% and were partially offset by a 7% decrease in heating degree-days in the nine months ended September 30, 2002 compared to the nine months ended September 30, 2001.
- Other Effects. A strong housing construction market in Chicago contributed to residential and small commercial and industrial customer volume growth in the early portion of the year, partially offset by the unfavorable impact of a slower economy on large commercial and industrial customers.

The reduction in wholesale and miscellaneous revenue for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001 was due primarily to a $38 million decrease in off-system sales due to the expiration of wholesale contracts that were offered by ComEd from June 2000 to May 2001 to support the open access program in Illinois, a $15 million reversal of reserve for revenue refunds in 2001 related to certain of ComEd's municipal customers as a result of a favorable FERC ruling, and $15 million of other miscellaneous revenue partially offset by a reimbursement from Generation of $12 million for third-party energy reconciliations.

Purchased Power Expense

Purchased power expense decreased $83 million, or 4% for the nine months ended September 30, 2002. The decrease in purchased power expense was primarily attributable to a $124 million decrease as a result of customers choosing to purchase energy from an ARES and a $34 million decrease due to the expiration of the wholesale contracts offered by ComEd to support the open access program in Illinois partially offset by a $33 million associated with increased retail demand due to favorable weather conditions, a $5 million increase due to the effects of a strong housing construction market in Chicago for residential and small commercial and industrial customers, a $17 million increase due to an increase in the weighted average on-peak/off-peak cost per MWh, and $20 million in additional expense as a result of third-party energy reconciliations.

Operating and Maintenance Expense

The $7 million decrease in O&M expense was primarily due to operating productivity improvements and the $11 million reduction in the allowance for uncollectible accounts recorded in the second quarter, partially offset by a $17 million increase in the provision for injury and damages claims and a $16 million increase in environmental investigation and remediation expense.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $115 million, or 23%, for the nine months ended September 30, 2002 as follows:

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
Depreciation Expense	$ 258	$ 263	$ (5)	(1.9)%
Recoverable Transition Costs Amortization	75	89	(14)	(15.7%)
Other Amortization Expense	64	160	(96)	(60.0)%
Total Depreciation and Amortization	$ 397	$ 512	$ (115)	(22.5)%

The decrease in depreciation expense is due to $24 million related to lower depreciation rates partially offset by the effect of higher property, plant and equipment balances.

Recoverable transition costs amortization expense is determined using the expected period of the rate freeze and the expected returns in the periods under the rate freeze. The reduction in amortization expense in 2002 is due to the second quarter of 2002 extension of the rate freeze partially offset by an increase due to a third quarter of 2002 change in the expected returns during the rate freeze period.

The decrease in other amortization expense is primarily due to a decrease of $97 million due to discontinuation of goodwill amortization effective January 1, 2002 upon the adoption of SFAS No. 142.

Taxes Other Than Income

Taxes other than income remained consistent from period to period.

Interest Charges

Interest charges decreased $59 million, or 14%, for the nine months ended September 30, 2002. The decrease in interest charges was primarily attributable to the impact of lower interest rates for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001, the early retirement of the $196 million of First Mortgage Bonds in November of 2001, the retirement of $340 million in transitional trust notes since September 2001, and $10 million of intercompany interest expense in 2001 relating to a payable in Generation, which was repaid during 2001.

Other Income and Deductions

Other income and deductions, excluding interest charges, decreased $65 million, or 69%, for the nine months ended September 30, 2002. The decrease was primarily attributable to $8 million in intercompany interest income relating to the $400 million receivable from PECO which was repaid during the second quarter of 2001, a $28 million reduction in intercompany interest income from Unicom Investment Inc., reflecting lower interest rates, $9 million in intercompany interest income from Generation in 2001 on the processing of certain invoice payments on behalf of Generation, a $12 million reserve for a potential plant disallowance resulting from an audit performed in conjunction with ComEd's delivery services rate case, and an $8 million decrease in various other income and deductions items.

Income Taxes

The effective income tax rate was 39.8% for the nine months ended September 30, 2002, compared to 44.8% for the nine months ended September 30, 2001. The decrease in the effective tax rate was primarily attributable to the discontinuation of goodwill amortization as of January 1, 2002, which was not deductible for income tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

ComEd's business is capital intensive and requires considerable capital resources. ComEd's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financing including the issuance of commercial paper. ComEd's access to external financing at reasonable terms is dependent on its credit ratings and the general business condition of ComEd and the utility industry. Capital resources are used primarily to fund ComEd's capital requirements, including construction, repayments of maturing debt and the payment of dividends.

Cash Flows from Operating Activities

Cash flows provided by operations for the nine months ended September 30, 2002 were $1.5 billion as compared to $1.0 billion for the nine months ended September 30, 2001. The increase in cash flows in 2002 was primarily attributable to a $69 million increase in net income, a $113 million increase in other operating activities, and a $315 million increase in working capital partially offset by a decrease of $115 million in depreciation and amortization. ComEd's future cash flows will depend upon the ability to achieve reductions in operating costs, the impact of the economy, weather, and customer choice on its revenues. Although the amounts may vary from period to period as a result of uncertainties inherent in the business, ComEd expects to continue to provide a reliable and steady source of internal cash flow from operations for the foreseeable future.

Cash Flows from Investing Activities

Cash flows used in investing activities were $526 million for the nine months ended September 30, 2002 compared to $231 million for the nine months ended September 30, 2001. The increase in cash flows used in investing activities in 2002 was primarily attributable to the paydown of the $400 million outstanding receivable with PECO in the second quarter of 2001 partially offset by an $82 million decrease in capital expenditures. ComEd's investing activities for the nine months ended September 30, 2002 were funded primarily through operating activities.

ComEd estimated that it will spend approximately $781 million in total capital expenditures for 2002. Approximately two thirds of the budgeted 2002 expenditures are for continuing efforts to further improve the reliability of its transmission and distribution systems. The remaining one third is for capital additions to support new business and customer growth. ComEd anticipates that it will obtain financing, when necessary, through borrowings, the issuance of preferred securities, or capital contributions from Exelon. ComEd's proposed capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Cash Flows from Financing Activities

Cash flows used in financing activities for the nine months ended September 30, 2002 were $970 million as compared to $518 million for the nine months ended September 30, 2001. Cash flows used in financing activities were primarily attributable to debt service and payments of dividends to Exelon. ComEd's debt financing activities for the nine months ended September 30, 2002 reflected the issuance of $600 million of First Mortgage Bonds, the issuance of $100 million of Illinois Development Finance Authority floating-rate Pollution Control Revenue Refunding Bonds, the retirement of $254 million of transitional trust notes, the early retirement of $600 million in First Mortgage Bonds with available cash, the payment at maturity of $200 million in First Mortgage Bonds, the payment at maturity of $200 million in variable rate senior notes, and the redemption of $100 million of 7.25% Illinois Development Finance Authority Pollution Control Revenue Refunding Bonds. As of September 30, 2002, ComEd had $94 million in short-term borrowings. For the nine months ended September 30, 2001, ComEd's debt financing activities reflected the retirement of $254 million of transitional trust notes. ComEd paid a $353 million dividend to Exelon during the nine months ended September 30, 2002 compared to a $253 million dividend for the nine months ended September 30, 2001.

Credit Issues

ComEd meets its short-term liquidity requirements primarily through the issuance of commercial paper, borrowings under a bank credit facility and borrowings from Exelon's intercompany money pool. ComEd, along with Exelon, PECO, and Generation, participates in a $1.5 billion unsecured 364-day revolving credit facility with a group of banks effective December 12, 2001. Under the terms of this credit facility, Exelon has the flexibility to increase or decrease the sublimits of each of the participants upon written notification to these banks. As of September 30, 2002, ComEd's sublimit under this credit facility is $200 million. ComEd expects to use the credit facility principally to support its commercial paper program. This credit facility requires ComEd to maintain a debt to total capitalization ratio of 65% or less, excluding securitization debt. At September 30, 2002, ComEd's debt to total capitalization ratio on that basis was 42%. At September 30, 2002, ComEd has $94 million in commercial paper outstanding.

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, Exelon operates an intercompany money pool. Participation in the money pool is subject to authorization by the Exelon Corporate Treasurer. Exelon, ComEd and its subsidiary Commonwealth Edison of Indiana, Inc., PECO, Generation and Business Services Company currently may participate in the money pool. Funding of, and borrowings from, the money pool are predicated on whether such funding results in mutual economic benefits to each of the participants, although Exelon is not permitted to be a net borrower from the fund. Interest on borrowings is based on short-term market rates of interest, or specific borrowing rates if the funds are provided by external financing. There have been no material money pool transactions in 2002.

ComEd's access to the capital markets, including the commercial paper market, and its financing costs in those markets are dependent on its securities ratings. None of ComEd's borrowings are subject to default or prepayment as a result of a downgrading of credit ratings although such a downgrading could increase interest charges under certain bank credit facilities.

At September 30, 2002, ComEd's capital structure, excluding the deduction from shareholders' equity of the $845 million receivable from Exelon, consisted of 48% long-term debt, 49% of common stock, 3% of preferred securities of subsidiaries, and 1% of notes payable. Long-term debt included $2.1 billion of transitional trust notes constituting obligations of certain consolidated special purpose entities representing 16% of capitalization.

Under PUHCA and the Federal Power Act, ComEd can only pay dividends from retained or current earnings: however, the SEC has authorized ComEd to pay up to $500 million in dividends out of additional paid-in capital, provided ComEd may not pay dividends out of paid-in capital after December 31, 2002 if its common equity is less than 30% of its total capitalization (including transitional trust notes). At September 30, 2002, ComEd had retained earnings of $480 million.

Contractual Obligations and Commercial Commitments

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments represent commitments triggered by future events. ComEd's contractual obligations and commercial commitments as of September 30, 2002 were materially unchanged, other than in the normal course of business, from the amounts as set forth in the December 31, 2001 Form 10-K except for the issuance of $600 million of 6.15% First Mortgage Bonds, Series 98, due March 15, 2012, the issuance of $100 million of Illinois Development Finance Authority floating-rate Pollution Control Revenue Refunding Bonds, Series 2002 due April 15, 2013, the redemption of $100 million of 7.25% Illinois Development Finance Authority Pollution Control Revenue Refunding Bonds, Series 1991 due June 1, 2011, the redemption of $200 million of 8.625% First Mortgage Bonds, Series 81, due February 1, 2022, the redemption of $200 million of 8.5% First Mortgage Bonds, Series 84 due July 15, 2022, the payment at maturity of $200 million of 7.375% First Mortgage Bonds, Series 85, due September 15, 2002, the redemption of $200 million of 8.375% First Mortgage Bonds, Series 86, due September 15, 2022, the payment at maturity of $200 million of variable rate senior notes due September 30, 2002, the payment at maturity of $100 million of 9.17% medium-term notes due October 15, 2002, and the retirement of $254 million in transitional trust notes. At September 30, 2002, ComEd had $94 million in short-term borrowings. Insured long-term debt increased $100 million related to the issuance of $100 million in variable rate debt that has been credit enhanced through the purchase of insurance coverage.

Other Factors

ComEd is a participant in Exelon's pension and postretirement benefit plans. ComEd's costs of providing pension and postretirement benefits to its retirees are dependent a number of factors, such as the discount rate, rates of return on plan assets, and the assumed rate of increase in health care costs. Approximately $17 million was included in operating and maintenance expense in 2001 for the cost of pension and post-retirement benefit plans, exclusive of the 2001 charges for employee severance programs. These costs are expected to remain consistent in 2002 but are preliminarily expected to increase by approximately $25 million in 2003 as a result of the effects of the decline in market value of plan assets and discount rates, and increases in health care costs. The actual amount of the 2003 increase will depend on market conditions.

Exelon's defined benefit pension plans, of which ComEd is a participant, currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon currently expects to make a discretionary plan contribution in the fourth quarter of 2002 of $100 million to $200 million and a discretionary plan contribution in 2003 of $300 million to $350 million. These contributions are expected to be funded primarily by Exelon's internally generated cash flows from operations or through external sources.

PECO ENERGY COMPANY

GENERAL

PECO operates in a single business segment, Energy Delivery, and its operations consist of its retail electricity distribution and transmission business in southeastern Pennsylvania and its natural gas distribution business in the Pennsylvania counties surrounding the City of Philadelphia.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Significant Operating Trends - PECO	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 1,224	$1,051	$ 173	16.5%
OPERATING EXPENSES				
Purchased Power	509	420	89	21.2%
Fuel	40	51	(11)	(21.6%)
Operating and Maintenance	140	156	(16)	(10.3%)
Depreciation and Amortization	127	115	12	10.4%
Taxes Other Than Income	85	51	34	66.7%
Total Operating Expense	901	793	108	13.6%
OPERATING INCOME	323	258	65	25.2%
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(93)	(105)	12	(11.4%)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership which holds Solely Subordinated Debentures of the Company	(2)	(2)	--	--
Other, net	5	12	(7)	(58.3%)
Total Other Income and Deductions	(90)	(95)	5	(5.3%)
INCOME BEFORE INCOME TAXES	233	163	70	42.9%
INCOME TAXES	76	59	17	28.8%
NET INCOME	157	104	53	51.0%
Preferred Stock Dividends	(2)	(2)	--	--
NET INCOME ON COMMON STOCK	$ 155	$ 102	$ 53	52.0%

Net Income

Net income on common stock increased $53 million, or 52% for the quarter ended September 30, 2002 as compared to the same 2001 period. The increase was a result of higher sales volume, favorable rate adjustments, lower operating and maintenance expense related to employee severance costs in 2001 associated with the Merger, and lower interest expense on debt partially offset by increased depreciation and amortization expense.

Operating Revenues

PECO's electric sales statistics are as follows:

	Three Months Ended September 30,			
Deliveries - (in GWh)	2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	3,422	2,175	1,247	57.3%
Small Commercial & Industrial	2,066	1,990	76	3.8%
Large Commercial & Industrial	4,006	3,835	171	4.5%
Public Authorities & Electric Railroads	224	193	31	16.1%
	9,718	8,193	1,525	18.6%
Unbundled Deliveries (2)				
Residential	371	990	(619)	(62.5%)
Small Commercial & Industrial	154	100	54	54.0%
Large Commercial & Industrial	236	249	(13)	(5.2%)
Public Authorities & Electric Railroads	--	--	--	--
	761	1,339	(578)	(43.2%)
Total Retail Deliveries	10,479	9,532	947	9.9%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy, the delivery cost of the transmission and distribution of the energy and a CTC charge.
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier.

	Three Months Ended September 30,			
Electric Revenue	2002	2001	Variance	%Change
Bundled Revenue (1)				
Residential	$ 478	$ 304	$ 174	57.2%
Small Commercial & Industrial	251	236	15	6.4%
Large Commercial & Industrial	296	282	14	5.0%
Public Authorities & Electric Railroads	21	19	2	10.5%
	1,046	841	205	24.4%
Unbundled Revenue (2)				
Residential	32	81	(49)	(60.5%)
Small Commercial & Industrial	9	5	4	80.0%
Large Commercial & Industrial	7	7	--	--
Public Authorities & Electric Railroads	--	--	--	--
	48	93	(45)	(48.4%)
Total Electric Retail Revenues	1,094	934	160	17.1%
Wholesale and Miscellaneous Revenue (3)	63	42	21	50.0%
Total Electric Revenue	$ 1,157	$ 976	$ 181	18.5%

(1) Bundled revenue reflects revenue from customers taking electric service under tariffed rates, which includes the cost of energy, the delivery cost of the transmission and distribution of the energy and a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive generation from an alternate supplier, which include a distribution charge and a CTC charge.
(3) Wholesale and miscellaneous revenues include transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the quarter ended September 30, 2002, as compared to the same 2001 period, are as follows:

	Variance
Weather	$ 60
Customer Choice	40
Rate Changes	16
Other Effects	44
Electric Retail Revenue	$ 160

- Weather. The demand for electricity services is impacted by weather conditions. Very warm weather in summer months and very cold weather in other months is referred to as "favorable weather conditions", relative to revenue because these weather conditions result in increased sales of electricity. Conversely, mild weather reduces demand.

  The weather impact was favorable compared to the prior year as a result of warmer summer weather. Cooling degree-days increased 20% for the quarter ended September 30, 2002 compared to the same 2001 period.

- Customer Choice. All PECO customers have the choice to purchase energy from other suppliers. This choice generally does not impact kWh deliveries, but reduces revenue collected from customers because they are not obtaining generation supply from PECO.

  As of September 30, 2002, the customer load served by alternate suppliers was 973 MW or 12.5% as compared to 1,042 MW or 13.6% as of September 30, 2001. For the quarter ended September 30, 2002, the percent of PECO's total retail deliveries for which PECO was the electric supplier was 92.8% in 2002, a 6.8% increase as compared to 86.0% in 2001. As of September 30, 2002, the number of customers served by alternate suppliers was 285,549 or 18.7% as compared to September 30, 2001 of 397,396 or 26.1%. The increases in the customer load and the percentage of MWh served by PECO, and the decrease in the number of customers served by alternative suppliers primarily resulted from customers selecting or returning to PECO as their electric generation supplier.

  In February 2002, New Power Company (New Power) notified PECO of its intent to withdraw from providing Competitive Default Service (CDS) to approximately 180,000 residential customers. As a result of that withdrawal, those CDS customers were returned to PECO in the second quarter of 2002. Pursuant to a tariff filing approved by the Pennsylvania Public Utility Commission (PUC), PECO is serving those returned customers at the discount energy rates on generation provided for under the original New Power CDS Agreement for the remaining term of that contract. Subsequently, in the second quarter of 2002, New Power also advised PECO it planned to withdraw from serving all of its customers in Pennsylvania, including approximately 15,000 non-CDS PECO customers. These customers were returned to PECO during the third quarter of 2002.

- Rate Changes. The increase in revenues attributable to rate changes primarily reflects a $13 million increase due to an increase in the gross receipts tax rate effective January 1, 2002.

  As permitted by the Pennsylvania Electric Competition Act, the Pennsylvania Department of Revenue has calculated a 2002 Revenue Neutral Reconciliation (RNR) adjustment to the gross receipts tax rate in order to neutralize the impact of electric restructuring on its tax revenues. In January 2002, the Pennsylvania Public Utility Commission (PUC) approved the

RNR adjustment to the gross receipts tax rate collected from customers. Effective January 1, 2002, PECO implemented the change in the gross receipts tax rate. The RNR adjustment increases the gross receipts tax rate, which is estimated to increase both PECO's annual revenues and tax obligations by approximately $50 million in 2002. The RNR adjustment was under appeal. The case was remanded to the PUC and in August 2002, the PUC ruled that PECO is properly authorized to recover these costs.

- Other Effects. Other items affecting revenue during the quarter ended September 30, 2002 include:
  - Volume. Exclusive of weather impacts, higher delivery volume increased PECO's revenue by $44 million compared to the same 2001 period.
  - Other. A payment of $7 million during the quarter ended September 30, 2002 as compared to a payment of $21 million during the quarter ended September 30, 2001 to Generation related to nuclear decommissioning cost recovery under an agreement effective September 2001.

PECO's gas sales statistics for the quarter ended September 30, 2002 as compared to the same 2001 period are as follows:

	Three Months Ended September 30,		
	2002	2001	Variance
Deliveries in mmcf	11,347	10,525	822
Revenue	$67	$ 75	$ (8)

The changes in gas revenue for the quarter ended September 30, 2002, as compared to the same 2001 period, are as follows:

(in millions)	Variance
Rate Changes	$ (4)
Weather	(3)
Volume	(1)
Gas Revenue	$ (8)

- Rate Changes. The unfavorable variance in rates is attributable to an adjustment of the purchased gas cost recovery by the PUC effective in December 2001. The average rate per million cubic feet for the quarter ended September 30, 2002 was 17% lower than the same 2001 period. PECO's gas rates are subject to periodic adjustments by the PUC designed to recover or refund the difference between actual cost of purchased gas and the amount included in base rates and to recover or refund increases or decreases in certain state taxes not recovered in base rates.
- Weather. The demand for gas service is impacted by weather conditions. Very cold weather in winter months is referred to as a "favorable weather condition," because this weather condition results in increased sales of gas. Conversely, mild weather reduces demand. Heating degree-days decreased 92% in the quarter ended September 30, 2002 compared to the same 2001 period.
- Volume. Exclusive of weather impact, delivery volume was consistent for the quarter ended September 30, 2002 compared to the same 2001 period.

Purchased Power and Fuel Expense

Purchased power and fuel expense for the quarter ended September 30, 2002 increased $78 million as compared to the same 2001 period. The increase in fuel and purchased power expense was primarily attributable to $38 million from customers in Pennsylvania selecting or returning to PECO as their electric generation supplier, $24 million as a result of favorable weather conditions, $13 million primarily attributable to higher delivery volume and higher PJM ancillary charges of $11 million. These increases were partially offset by $4 million from lower gas prices.

Operating and Maintenance Expense

O&M expense for the quarter ended September 30, 2002 decreased $16 million, or 10%, as compared to the same 2001 period. The decrease in O&M expense was primarily attributable to $18 million of employee severance costs associated with the Merger and $6 million of incremental costs related to a storm, both of which occurred in the third quarter of 2001. The decreases are partially offset by $7 million related to an increased allocation of corporate expense and $3 million related to the deployment of automated meter reading technology.

Depreciation and Amortization Expense

Depreciation and amortization expense for the quarter ended September 30, 2002 increased $12 million, or 10%, as compared to the same 2001 period as follows:

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
Depreciation Expense	$ 31	$ 30	$ 1	3.3%
Competitive Transition Charge Amortization	90	78	12	15.4%
Other Amortization Expense	6	7	(1)	(14.3%)
Total Depreciation and Amortization	$ 127	$ 115	$ 12	10.4%

The increase was primarily attributable to $12 million of additional amortization of PECO's CTC and an increase of $1 million related to depreciation expense associated with additional plant in service. The additional amortization of the CTC is in accordance with PECO's original settlement under the Pennsylvania Competition Act.

Taxes Other Than Income

Taxes other than income for the quarter ended September 30, 2002 increased $34 million, or 67%, as compared to the same 2001 period. The increase was primarily attributable to $14 million of additional gross receipts tax related to additional revenues and an increase in the gross receipts tax rate on electric revenue effective January 1, 2002. The increase was also attributable to a reduction of $9 million in the state use tax accruals in 2001 and $7 million related to an additional assessment of real estate taxes in the third quarter of 2002.

Interest Charges

Interest charges consist of interest expense and distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership (COMRPS). Interest charges decreased $12 million, or 11%, in the quarter ended September 30, 2002 as compared to the same 2001 period. The decrease was primarily attributable to lower interest expense on long-term debt of $15 million as a result of principal payments and lower interest rates.

Other Income and Deductions

Other income and deductions excluding interest charges for the quarter ended September 30, 2002 decreased $7 million, or 58%, as compared to the same 2001 period. The decrease in other income and deductions was primarily attributable to intercompany interest income of $9 million in the third quarter of 2001.

Income Taxes

The effective tax rate was at 32.6% for the quarter ended September 30, 2002 as compared to 36.2% for the same 2001 period. The decrease in the effective tax rate was primarily attributable to a favorable adjustment to prior period income taxes in connection with the completion of the 2001 tax return.

Preferred Stock Dividends

Preferred stock dividends for the quarter ended September 30, 2002 were consistent as compared to the same 2001 period.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Significant Operating Trends - PECO

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 3,239	$3,008	$ 231	7.7%
OPERATING EXPENSES				
Purchased Power	1,265	1,019	246	24.1%
Fuel	228	335	(107)	(31.9%)
Operating and Maintenance	407	413	(6)	(1.5%)
Depreciation and Amortization	348	315	33	10.5%
Taxes Other Than Income	207	135	72	53.3%
Total Operating Expense	2,455	2,217	238	10.7%
OPERATING INCOME	784	791	(7)	(0.9%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(280)	(332)	52	(15.7%)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership which holds Solely Subordinated Debentures of the Company	(7)	(7)	--	--
Other, net	7	30	(23)	(76.7%)
Total Other Income and Deductions	(280)	(309)	29	(9.4%)
INCOME BEFORE INCOME TAXES	504	482	22	4.6%
INCOME TAXES	166	171	(5)	(2.9%)
NET INCOME	338	311	27	8.7%
Preferred Stock Dividends	(6)	(7)	1	(14.3%)
NET INCOME ON COMMON STOCK	$ 332	$ 304	$ 28	9.2%

Net Income

Net income on common stock increased $28 million, or 9%, for the nine months ended September 30, 2002 as compared to the same 2001 period. The increase was a result of higher sales volume, favorable rate adjustments, lower operating and maintenance expense related to employee severance costs in 2001 associated with the Merger, and lower interest expense on debt partially offset by increased depreciation and amortization expense.

Operating Revenue

PECO's electric sales statistics are as follows:

Deliveries - (in GWh)	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Deliveries (1)				
Residential	7,592	6,307	1,285	20.4%
Small Commercial & Industrial	5,704	4,303	1,401	32.6%
Large Commercial & Industrial	11,285	9,538	1,747	18.3%
Public Authorities & Electric Railroads	617	567	50	8.8%
	25,198	20,715	4,483	21.6%
Unbundled Deliveries (2)				
Residential	1,720	2,365	(645)	(27.3%)
Small Commercial & Industrial	253	1,516	(1,263)	(83.3%)
Large Commercial & Industrial	351	2,170	(1,819)	(83.8%)
Public Authorities & Electric Railroads	--	7	(7)	(100.0%)
	2,324	6,058	(3,734)	(61.6%)
Total Retail Deliveries	27,522	26,773	749	2.8%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy, the delivery cost of the transmission and distribution of the energy and a CTC charge.
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier.

Electric Revenue	Nine Months Ended September 30, 2002	2001	Variance	% Change
Bundled Revenue (1)				
Residential	$ 999	$ 807	$ 192	23.8%
Small Commercial & Industrial	664	500	164	32.8%
Large Commercial & Industrial	829	689	140	20.3%
Public Authorities & Electric Railroads	58	53	5	9.4%
	2,550	2,049	501	24.5%
Unbundled Revenue (2)				
Residential	129	184	(55)	(29.9%)
Small Commercial & Industrial	13	73	(60)	(82.2%)
Large Commercial & Industrial	10	61	(51)	(83.6%)
Public Authorities & Electric Railroads	--	1	(1)	(100.0%)
	152	319	(167)	(52.4%)
Total Electric Retail Revenues	2,702	2,368	334	14.1%
Wholesale and Miscellaneous Revenue (3)	179	158	21	13.3%
Total Electric Revenue	$ 2,881	$ 2,526	$ 355	14.1%

(1) Bundled revenue reflects revenue from customers taking electric service under tariffed rates, which includes the cost of energy, the delivery cost of the transmission and distribution of the energy and a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive generation from an alternate supplier, which include a distribution charge and a CTC charge.
(3) Wholesale and miscellaneous revenues include transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues for the nine months ended September 30, 2002, as compared to the same 2001 period, are as follows:

	Variance
Customer Choice	$ 205
Rate Changes	45
Weather	42
Other Effects	42
Electric Retail Revenue	$ 334

- Customer Choice. As of September 30, 2002, the customer load served by alternate suppliers was 973 MW or 12.5% as compared to 1,042 MW or 13.6% as of September 30, 2001. For the nine months ended September 30, 2002, the percent of PECO's total retail deliveries for which PECO was the electric supplier was 91.6% in 2002, a 14.1% increase as compared to 77.4% in 2001. As of September 30, 2002, the number of customers served by alternate suppliers was 285,549 or 18.7% as compared to September 30, 2001 of 397,396 or 26.1%. This increase in the customer load and the percentage of MWh served by PECO, and the decrease in the number of customers served by alternative suppliers primarily resulted from customers selecting or returning to PECO as their electric generation supplier.
- Rate Changes. The increase in revenues attributable to rate changes primarily reflects the expiration of a 6% reduction in PECO's electric rates during the first quarter of 2001 and a $39 million increase as a result of the increase in the gross receipts tax rate effective January 1, 2002. These increases are partially offset by the timing of a $60 million rate reduction in effect for 2001 and 2002.
- Weather. The weather impact was favorable compared to the prior year as a result of warmer summer weather partially offset by warmer winter weather. Cooling degree-days increased 14% for the nine months ended September 30, 2002 compared to the same 2001 period. Heating degree-days decreased 16% for the nine months ended September 30, 2002 compared to the same 2001 period.
- Other Effects. Other items affecting revenue during the nine months ended September 30, 2002 include:
  - Volume. Exclusive of weather impacts, higher delivery volume increased PECO's revenue by $53 million compared to the same 2001 period.
  - Other. An $11 million settlement of CTCs by a large customer in the first quarter of 2001.

PECO's gas sales statistics for the nine months ended September 30, 2002 as compared to the same 2001 period are as follows:

	Nine Months Ended September 30,		
	2002	2001	Variance
Deliveries in mmcf	56,990	58,536	(1,546)
Revenue	$358	$482	$ (124)

The changes in gas revenue for the nine months ended September 30, 2002, as compared to the same 2001 period, are as follows:

	Variance
Rate Changes	$ (67)
Weather	(33)
Volume	(23)
Other	(1)
Gas Revenue	$ (124)

- Rate Changes. The unfavorable variance in rates is attributable to an adjustment of the purchased gas cost recovery by the PUC effective in December 2001. The average rate per million cubic feet for the nine months ended September 30, 2002 was 23% lower than the same 2001 period.
- Weather. The unfavorable weather impact is attributable to warmer winter weather during the nine months ended September 30, 2002 as compared to the same 2001 period. Heating degree-days decreased 16% in the nine months ended September 30, 2002 compared to the same 2001 period.
- Volume. Exclusive of weather impacts, lower delivery volume reduced revenue by $23 million in the nine months ended September 30, 2002 compared to the same 2001 period. Total deliveries to customers decreased 3% in the nine months ended September 30, 2002 compared to the same 2001 period, primarily as a result of slower economic conditions in 2002 partially offset by increased customer growth.

Purchased Power and Fuel Expense

Purchased power and fuel expense for the nine months ended September 30, 2002 increased $139 million as compared to the same 2001 period. The increase in fuel and purchased power expense was primarily attributable to $187 million from customers in Pennsylvania selecting or returning to PECO as their electric generation supplier and higher PJM ancillary charges of $28 million. These increases were partially offset by $67 million from lower gas prices, $8 million from lower delivery volume primarily related to gas and $6 million as a result of unfavorable weather conditions.

Operating and Maintenance Expense

O&M expense for the nine months ended September 30, 2002 decreased $6 million, or 2%, as compared to the same 2001 period. The decrease in O&M expense was primarily attributable to $18 million of employee severance costs associated with the Merger, $12 million of incremental costs related to two storms and $5 million associated with a write-off of excess and obsolete inventory, all of which occurred in 2001. These decreases are partially offset by $16 million related to an increased allocation of corporate expense and $15 million related to the deployment of automated meter reading technology.

Depreciation and Amortization Expense

Depreciation and amortization expense for the nine months ended September 30, 2002 increased $33 million, or 11%, as compared to the same 2001 period as follows:

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
Depreciation Expense	$ 94	$ 89	$ 5	5.6%
Competitive Transition Charge Amortization	236	207	29	14.0%
Other Amortization Expense	18	19	(1)	(5.3%)
Total Depreciation and Amortization	$ 348	$ 315	$ 33	10.5%

The increase was primarily attributable to $29 million of additional amortization of PECO's CTC and an increase of $5 million related to depreciation expense associated with additional plant in service. The additional amortization of the CTC is in accordance with PECO's original settlement under the Pennsylvania Competition Act.

Taxes Other Than Income

Taxes other than income for the nine months ended September 30, 2002 increased $72 million, or 53%, as compared to the same 2001 period. The increase was primarily attributable to $54 million of additional gross receipts tax related to additional revenues and an increase in the gross receipts tax rate on electric revenue effective January 1, 2002. The increase was also attributable to a reduction of $9 million in the state use tax accruals in 2001 and $7 million related to an additional assessment of real estate taxes in the third quarter of 2002.

Interest Charges

Interest charges decreased $52 million, or 16%, for the nine months ended September 30, 2002 as compared to the same 2001 period. The decrease was primarily attributable to lower interest expense on long-term debt of $40 million as a result of principal payments and lower interest rates, and $8 million in interest expense on a loan from ComEd in 2001.

Other Income and Deductions

Other income and deductions excluding interest charges decreased $23 million, or 77%, for the nine months ended September 30, 2002 as compared to the same 2001 period. The decrease in other income and deductions was primarily attributable to lower interest income of $7 million in 2002. The decrease was also attributable to intercompany interest income of $10 million, a gain on the settlement of an interest rate swap of $6 million and the favorable settlement of a customer contract of $3 million, all of which occurred in 2001.

Income Taxes

The effective tax rate was 32.9% for the nine months ended September 30, 2002 as compared to 35.5% for the same 2001 period. The decrease in the effective tax rate was primarily attributable to a favorable adjustment to prior period income taxes in connection with the completion of the 2001 tax return.

Preferred Stock Dividends

Preferred stock dividends for the quarter ended September 30, 2002 were consistent as compared to the same 2001 period.

LIQUIDITY AND CAPITAL RESOURCES

PECO's business is capital intensive and requires considerable capital resources. PECO's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financing including the issuance of commercial paper. PECO's access to external financing at reasonable terms is dependent on its credit ratings and the general business condition of PECO and the utility industry. Capital resources are used primarily to fund PECO's capital requirements, including construction, repayments of maturing debt and payment of dividends.

Cash Flows from Operating Activities

Cash flows provided by operations for the nine months ended September 30, 2002 were $473 million compared to $744 million for the nine months ended September 30, 2001. The decrease in cash flows from operating activities was primarily attributable to higher payments related to accrued expenses of $255 million and changes in intercompany receivables and payables of $181 million. These decreases were partially offset by lower payments related to accounts payable of $54 million, higher collection of deferred energy costs as a result of a change in gas rates of $36 million, higher CTC amortization of $29 million, higher net income of $27 million and changes in material and supply inventories of $13 million. PECO's cash flow from operating activities primarily results from sales of electricity and gas to a stable and diverse base of retail customers at fixed prices. PECO's future cash flows will depend upon the ability to achieve operating cost reductions, and the impact of the economy, weather and customer choice on its revenues. Although the amounts may vary from period to period as a result of the uncertainties inherent in its business, PECO expects that it will continue to provide a reliable and steady source of internal cash flow from operations for the foreseeable future.

Cash Flows from Investing Activities

Cash flows used in investing activities for the nine months ended September 30, 2002 were $177 million compared to $154 million for the nine months ended September 30, 2001. The increase in cash flows used in investing activities was primarily attributable to an increase in capital expenditures. PECO's investing activities during the nine months ended September 30, 2002 were funded primarily by operating activities.

PECO's projected capital expenditures for 2002 are $279 million. Approximately one half of the budgeted 2002 expenditures are for capital additions to support customer and load growth and the remainder for additions and upgrades to existing facilities. PECO anticipates that it will obtain financing, when necessary, through borrowings, the issuance of preferred securities, or capital contributions from Exelon. PECO's proposed capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Cash Flows from Financing Activities

Cash flows used in financing activities for the nine months ended September 30, 2002 were $214 million compared to $508 million for the nine months ended September 30, 2001. Cash flows used in financing activities are primarily attributable to debt service and payment of dividends to Exelon. The decrease in cash flows used in financing activities is primarily attributable to a change in commercial paper borrowings of $435 million, a change in

intercompany payable of $41 million, lower debt service of $16 million partially offset by lower contributions from Exelon of $91 million, additional dividends paid to Exelon in 2002 of $86 million, and the change in settlement of interest rate swap agreements of $36 million. PECO paid a $255 million dividend to Exelon during the nine months ended September 30, 2002 compared to a $169 million dividend for the nine months ended September 30, 2001.

Credit Issues

PECO meets its short-term liquidity requirements primarily through the issuance of commercial paper, borrowings under a bank credit facility and borrowings from Exelon's intercompany money pool. PECO, along with Exelon, ComEd and Generation, participates in a $1.5 billion unsecured 364-day revolving credit facility with a group of banks effective December 12, 2001. Under the terms of this credit facility, Exelon has the flexibility to increase or decrease the sublimits of each of the participants upon written notification to these banks. As of September 30, 2002, PECO's sublimit under the credit facility is $600 million. PECO expects to use the credit facility principally to support its commercial paper program. This credit facility requires PECO to maintain a debt to total capitalization ratio of 65% or less, excluding securitization debt and excluding the receivable from parent recorded in PECO's shareholders' equity. At September 30, 2002, PECO's debt to total capitalization ratio on that basis was 41%. At September 30, 2002, PECO has $375 million in commercial paper outstanding.

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, Exelon operates an intercompany money pool. Participation in the money pool is subject to authorization by the Exelon Corporate Treasurer. Exelon, ComEd and its subsidiary Commonwealth Edison of Indiana, Inc., PECO, Generation and Business Services Company currently may participate in the money pool. Funding of, and borrowings from, the money pool are predicated on whether such funding results in mutual economic benefits to each of the participants, although Exelon is not permitted to be a net borrower from the fund. Interest on borrowings is based on short-term market rates of interest, or specific borrowing rates if the funds are provided by external financing. There have been no material money pool transactions in 2002.

PECO's access to the capital markets, including the commercial paper market, and its financing costs in those markets are dependent on its credit ratings. None of PECO's borrowings are subject to default or prepayment as a result of a downgrading of credit ratings although such a downgrading could increase interest charges under certain bank credit facilities.

At September 30, 2002, PECO's capital structure, excluding the deduction from shareholders' equity of the $1.8 billion receivable from Exelon, consisted of 27% common stock, 4% notes payable, 3% preferred securities and COMRPS (which comprised 2% of PECO's total capitalization structure), and 66% long-term debt including transition bonds issued by PECO Energy Transition Trust. Long-term debt included $4.3 billion of transition bonds representing 50% of capitalization.

Under PUHCA and the Federal Power Act, PECO can pay dividends only from retained or current earnings. At September 30, 2002, PECO had retained earnings of $347 million.

Contractual Obligations and Commercial Commitments

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments represent commitments triggered by future events. PECO's contractual obligations and commercial commitments as of September 30, 2002 were materially unchanged, other than in the normal course of business, from the amounts as set forth in the December 31, 2001 Form 10-K except for principal payments of $326 million on transition bonds, additional borrowings of commercial paper of $274 million, the issuance of $225 million of 4.75% First and Refunding Mortgage Bonds, due October 1, 2012 and the payment at maturity of $222 million of First and Refunding Mortgage Bonds.

Other Factors

PECO is a participant in Exelon's pension and postretirement benefit plans. PECO's costs of providing pension and postretirement benefits to its retirees is dependent on a number of factors, such as the discount rate, rates of return on plan assets, and the assumed rate of increase in health care costs. A credit of approximately $2 million was included as a reduction to operating and maintenance expense in 2001 for the cost of PECO's pension and post-retirement benefit plans, exclusive of the 2001 charges for employees severance programs. These costs are expected to increase in 2002 by approximately $23 million as the result of the effects of the decline in market value of plan assets and discount rates, and increases in health care costs. Further increases in pension and postretirement expense are expected for the year 2003. Although the 2003 increase will depend on market conditions PECO preliminarily estimates that pension and postretirement benefit costs will increase by approximately $15 million in 2003 from 2002 cost levels.

Exelon's defined benefit pension plans, of which PECO is a participant, currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974, however Exelon currently expects to make a discretionary plan contribution in the fourth quarter of 2002 of $100 million to $200 million and a discretionary plan contribution in 2003 of $300 million to $350 million. These contributions are expected to be funded primarily by Exelon's internally generated cash flows from operations or through external sources.

EXELON GENERATION COMPANY, LLC

GENERAL

The operations of Generation consist of electric generating facilities, energy marketing operations and equity interests in Sithe and AmerGen.

Generation early adopted the provision of EITF 02-3 that requires revenues and energy costs related to energy trading contracts to be presented on a net basis in the income statement. For comparative purposes, energy costs related to energy trading have been reclassified in prior periods to revenue to conform to the net basis of presentation required by EITF 02-3.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Significant Operating Trends - Generation

	Three Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 2,213	$ 2,191	$ 22	1.0%
OPERATING EXPENSES				
Purchased Power	1,257	1,268	(11)	(0.9%)
Fuel	273	242	31	12.8%
Operating and Maintenance	391	364	27	7.4%
Depreciation	68	57	11	19.3%
Taxes Other Than Income	37	36	1	2.8%
Total Operating Expense	2,026	1,967	59	3.0%
OPERATING INCOME	187	224	(37)	(16.5%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(23)	(41)	18	43.9%
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	87	60	27	45.0%
Other, net	14	(25)	39	156.0%
Total Other Income and Deductions	78	(6)	84	n.m.
INCOME BEFORE INCOME TAXES	265	218	47	21.6%
INCOME TAXES	102	78	24	30.8%
NET INCOME	$ 163	$ 140	$ 23	16.4%

n.m. - not meaningful

Net Income

Generation's net income increased by $23 million, or 16%, for the three months ended September 30, 2002 compared to the same period in the prior year. Net income was positively impacted by increased revenue from affiliates, increased revenue from two generating plants acquired in April 2002, reduced interest expense and increased equity in earnings of unconsolidated subsidiaries, partially offset by depressed wholesale market prices for energy, increased depreciation and increased operating and maintenance expenses.

Operating Revenues, Net of Purchased Power and Fuel Expenses

Operating revenues, net of purchased power and fuel were $683 million for the three months ended September 30, 2002 compared to $681 million for the same period in 2001. Excluding the impact of a $16 million decrease in decommissioning revenues in 2002 due to the timing of those revenues in 2001, marketing and trading margin increased by $18 million. The increase in marketing and trading margins was due to increased margin from sales to affiliates offset by lower margin on market sales and trading losses. Margin from sales to affiliates increased by $94 million. This increase was attributable to weather related increased deliveries to PECO and ComEd, lower average supply costs, and $8 million for the effects of certain third-party energy reconciliations. The margin gains from sales to affiliates were offset by $59 million lower margin from market sales and a $17 million decrease in trading margin. Market sales margins were negatively impacted by lower average market sales prices of $7.05/MWh. Excluding the benefit of $58 million of margin associated with the Texas plant acquisition, average market prices realized for the three months ended September 30, 2002 were $9.79/MWh lower than the same 2001 period. The effect of the lower sales prices were partially offset by lower average supply costs and increased market sales volumes. The $17 million decrease in trading margin reflects a $12 million net loss for the period ended September 30, 2002 as compared to a $5 million net gain in the same 2001 period. Average supply costs decreased by $2.04/MWh for the period ending September 30, 2002 as compared to the same 2001 period. This decrease was principally attributed to lower purchase power costs associated with lower wholesale market prices realized and reduced transmission costs.

For the three months ended September 30, 2002 and 2001, Generation's sales and the supply of these sales excluding the trading portfolio, were as follows:

	Three Months Ended September 30,		
Sales (in GWhs)	2002	2001	% Change
Energy Delivery	34,535	32,692	5.6%
Exelon Energy	1,461	2,038	(28.3%)
Market Sales	21,177	17,781	19.1%
Total Sales	57,173	52,511	8.9%

	Three Months Ended September 30,		
Supply of Sales (in GWhs)	2002	2001	% Change
Nuclear Generation	29,817	28,456	4.8%
Purchases - non-trading portfolio	23,425	20,505	14.2%
Fossil and Hydro Generation	3,931	3,550	10.7%
Total Supply	57,173	52,511	8.9%

Trading volume of 28,455 GWhs and 1,832 GWhs for the three months ended September 30, 2002 and 2001, respectively, is not included in the table above.

Generation's average margins on energy sales for the three months ended September 30, 2002 and 2001 are as follows:

($/MWh)	Three Months Ended September 30, 2002	2001	% Change
Average Realized Revenue			
Energy Delivery	$ 40.18	$ 40.01	0.4%
Exelon Energy	49.72	46.67	6.5%
Market Sales	35.50	42.55	(16.6%)
Total Sales - excluding the trading portfolio	38.69	41.13	(5.9%)
Average Supply Cost (1) - excluding trading portfolio	$ 26.66	$ 28.70	(7.1%)
Average Margin - excluding the trading portfolio	$ 12.04	$ 12.43	(3.1%)

(1) Average supply cost includes purchase power and fuel cost.

Generation's nuclear fleet, including AmerGen, performed at a capacity factor of 93.9% for the three months ended September 30, 2002 compared to 93.0% for the same period in 2001. Generation's nuclear fleet's production costs, including AmerGen, for the three months ended September 30, 2002 were $12.40 per MWh compared to $12.52 per MWh for the same period in 2001. Reduced unit production costs reflect additional generation due to power uprates and headcount reductions and Exelon's Cost Management Initiative. Generation's average purchased power costs for wholesale operations were $53.75 per MWh for the three months ended September 30, 2002, compared to $62.18 per MWh for the same period in 2001. The decrease in purchase power costs was primarily due to depressed wholesale power market prices.

Operating and Maintenance Expense

Operating and maintenance expenses increased $27 million, or 7%, for the three months ended September 30, 2002 compared to the same period in 2001. The increase was primarily due to additional operating and maintenance expenses of $10 million arising from an increased number of nuclear plant refueling outage days during the three months ended September 30, 2002 compared to the same period in 2001, additional operating costs of $3 million related to fossil plant outage work and $7 million related to the two generating plants acquired in April 2002. These increases were partially offset by other operating cost reductions, including reductions from Exelon's Cost Management Initiative.

Depreciation Expense

Depreciation expense increased $11 million, or 19%, for the three months ended September 30, 2002 compared to the same period in the prior year. This increase is due to a $7 million of additional depreciation expense on routine capital additions, $2 million related to the Southeast Chicago Energy Project, and $2 million related to two generating plants acquired in April 2002.

Taxes Other Than Income

Taxes other than income was substantially unchanged for the three months ended September 30, 2002 compared to the same period in the prior year.

Interest Expense

Interest expense decreased $18 million, or 44%, for the three months ended September 30, 2002, compared to the same period in the prior year. The decrease is primarily due to $4 million of lower interest related to a lower rate on the spent nuclear fuel obligation and $13 million of lower affiliate interest expense.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates increased $27 million, or 45%, for the three months ended September 30, 2002 compared to the same period in the prior year. This increase was due to an $18 million increase in Generation's equity earnings in Sithe primarily due to a mark-to-market adjustment related to the Dynegy tolling agreement with the Independence Generating station, partially offset by an impairment adjustment for the New Boston 1 Generating station. The increase is also due to a $9 million increase in Generation's equity earnings in AmerGen, primarily due to better station capacity performance and the power uprate at TMI conducted in the fourth quarter of 2001.

Other, net

Other, net increased $39 million for the three months ended September 30, 2002 compared to the same period in the prior year primarily due to substantial market losses on decommissioning trust investments during 2001 as compared to the same period in 2002, partially offset by a decrease in affiliate interest income.

Income Taxes

The effective income tax rate was 38.50% for the three months ended September 30, 2002 and 35.78% for the three months ended September 30, 2001. The higher effective tax rate was the result of realized losses in 2001 on qualified decommissioning trust investments that are tax effected at a higher rate.

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Significant Operating Trends - Generation

	Nine Months Ended September 30,			
	2002	2001	Variance	% Change
OPERATING REVENUES	$ 5,233	$ 5,403	$ (170)	(3.1%)
OPERATING EXPENSES				
Purchased Power	2,581	2,589	(8)	(0.3%)
Fuel	706	691	15	2.2%
Operating and Maintenance	1,234	1,173	61	5.2%
Depreciation	197	224	(27)	(12.1%)
Taxes Other Than Income	126	121	5	4.1%
Total Operating Expense	4,844	4,798	46	1.0%
OPERATING INCOME	389	605	(216)	(35.7%)
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(51)	(100)	49	49.0%
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	119	99	20	20.2%
Other, net	54	(7)	61	n.m.
Total Other Income and Deductions	122	(8)	130	n.m.
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	511	597	(86)	(14.4%)
INCOME TAXES	198	228	(30)	(13.2%)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	313	369	(56)	(15.2%)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAXES	13	12	1	8.3%
NET INCOME	$ 326	$ 381	$ (55)	(14.4%)

Net Income

Generation's net income decreased by $55 million, or 14%, for the nine months ended September 30, 2002 compared to the same period in 2001. Net income was adversely impacted by a lower margin on wholesale energy sales due to depressed market prices for energy, a reduced supply of low-cost nuclear generation, and increased operating and maintenance expense. The decrease was partially offset by increased revenue from affiliates, increased revenue from the acquisition of two generating plants in April 2002, increased interest income, decreased depreciation expense, and decreased interest expense.

Operating Revenues, Net of Purchased Power and Fuel Expenses

Operating revenues, net of purchased power and fuel were $1,946 million for the nine months ended September 30, 2002 compared to $2,123 million for the same period in the prior year. Marketing and trading margin decreased by $169 million, which was due to lower margin on market sales and trading losses but partially offset by increased margin from sales to affiliates. Margin from sales to affiliates increased by $181 million. This increase was attributable to weather-related increased deliveries to PECO and ComEd, lower average supply costs, and $8 million for third-party energy reconciliations. The margin gains

from sales to affiliates were offset by $324 million lower margin from market sales and a $26 million decrease in trading margin. Market sales margins were negatively impacted by lower average market sales prices of $8.40/MWh. Excluding the benefit of $99 million of margin associated with the Texas plant acquisition, average market prices realized for the three months ended September 30, 2002 were $10.02/MWh lower than the same 2001 period. The effect of the lower sales prices were partially offset by lower average supply costs and increased market sales volumes. The $26 million decrease in trading margin reflects a $27 million loss for nine-month period ended September 30, 2002 as compared to a $1 million loss in the same 2001 period. Average supply costs decreased by $1.14/MWh for the period ending September 30, 2002 as compared to the same 2001 period. This decrease was principally attributed to lower purchase power costs associated with lower wholesale market prices realized and reduced transmission costs.

For the nine months ended September 30, 2002 and 2001, Generation's sales and the supply of these sales excluding the trading portfolio were as follows:

	Nine Months Ended September 30,		
Sales (in GWhs)	2002	2001	% Change
Energy Delivery	90,579	90,001	0.6%
Exelon Energy	4,067	5,044	(19.4%)
Market Sales	61,089	53,787	13.6%
Total Sales	155,735	148,832	4.6%

	Nine Months Ended September 30,		
Supply of Sales (in GWhs)	2002	2001	% Change
Nuclear Generation	86,127	87,397	(1.5%)
Purchases - non-trading portfolio	59,496	52,459	13.4%
Fossil and Hydro Generation	10,112	8,976	12.7%
Total Supply	155,735	148,832	4.6%

Trading volume of 51,260 GWhs and 2,286 GWhs for the nine months ended September 30, 2002 and 2001, respectively, is not included in the table above.

Generation's average margins on energy sales for the nine months ended September 30, 2002 and 2001 are as follows:

($/MWh)	Nine Months Ended September 30, 2002	2001	% Change
Average Realized Revenue			
Energy Delivery	$ 34.33	$ 33.37	2.9%
Exelon Energy	46.75	42.28	10.6%
Market Sales	31.55	39.95	(21.0%)
Total Sales - excluding the trading portfolio	33.56	36.05	(6.9%)
Average Supply Cost (1) - excluding trading portfolio	$ 21.04	$ 21.72	(3.1%)
Average Margin - excluding the trading portfolio	$ 12.52	$ 14.18	(11.7%)

(1) Average supply cost includes purchase power and fuel cost.

Generation's nuclear fleet, including AmerGen, performed at a capacity factor 92.1% for the nine months ended September 30, 2002 compared to 95.1% for the same period in 2001. Generation's nuclear fleet's production costs, including AmerGen, for the nine months ended September 30, 2002 were $13.05 per MWh compared to $12.40 per MWh for the same period in 2001. The lower capacity factor and increased unit production costs are primarily due to 186 planned outage days in the nine months ended September 30, 2002, versus 55 days in the same period in 2001, including AmerGen. Increased unit production costs are partially offset by headcount reductions and Exelon's Cost Management Initiatives. Generation's average purchased power costs for wholesale operations were $43.60 per MWh for the nine months ended September 30, 2002, compared to $49.77 per MWh for the same period in 2001. The decrease in purchase power costs was primarily due to depressed wholesale power market prices.

Operating and Maintenance Expense

Operating and maintenance expense increased $61 million, or 5%, for the nine months ended September 30, 2002 compared to the same period in 2001. The increase was due to the additional operating and maintenance expense of $65 million arising from an increased number of nuclear plant refueling outages during the nine months ended September 30, 2002 compared to the same period in 2001, as well as additional allocated corporate costs including executive severance. These additional expenses were offset by other operating cost reductions, including $11 million related to headcount reductions, a $10 million reduction in Generation's severance accrual and cost reductions from Exelon's Cost Management Initiative. The severance reduction represents a reversal of costs previously charged to operating expense.

Depreciation Expense

Depreciation expenses decreased $27 million, or 12%, for the nine months ended September 30, 2002 compared to the same period in 2001. This decrease is due to a $46 million reduction in depreciation expense arising from the extension of the useful lives on certain generation facilities, partially offset by $14 million of additional depreciation expense on capital additions placed in service, including the Southeast Chicago Energy Project in July 2002, and two generating plants acquired in April 2002.

Taxes Other Than Income

Taxes other than income increased $5 million, or 4%, for the nine months ended September 30, 2002 compared to the same period in 2001 due primarily to the Texas franchise taxes related to two generating plants acquired in April 2002 and an increase in property taxes.

Interest Expense

Interest expense decreased $49 million, or 49%, for the nine months ended September 30, 2002, compared to the same period in 2001. The decrease is due to $16 million of capitalized interest, $17 million of lower interest related to a lower rate on the spent nuclear fuel obligation, and $35 million of lower affiliate interest expense. This decrease is partially offset by an $18 million increase in interest expense on long-term debt.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates increased $20 million, or 20%, for the nine months ended September 30, 2002 compared to the same period in 2001. This increase was due to a $23 million increase in Generation's equity earnings in Sithe primarily due to a mark-to-market adjustment related to the Dynegy tolling agreement with the Independence Generating station, partially offset by an impairment adjustment for the New Boston 1 Generating station. This increase was partially offset by a decrease of $3 million in Generation's equity earnings in AmerGen.

Other, net

Other, net increased $61 million for the nine months ended September 30, 2002 compared to the same period in 2001, primarily due to substantial market losses on decommissioning trust investments during 2001 as compared to the same period in 2002, partially offset by a decrease in affiliate interest income.

Income Taxes

The effective income tax rate was substantially unchanged at 38.7% for the nine months ended September 30, 2002 compared to 38.2% for the same period in 2001.

Cumulative Effect of Changes in Accounting Principles

On January 1, 2002, Generation adopted SFAS No. 141 resulting in a benefit of $13 million (net of income taxes of $9 million).

On January 1, 2001, Generation adopted SFAS No. 133, as amended, resulting in a benefit of $12 million (net of income taxes of $7 million).

LIQUIDITY AND CAPITAL RESOURCES

Generation's business is capital intensive and requires considerable capital resources. Generation's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financings including the issuance of commercial paper and borrowings or capital contributions from Exelon. Generation's access to external financing at reasonable terms is dependent on its credit ratings and its general business condition, as well as the general business condition of the industry. Capital

resources are used primarily to fund Generation's capital requirements, including construction, investments in new and existing ventures, and repayments of maturing debt. Any future acquisitions could require external financing or borrowings or capital contributions from Exelon.

Cash Flows from Operating Activities

Cash flows provided by operations were $771 million for the nine months ended September 30, 2002, compared to $782 million for the same period in 2001. Generation's cash flows from operating activities primarily result from the sale of electric energy to wholesale customers, including Generation's affiliated companies, as well as settlements arising from Generation's trading activities. Generation's future cash flow from operating activities will depend upon future demand and market prices for energy and the ability to continue to produce and supply power at competitive costs.

Cash Flows from Investing Activities

Cash flows used in investing activities were $1,343 million for the nine months ended September 30, 2002, compared to $542 million for the same period in 2001. Capital expenditures were $363 million and the investment in nuclear fuel was $352 million in the nine months ended September 30, 2002 compared to capital expenditures of $282 million and investment in nuclear fuel of $215 million in the same period in 2001. An increased number of nuclear generating station refueling outages occurred during the nine months ended September 30, 2002 compared to the same period in 2001. In addition to the 2002 capital expenditures, Generation purchased two generating plants from TXU on April 25, 2002. The $443 million purchase was funded with available cash and borrowings from Exelon. Generation's investing activities were funded from operating activities, borrowings from Exelon and the use of available cash.

In February 2002, Generation entered into an agreement to loan AmerGen up to $75 million at an interest rate of one-month LIBOR plus 2.25%. In July 2002, the loan agreement and the loan were increased to $100 million and the maturity date was extended to July 1, 2003. As of September 30, 2002, the balance of the loan to AmerGen was $42 million.

Cash Flows from Financing Activities

Cash flows provided by financing activities were $387 million for the nine months ended September 30, 2002, compared to cash used of $34 million for the same period in the prior year. During 2002, Generation obtained a $348 million loan from Exelon, which included $331 million for the acquisition of two generating plants. The prior year amount represented net distributions of $156 million to Exelon and the issuance of long-term debt of $821 million. Also, in 2001, Generation repaid $696 million it had borrowed from Exelon related to the acquisition of a 49.9% interest in Sithe.

Credit Issues

Generation meets its short-term liquidity requirements primarily through the issuance of commercial paper, borrowings under a bank credit facility and borrowings from Exelon's intercompany money pool. Generation, along with Exelon, ComEd and PECO, participates in a $1.5 billion unsecured 364-day revolving credit facility with a group of banks effective December 12, 2001. Under the terms of this credit facility, Exelon has the flexibility to increase or decrease the sublimits of each of the participants upon written notification to these banks. As of September 30, 2002, Generation's sublimit under this credit facility is zero. This credit facility requires Generation to maintain a

debt to total capitalization ratio of 65% or less. At September 30, 2002, Generation's debt to total capitalization ratio was 34%.

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, Exelon operates an intercompany money pool. Participation in the money pool is subject to authorization by the Exelon Corporate Treasurer. Exelon, ComEd and its subsidiary Commonwealth Edison of Indiana, Inc., PECO, Generation and Business Services Company currently may participate in the money pool. Funding of, and borrowings from, the money pool are predicated on whether such funding results in mutual economic benefits to each of the participants, although Exelon is not permitted to be a net borrower from the fund. Interest on borrowings is based on short-term market rates of interest, or specific borrowing rates if the funds are provided by external financing. There have been no material money pool transactions in 2002.

Generation's access to the capital markets and its financing costs in those markets are dependent on its credit ratings. None of Generation's borrowings are subject to default or prepayment as a result of a downgrading of credit ratings although such a downgrading could increase interest charges under certain bank credit facilities.

At September 30, 2002, Generation's capital structure consisted of 66% common stock, 8% notes payable, and 26% long-term debt.

From time to time Generation enters into energy commodity and other derivative transactions that require the maintenance of investment grade ratings. Failure to maintain investment grade ratings would allow the counterparty to terminate the derivative and settle the transaction on a net present value basis.

Under PUHCA and the Federal Power Act, Generation can only pay dividends from undistributed or current earnings. At September 30, 2002, Generation had undistributed earnings of $850 million.

Contractual Obligations and Commercial Commitments

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments represent commitments triggered by future events. Generation's contractual obligations and commercial commitments as of September 30, 2002 were materially unchanged, other than in the normal course of business, from the amounts set forth in the December 31, 2001 Form10-K except for the following:

- On April 25, 2002, Generation purchased two generating plants from TXU. The $443 million purchase was funded primarily with borrowings from Exelon.

- On June 26, 2002, Generation agreed to purchase Sithe New England and related power marketing operations, for a $543 million note. In addition, Generation will assume various Sithe guarantees related to an equity contribution agreement between Sithe New England and Boston Generation, a project subsidiary of Sithe New England. The equity contribution agreement requires, among other things, that Sithe New England, upon the occurrence of certain events, contribute up to $38 million of equity for the purpose of completing the construction of two generating facilities. Boston Generation established a $1.2 billion credit facility in order to finance the construction of these two generating facilities. The approximately $1.1 billion expected to be outstanding under the facility at the transaction closing date, will be reflected on Exelon's Consolidated Balance Sheet. Sithe New England has provided security interests in and has pledged the stock of its other project subsidiaries to Boston Generation. If the closing conditions are satisfied, the transaction could be completed in November 2002.

- Purchase obligations increased by $2.3 billion, primarily due to an increase of $3.8 billion in power only purchases and a $0.1 billion increase in transmission rights purchases partially offset by a $1.6 billion decrease in net capacity purchase commitments. Approximately $2 billion of the increase in power only purchases is due to Generation's agreement to purchase all the energy from Unit No. 1 at Three Mile Island after December 31, 2001 through December 31, 2014 and the remaining $1.8 billion increase is primarily due to purchase contracts entered into in lieu of a portion of the Midwest Generation options contracts. The increase in transmission rights purchases is primarily due to estimated commitments in 2004 and 2005 for additional transmission rights that will be required to fulfill firm sales contracts. The decrease in net capacity purchase commitments is due primarily to the decision not to exercise options to purchase 4,411 MWs of capacity from Midwest Generation in 2002 through 2004 as well as the increase in capacity sales under the TXU tolling agreement.

- At September 30, 2002, Southeast Chicago, a company 70% owned by Generation, was obligated to make equity distributions of $55 million over the next 20 years to the unaffiliated third party owning the remaining 30% of Southeast Chicago. This amount reflects a return of such third party's investment in Southeast Chicago's peaking facility in Chicago, IL. Generation has the right to purchase, generally at a premium, and this third party has the right to require Generation to purchase, generally at a discount, its remaining investment in Southeast Chicago. Additionally, Generation may be required to purchase the third party's remaining investment in Southeast Chicago upon the occurrence of certain events, including upon a failure by Generation to maintain an investment grade rating.

- Guarantees decreased by approximately $80 million primarily related to $120 million of letters of credit on pollution control bonds being renewed and no longer required to be guaranteed.

Off Balance Sheet Obligations

Generation owns 49.9% of the outstanding common stock of Sithe and has an option, beginning on December 18, 2002 and expiring in December 2005 to purchase the remaining common stock outstanding (Remaining Interest) in Sithe. The purchase option expires on December 18, 2005. In addition, the Sithe stockholders who own in the aggregate the Remaining Interest have the right to require Generation to purchase the Remaining Interest (Put Rights) during the same period in which Generation can exercise its purchase option. At the end of this exercise period, if Generation has not exercised its purchase option and the other Sithe stockholders have not exercised their Put Rights, Generation will have an additional one-time option to purchase shares from the other stockholders in Sithe to bring Generation's ownership in Sithe from the current 49.9% to 50.1% of Sithe's total outstanding common stock.

If Generation exercises its option to acquire the Remaining Interest, or if all the other Sithe stockholders exercise their Put Rights, the purchase price for 70% of the Remaining Interest will be set at fair market value subject to a floor of $430 million and a ceiling of $650 million. The balance of the Remaining Interest will be valued at fair market value subject to a floor of $141 million and a ceiling of $330 million. In either instance, the floor and ceiling will accrue interest from the beginning of the exercise period.

If Generation increases its ownership in Sithe to 50.1% or more, Sithe will become a consolidated subsidiary and Exelon's financial results will include Sithe's financial results from the date of purchase. At September 30, 2002, Sithe had total assets of $4.2 billion and total debt of $2.1 billion, including $1.6 billion of subsidiary debt, incurred to finance the construction of two new generating facilities of which $1.1 billion is associated with Sithe New England, $0.4 billion of subordinated debt, $47 million of short-term debt, $33 million of capital leases, and excluding $430 million of non-recourse project debt associated with Sithe's equity investments. For the nine months ended September 30, 2002, Sithe had revenues of $0.9 billion. As of September 30, 2002, Generation had a $722 million equity investment in Sithe.

On June 26, 2002, Generation agreed to purchase Sithe New England and related power marketing operations, for a $543 million note. In addition, Generation will assume various Sithe guarantees related to an equity contribution agreement between Sithe New England and Boston Generation, a project subsidiary of Sithe New England. The equity contribution agreement requires, among other things, that Sithe New England, upon the occurrence of certain events, contribute up to $38 million of equity for the purpose of completing the construction of two generating facilities. Boston Generation established a $1.2 billion credit facility in order to finance the construction of these two generating facilities. The approximately $1.1 billion expected to be outstanding under the facility at the transaction closing date, will be reflected on Exelon's Consolidated Balance Sheet. Sithe New England has provided security interests in and has pledged the stock of its other project subsidiaries to Boston Generation. If the closing conditions are satisfied, the transaction could be completed in November 2002.

Additionally, the debt on the books of Exelon's unconsolidated equity investments and joint ventures is not reflected on Exelon's Consolidated Balance Sheets. Total investee debt, at September 30, 2002 including the debt of Sithe described in the preceding paragraph, is currently estimated to be $2.2 billion ($1.1 billion based on Exelon's ownership interest of the investments).

Generation and British Energy, Generation's joint venture partner in AmerGen, have each agreed to provide up to $100 million to AmerGen at any time that the Management Committee of AmerGen determines that, in order to protect the public health and safety and/or to comply with NRC requirements, such funds are necessary to meet ongoing operating expenses or to safely maintain any AmerGen plant.

Other Factors

Generation is a counterparty to Dynegy in various energy transactions. In early July 2002, the credit ratings of Dynegy were downgraded by two credit rating agencies to below investment grade. As of September 30, 2002, Generation had a net receivable from Dynegy of approximately $7 million, and consistent with the terms of the existing credit arrangement, has received collateral in support of this receivable. Generation also has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,040 MW gas-fired qualified facility that has an energy only long-term tolling arrangement with Dynegy, with a related financial swap arrangement. As of September 30, 2002, Sithe had recognized an asset on its balance sheet related to the fair value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy is unable to fulfill the terms of this agreement, Sithe would be required to write-off the fair value asset, which Generation estimates would result in an approximate $22 million reduction in its equity earnings from Sithe, based on Generation's current 49.9% investment ownership in Sithe. Additionally, the future economic value of Sithe's investment in the

Independence Station and AmerGen's purchased power arrangement with Illinois Power, a subsidiary of Dynegy, could be impacted by events related to Dynegy's financial condition.

Generation is a participant in Exelon's pension and postretirement benefit plans. Generation's costs of providing pension and postretirement benefits to its retirees is dependent up a number of factors, such as the discount rate, rates of return on plan assets, and the assumed rate of increase in health care costs. Approximately $13 million was included as a reduction to operating and maintenance expense in 2001 for the cost of Generation's pension and post-retirement benefit plans, exclusive of the 2001 charges for employees severance programs. These costs are expected to increase in 2002 by approximately $24 million as the result of the effects of the decline in market value of plan assets and discount rates, and increases in health care costs. Further increases in pension and postretirement expense are expected for the year 2003. Although the 2003 increase will depend on market conditions, Generation preliminarily estimates that pension and postretirement benefit costs will increase by approximately $30 million in 2003 from 2002 cost levels.

Exelon's defined benefit pension plans, of which Generation is a participant, currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon currently expects to make a discretionary plan contribution in the fourth quarter of 2002 of $100 million to $200 million and a discretionary plan contribution in 2003 of $300 million to $350 million. These contributions are expected to be funded primarily by Exelon's internally generated cash flows from operations or through external sources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Commodity Price Risk

Generation

Generation's energy contracts are accounted for under SFAS No. 133. Most non-trading contracts qualify for a normal purchases and normal sales exception. Those that do not are recorded as assets or liabilities on the balance sheet at fair value. Changes in the fair value of qualifying cash-flow hedge contracts are recorded in accumulated other comprehensive income, and gains and losses are recognized in earnings when the underlying transaction matures. Mark-to-market gains and losses on other derivative contracts that do not meet hedge criteria under SFAS No. 133 and the ineffective portion of hedge contracts are recognized in earnings on a current basis. Amounts recognized in earnings related to energy contracts for the three months ended September 30, 2002 and 2001 include $8 million of realized losses from cash-flow hedge contract settlements and $1 million in non-cash mark-to-market gains on other derivative contracts, and for the nine months ended September 30, 2002 include $47 million of realized gains from cash-flow hedge contract settlements and $1 million in non-cash mark-to market losses on other derivative contracts.

Outlined below is a summary of the changes in fair value for those contracts included as assets and liabilities in Exelon and Generation's Consolidated Balance Sheet for the three months and nine months ended September 30, 2002:

	Three Months Ended September 30, 2002	
(in millions)	Normal Operations and Hedging Activities	Proprietary Trading
Fair value of contracts outstanding as of July 1, 2002	$ (19)	$ 1
Change in fair value during the three months ended September 30, 2002:		
Contracts settled during period	4	13
Mark-to-market gain/(loss) on contracts settled during the period	12	(10)
Mark-to-market gain/(loss) on other contracts	(39)	(3)
Changes in fair value attributable to changes in valuation techniques and assumptions	--	--
Total change in fair value	(23)	--
Fair value of contracts outstanding at September 30, 2002	$ (42)	$ 1

The total change in fair value during the three months ended September 30, 2002 is reflected in the 2002 financial statements as follows:

	Normal Operations and Hedging Activities	Proprietary Trading
Mark-to-market gain/(loss) on trading activities and non-qualifying hedge contracts or hedge ineffectiveness reflected in earnings	$ 1	$ --
Mark-to-market gain/(loss) on cash-flow hedge contracts reflected in Other Comprehensive Income	(24)	--
Total change in fair value	$ (23)	$ --

(in millions)	Nine Months Ended September 30, 2002 Normal Operations and Hedging Activities	Proprietary Trading
Fair value of contracts outstanding as of January 1, 2002	$ 78	$ 14
Change in fair value during the nine months ended September 30, 2002:		
Contracts settled during period	(60)	15
Mark-to-market gain/(loss) on contracts settled during the period	33	(17)
Mark-to-market gain/(loss) on other contracts	(93)	(11)
Changes in fair value attributable to changes in valuation techniques and assumptions	--	--
Total change in fair value	(120)	(13)
Fair value of contracts outstanding at September 30, 2002	$ (42)	$ 1

The total change in fair value during the nine months ended September 30, 2002 is reflected in the 2002 financial statements as follows:

	Normal Operations and Hedging Activities	Proprietary Trading
Mark-to-market gain/(loss) on trading activities and non-qualifying hedge contracts or hedge ineffectiveness reflected in earnings	$ 12	$ (13)
Mark-to-market gain/(loss) on cash-flow hedge contracts reflected in Other Comprehensive Income	(132)	--
Total change in fair value	$ (120)	$ (13)

The majority of Generation's contracts are non-exchange traded contracts valued using prices provided by external sources, which primarily represent price quotations available through brokers or over-the-counter, on-line exchanges. Prices reflect the average of the bid-ask midpoint prices obtained from all sources that Generation believes provide the most liquid market for the commodity. The terms for which such price information is available varies by commodity, by region and by product. The remainder of the assets represent contracts for which external valuations are not available, primarily option contracts. These contracts are valued using the Black model, an industry standard option valuation model, and other valuation techniques and are discounted using a risk-free interest rate. The fair values in each category reflect the level of forward prices and volatility factors as of September 30, 2002 and may change as a result of future changes in these factors.

Mark-to market gains and losses on qualifying cash-flow hedge contracts are recorded in accumulated other comprehensive income, and will be reclassified into earnings when the contract settles. Mark-to-market gains and losses on derivative contracts that do not meet hedge criteria under SFAS No. 133 and the ineffective portion of hedge contracts have been recognized in earnings on a current basis. The maturities, or expected settlement dates, of the qualifying cash flow hedge contracts recorded in accumulated other comprehensive income, and the other non-trading and trading derivative contracts and sources of fair value as of September 30, 2002 are as follows:

	Maturities within						
(in millions)	2002	2003	2004	2005	2006	2007 and Beyond	Total Fair Value
Normal Operations, qualifying cash flow hedge contracts (1):							
Prices provided by other external sources	$ (4)	$ (31)	$ (16)	$ (2)	$ (1)	--	$ (54)
Total	$ (4)	$ (31)	$ (16)	$ (2)	$ (1)	--	$ (54)
Normal operations, other derivative contracts (2):							
Actively quoted prices	$ 1	--	--	--	--	--	$ 1
Prices provided by other external sources	11	20	4	(10)	2	--	27
Prices based on model or other valuation methods	--	--	(5)	(4)	(7)	--	(16)
Total	$ 12	$ 20	$ (1)	$(14)	$ (5)	--	$ 12
Proprietary Trading, other derivative contracts (3):							
Actively quoted prices	$ 2	--	--	--	--	--	$ 2
Prices provided by other external sources	(10)	3	(3)	--	--	--	(10)
Prices based on model or other valuation methods	4	4	1	--	--	--	9
Total	$ (4)	$ 7	$ (2)	--	--	--	$ 1

(1) Mark-to-market gains and losses on contracts that qualify as cash-flow hedges are recorded in other comprehensive income.

(2) Mark-to-market gains and losses on other non-trading derivative contracts that do not qualify as cash-flow hedges are recorded in earnings.

(3) Mark-to-market gains and losses on trading contracts are recorded in earnings.

Credit Risk

Exelon and Generation

Generation is a counterparty to Dynegy in various energy transactions. In early July 2002, the credit ratings of Dynegy were downgraded by two credit rating agencies to below investment grade. As of September 30, 2002, Generation had a net receivable from Dynegy of approximately $7 million, and consistent with the terms of the existing credit arrangement, has received collateral in support of this receivable. Generation also has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,040 MW gas-fired qualified facility that has an energy only long-term tolling arrangement with Dynegy, with a related financial swap arrangement. As of September 30, 2002, Sithe had recognized an asset on its balance sheet related to the fair value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy is unable to fulfill the terms of this agreement, Sithe would be required to write-off the fair value asset, which Generation estimates would result in an approximate $22 million reduction in its equity earnings from Sithe, based on Generation's current 49.9% investment ownership in Sithe. Additionally, the future economic value of Sithe's investment in the Independence Station and AmerGen's purchased power arrangement with Illinois Power, a subsidiary of Dynegy, could be impacted by events related to Dynegy's financial condition.

Interest Rate Risk

ComEd

ComEd has fixed-to-floating interest rate swaps to manage interest rate exposure associated with fixed-rate debt issuances in the aggregate amount of $485 million. At September 30, 2002, these interest rate swaps, designated as fair value hedges, had a fair market value of $40 million based on the present value difference between the contract and market rates at September 30, 2002. ComEd has forward starting interest rate swaps in the aggregate amount of $550 million to lock in interest rate levels in anticipation of future financing. At September 30, 2002, these interest rate swaps, designated as cash flow hedges, had a fair market value exposure of $43 million.

The aggregate fair value exposure of the interest rate swaps designated as fair value hedges that would have resulted from a hypothetical 50 basis point decrease in the spot yield at September 30, 2002 is estimated to be $49 million. If the derivative instruments had been terminated at September 30, 2002, this estimated fair value represents the amount to be paid by the counterparties to ComEd.

The aggregate fair value of the interest rate swaps designated as fair value hedges that would have resulted from a hypothetical 50 basis point increase in the spot yield at September 30, 2002 is estimated to be $32 million. If the derivative instruments had been terminated at September 30, 2002, this estimated fair value represents the amount to be paid by the counterparties to ComEd.

The aggregate fair value exposure of the interest rate swaps designated as cash flow hedges that would have resulted from a hypothetical 50 basis point decrease in the spot yield at September 30, 2002 is estimated to be $57 million. If the derivative instruments had been terminated at September 30, 2002, this estimated fair value represents the amount to be paid by ComEd to the counterparties.

The aggregate fair value of the interest rate swaps designated as cash flow hedges that would have resulted from a hypothetical 50 basis point increase in the spot yield at September 30, 2002 is estimated to be $30 million. If the derivative instruments had been terminated at September 30, 2002, this estimated fair value represents the amount to be paid by ComEd to the counterparties.

ITEM 4. CONTROLS AND PROCEDURES

Exelon

Over several days ending October 29, 2002, the principal executive officer and principal financial officer of Exelon evaluated Exelon's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in Exelon's periodic reports that it files with the Securities and Exchange Commission (SEC). These disclosure controls and procedures have been designed to ensure that (a) material information relating to Exelon, including its consolidated subsidiaries, is made known to Exelon's management, including these officers, by other employees of Exelon and its subsidiaries, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. As of October 29, 2002, these officers concluded that the design of the disclosure controls and procedures is sufficient to accomplish their purposes. In view of the restatement that was required in order to correct the Other Comprehensive Income portion of Exelon's Consolidated Statements of Comprehensive Income for the year ended December 31, 2001 and Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the quarters ended March 31, 2002 and June 30, 2002, these officers directed that steps be taken to enhance the understanding and implementation of the company's controls and procedures. Exelon continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting.

There have been no significant changes in Exelon's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

ComEd

Over several days ending October 29, 2002, the principal executive officer and principal financial officer of ComEd evaluated ComEd's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in Exelon's periodic reports that it files with the SEC. These disclosure controls and procedures have been designed to ensure that (a) material information relating to ComEd, including its consolidated subsidiaries, is made known to ComEd's management, including these officers, by other employees of ComEd and its subsidiaries, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. As of October 29, 2002, these officers concluded that the design of the disclosure controls and procedures is sufficient to accomplish their purposes. In view of the restatement that was required in order to correct the Other Comprehensive Income portion of Exelon's Consolidated Statements of Comprehensive Income for the year ended December 31, 2001 and Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the quarters ended March 31, 2002 and June 30, 2002, these officers directed that steps be taken to enhance the understanding and implementation of the company's controls and procedures. ComEd continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting.

There have been no significant changes in ComEd's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PECO

Over several days ending October 29, 2002, the principal executive officer and principal financial officer of PECO evaluated PECO's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in PECO's periodic reports that it files with the Securities and Exchange Commission (SEC). These disclosure controls and procedures have been designed to ensure that (a) material information relating to Exelon, including its consolidated subsidiaries, is made known to Exelon's management, including these officers, by other employees of PECO and its subsidiaries, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. As of October 29, 2002, these officers concluded that the design of the disclosure controls and procedures is sufficient to accomplish their purposes. In view of the restatement that was required in order to correct the Other Comprehensive Income portion of Exelon's Consolidated Statements of Comprehensive Income for the year ended December 31, 2001 and Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the quarters ended March 31, 2002 and June 30, 2002, these officers directed that steps be taken to enhance the understanding and implementation of the company's controls and procedures. PECO continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting.

There have been no significant changes in PECO's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Generation

Over several days ending October 29, 2002, the principal executive officer and principal financial officer of Generation evaluated Generation's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in Generation's periodic reports that it files with the Securities and Exchange Commission (SEC). These disclosure controls and procedures have been designed to ensure that (a) material information relating to Generation, including its consolidated subsidiaries, is made known to Generation's management, including these officers, by other employees of Generation and its subsidiaries, and (b) this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the SEC's rules and forms. As of October 29, 2002, these officers concluded that the design of the disclosure controls and procedures is sufficient to accomplish their purposes. In view of the restatement that was required in order to correct the Other Comprehensive Income portion of Exelon's Consolidated Statements of Comprehensive Income for the year ended December 31, 2001 and Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the quarters ended March 31, 2002 and June 30, 2002, these officers directed that steps be taken to enhance the understanding and implementation of the company's controls and procedures. Generation continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting.

There have been no significant changes in Generation's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously reported in Exelon's June 2002 Form 10-Q, between May 8 and June 14, 2002, several class action lawsuits were filed in the Federal District Court in Chicago asserting nearly identical securities law claims on behalf of purchasers of Exelon securities between April 24, 2001 and September 27, 2001 (Class Period). The complaints allege that Exelon violated Federal securities laws by issuing a series of materially false and misleading statements relating to its 2001 earnings expectations during the Class Period. The Court consolidated the pending cases into one lawsuit and has appointed two lead plaintiffs as well as lead counsel.

On October 1, 2002, the plaintiffs filed a consolidated amended complaint. In addition to the original claims, this complaint contains allegations of new facts and contains several new theories of liability. Exelon believes the lawsuit is without merit and is vigorously contesting this matter.

ITEM 5. OTHER INFORMATION

Exelon, ComEd, PECO and Generation

FERC issued its standard market design notice of proposed rulemaking (NOPR) on July 31, 2002 that proposes numerous changes to current wholesale electric transmission arrangements and energy markets. The NOPR includes a requirement that all jurisdictional transmission facilities be under the operational control of an independent transmission provider, creates a new transmission tariff that would provide a single form of transmission service to all transmission customers, requires energy markets to operate similar to PJM, and recognizes needs of load-serving entities.

ComEd

As previously reported in the 2001 Form 10-K, on December 20, 2000, the ICC issued an order permitting ComEd to recover decommissioning costs from customers through 2006. The ICC order was appealed. On August 7, 2002, the Illinois Appellate Court for the Second District issued an opinion affirming in all respects the ICC's order allowing ComEd to collect from customers $73 million in decommissioning costs through 2004 and up to that amount in 2005 and 2006. Several parties have asked the Illinois Supreme Court to review the case. The petition for review has been fully briefed and is pending before the Illinois Supreme Court.

As previously reported in the June 2002 Form 10-Q, on May 28, 2002, ComEd filed a notice with FERC indicating its intention to join PJM Interconnection, LLC (PJM) by placing its transmission assets under the control of an independent transmission company (ITC) that would operate within PJM West. FERC conditionally approved ComEd's decision to join PJM in late July 2002. Among other conditions, FERC ordered the applicable parties to file agreements relating to the formation of the ITC under PJM. ComEd, American Electric Power East (AEP), Dayton Power & Light (Dayton) and National Grid USA (National Grid)

subsequently filed a non-binding letter of intent and detailed term sheet relating to the formation of the ITC. National Grid is a subsidiary of National Grid plc, a company that owns and operates transmission assets in Great Britain. National Grid and PJM continue to negotiate the allocation of functions to an ITC operating under PJM.

Effective as of September 30, 2002, ComEd, AEP, Dayton and National Grid entered into a Project Implementation Agreement with PJM (Agreement) providing for the funding and allocation of responsibilities with respect to the integration of the parties into PJM West, either directly or through an ITC. ComEd's share of PJM's expansion expenses under this Agreement is estimated to be approximately $10 million. This Agreement contemplates that Illinois Power Company (IP) and Dominion Virginia Power Company (Dominion) would enter into similar agreements providing for the integration of IP into PJM West and Dominion into PJM South. By coordinating these projects, PJM expected to generate synergies and overall savings. As a result, if any of these companies fails to join or withdraws from PJM, the costs to all of the other companies, including ComEd, may increase. ComEd also faces significant additional expenses under this Agreement if it withdraws from PJM.

On August 1, 2002, ComEd set a new record for highest peak load experienced to date of 21,804 MWs.

PECO

In August 2002, Exelon's Audit Committee pre-approved the non-audit services of its independent accountant, PricewaterhouseCoopers LLP, to:

- Provide a fact witness in a Pennsylvania Department of Revenue tax matter that is being litigated in the Commonwealth Court.
- Perform tax compliance services related to PECO for state and local income and franchise tax returns The cost of such services is estimated to be $67,000.

On August 15, 2002, the International Brotherhood of Electrical Workers filed a petition to conduct a unionization vote of certain of PECO's employees.

On August 14, 2002, PECO set a new record for highest peak load experienced to date of 8,164 MWs.

Generation

As previously reported in the 2001 Form 10-K, in November 2000, eight utilities with nuclear power plants filed a Joint Petition for Review with the U.S. Court of Appeals for the Eleventh Circuit seeking to invalidate a portion of PECO's agreement with the U.S. Department of Energy (DOE) providing for credits against Nuclear Waste Fund (NWF) payments on the ground that such provision is a violation of the Nuclear Waste Policy Act of 1982. To date, Peach Bottom has been credited approximately $38 million, of which Exelon's share was approximately $19 million, which was used to offset the cost to construct and operate an on-site storage facility. Credits of approximately $6 million annually are expected in the future, which Generation will recognize its share of approximately $3 million when received. (The agreement was assigned to Generation in connection with Exelon's 2001 restructuring.) On September 24,

2002, the United States Court of Appeals for the Eleventh Circuit issued a ruling in which it held that DOE is not authorized to fund the Peach Bottom credits out of the NWF. The ruling does not address whether Generation must repay the NWF the amount of the credits it has received; it only invalidates the source of funding for the Peach Bottom settlement agreement. The court's ruling does not purport to affect the validity of the Peach Bottom settlement agreement as a whole or the ability to enter into the agreement. Under the terms of the agreement, DOE and Generation are required to meet and discuss alternative funding sources for the settlement credits. The court's opinion suggests that the federal judgment fund should be available as an alternate source. The agreement provides that if such negotiations are unsuccessful, the agreement will be null and void.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

4.1 - Ninety-Ninth Supplemental Indenture dated as of September 15, 2002 to PECO Energy Company's First and Refunding Mortgage.

4.2 - Ninety-Eighth Supplemental Indenture dated as of October 1, 2002 to PECO Energy Company's First and Refunding Mortgage.

10.1 - Employment Agreement by and among Exelon Corporation, Exelon Generation Company, LLC and Oliver D. Kingsley, Jr. dated as of September 5, 2002.

Certifications Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code (Sarbanes - Oxley Act of 2002) as to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 filed by the following officers for the following companies:

99.1 - Filed by John W. Rowe for Exelon Corporation
99.2 - Filed by Ruth Ann M. Gillis for Exelon Corporation
99.3 - Filed by Frank M. Clark for Commonwealth Edison Company
99.4 - Filed by Robert E. Berdelle for Commonwealth Edison Company
99.5 - Filed by Kenneth G. Lawrence for PECO Energy Company
99.6 - Filed by Frank F. Frankowski for PECO Energy Company
99.7 - Filed by Oliver D. Kingsley for Exelon Generation Company, LLC
99.8 - Filed by Ruth Ann M. Gillis for Exelon Generation Company, LLC

99.9 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Index to Financial Statements of Exelon Generation Company, LLC, filed by Exelon Generation Company, LLC with the Securities Exchange Commission on April 24, 2002 on Registration Statement Form S-4 (File No. 333-85496).

(b) Reports on Form 8-K:

Exelon, ComEd, PECO and/or Generation filed Current Reports on Form 8-K during the three months ended September 30, 2002 as follows:

Date of Earliest Event Reported	Description of Item Reported
July 1, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation, regarding Generation's notification to Midwest Generation, LLC of its exercise of Generation's call option.
July 16, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd, PECO and Generation, reporting that Exelon's second quarter 2002 earnings results were expected to be higher than estimates.
July 31, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd, PECO and Generation, reporting Exelon's second quarter 2002 earnings results and "ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, ComEd, PECO and Generation, regarding highlights of the Exelon Second Quarter Earnings Conference Call.
August 6, 2002	"ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, regarding certifications of Exelon's principal executive officer and principal financial officer, as required by SEC Order No. 4-460.
August 27, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and ComEd, regarding a letter order from the Federal Energy Regulatory Commission (FERC) related to the treatment of goodwill associated with the generating assets and power marketing business that it transferred in January 2001 as part of Exelon's corporate restructuring.
September 3, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and ComEd, announcing that ComEd will seek a rehearing of the order by FERC related to the treatment of goodwill as a part of Exelon's corporate restructuring in January 2001.
September 3, 2002	"ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, ComEd and PECO, regarding Exelon's anticipated savings from its Cost Management Initiative at Energy Delivery.
September 4, 2002	"ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, ComEd, PECO and Generation, Oliver D. Kingsley, Jr., Senior Executive Vice President, made a presentation at the Lehman Brothers Conference. The exhibits include the presentation slides and other materials made available at the conference.

September 4, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation, regarding Exelon's announcement that it is in the preliminary stages of exploring the possibility of selling its share of AmerGen Energy Company, LLC and "ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon and Generation, reporting that Exelon does not intend, as part of its strategy, to own the international assets of Sithe.
September 18, 2002	"ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, ComEd, PECO and Generation, John W. Rowe, Chairman and CEO, made a presentation at Merrill Lynch Global Power and Gas Leaders Conference. The exhibits include the presentation slides and other materials made available at the conference.
September 18, 2002	"ITEM 9. REGULATION FD DISCLOSURE" filed by Exelon, ComEd, PECO and Generation, during the Power and Gas Leaders Conference, John W. Rowe commented on the third quarter earnings outlook, the range of guidance for 2003 earnings and the status of Exelon's discussion with FERC and the SEC regarding the allocation of goodwill to ComEd's transmission and distribution business.
September 19, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and ComEd, related to their understanding that the Office of the Chief Accountant of the SEC will not object to the accounting treatment for goodwill.
September 26, 2002	"ITEM 5. OTHER EVENTS" filed by Exelon and ComEd, related the letter received from FERC which states that FERC has no objection to ComEd's determination that none of the goodwill was related to assets transferred to Generation.

SIGNATURES

Pursuant to requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXELON CORPORATION

/s/ John W. Rowe	/s/ Ruth Ann M. Gillis
JOHN W. ROWE Chairman of the Board and Chief Executive Officer	RUTH ANN M. GILLIS Senior Vice President and Chief Financial Officer

/s/ Matthew F. Hilzinger

MATTHEW F. HILZINGER
Vice President and Corporate Controller
(Principal Accounting Officer)

October 31, 2002

Pursuant to requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMONWEALTH EDISON COMPANY

/s/ Pamela B. Strobel	/s/ Frank M. Clark
PAMELA B. STROBEL Chair	FRANK M. CLARK President

/s/ Robert E. Berdelle

ROBERT E. BERDELLE
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

October 31, 2002

Pursuant to requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PECO ENERGY COMPANY

/s/ Pamela B. Strobel	/s/ Kenneth G. Lawrence
PAMELA B. STROBEL Chair	KENNETH G. LAWRENCE President

/s/ Frank F. Frankowski

FRANK F. FRANKOWSKI
Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

October 31, 2002

Pursuant to requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXELON GENERATION COMPANY, LLC

/s/ Oliver D. Kingsley Jr.	/s/ Ruth Ann M. Gillis
OLIVER D. KINGSLEY JR. Chief Executive Officer and President	RUTH ANN M. GILLIS Senior Vice President and Chief Financial Officer Exelon Corporation (Principal Financial Officer)

/s/ Thomas Weir III

THOMAS WEIR III
Controller

October 31, 2002

CERTIFICATIONS

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, John W. Rowe certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ John W. Rowe

John W. Rowe
Chairman of the Board and Chief Executive Officer

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Ruth Ann M. Gillis certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Ruth Ann M. Gillis

Ruth Ann M. Gillis
Senior Vice President and Chief Financial Officer

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Frank M. Clark certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commonwealth Edison Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Frank M. Clark

Frank M. Clark
President

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Robert E. Berdelle certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commonwealth Edison

Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Robert E. Berdelle

Robert E. Berdelle
Vice President, Finance and Chief Financial Officer

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Kenneth G. Lawrence certify that:

1. I have reviewed this quarterly report on Form 10-Q of PECO Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Kenneth G. Lawrence

Kenneth G. Lawrence
President

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Frank F. Frankowski certify that:

1. I have reviewed this quarterly report on Form 10-Q of PECO Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Frank F. Frankowski

Frank F. Frankowski
Vice President, Finance and Chief Financial Officer

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Oliver D. Kingsley Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Generation Company, LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Oliver D. Kingsley

Oliver D. Kingsley Jr.
Chief Executive Officer and President

Certification Pursuant to Rule 13a-14 and 15d-14 of the Securities and Exchange Act of 1934

I, Ruth Ann M. Gillis certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exelon Generation Company, LLC;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 31, 2002

/s/ Ruth Ann M. Gillis

Ruth Ann M. Gillis
Senior Vice President and Chief Financial Officer
Exelon Corporation

Exhibit 4.1

PECO ENERGY COMPANY

TO

WACHOVIA BANK, NATIONAL ASSOCIATION, TRUSTEE
(formerly, First Union National Bank)

NINETY-NINTH SUPPLEMENTAL
INDENTURE DATED AS OF SEPTEMBER 15, 2002

TO

FIRST AND REFUNDING MORTGAGE

OF

THE COUNTIES GAS AND ELECTRIC
COMPANY

TO

FIDELITY TRUST COMPANY, TRUSTEE
DATED MAY 1, 1923

4.75% SERIES DUE 2012
(New Series)

THIS SUPPLEMENTAL INDENTURE dated as of September 15, 2002, by and between PECO ENERGY COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the Company), party of the first part, and WACHOVIA BANK, NATIONAL ASSOCIATION (formerly First Union National Bank), a national banking association organized and existing under the laws of the United States of America (hereinafter called the Trustee), as Trustee under the Mortgage hereinafter mentioned, party of the second part, Witnesseth that

WHEREAS, The Counties Gas and Electric Company (hereinafter called Counties Company), a Pennsylvania corporation and a predecessor to the Company, duly executed and delivered to Fidelity Trust Company, a Pennsylvania corporation to which the Trustee is successor, as Trustee, a certain indenture of mortgage and deed of trust dated May 1, 1923 (hereinafter called the Mortgage), to provide for the issue of, and to secure, its First and Refunding Mortgage Bonds, issuable in series and without limit as to principal amount except as provided in the Mortgage, the initial series of Bonds being designated the 6% Series of 1923, and the terms and provisions of other series of bonds secured by the Mortgage to be determined as provided in the Mortgage; and

WHEREAS, thereafter Counties Company, Philadelphia Suburban-Counties Gas and Electric Company (hereinafter called Suburban Company), and the Company, respectively, have from time to time executed and delivered indentures supplemental to the Mortgage, providing for the creation of additional series of bonds secured by the Mortgage and for amendment of certain of the terms and provisions of the Mortgage and of indentures supplemental thereto, or evidencing the succession of Suburban Company to Counties Company and of the Company to Suburban Company, such indentures supplemental to the Mortgage, the respective dates, parties thereto, and purposes thereof, being as follows:

Supplemental Indenture and Date	Parties	Providing for:
First September 1, 1926	Counties Company to Fidelity-Philadelphia Trust Company (Successor to Fidelity Trust Company)	Bonds of 5% Series of 1926
Second May 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Evidencing succession of Suburban Company to Counties Company
Third May 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Bonds of 4-1/2% Series due 1957; amendment of certain provisions of Mortgage
Fourth November 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Additional Bonds of 4-1/2% Series due 1957
Fifth January 31, 1931	Company to Fidelity-Philadelphia Trust Company	Evidencing succession of Company to Suburban Company
Sixth February 1, 1931	Company to Fidelity-Philadelphia Trust Company	Bonds of 4% Series due 1971
Seventh March 1, 1937	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/2% Series due 1967; amendment of certain provisions of Mortgage
Eighth December 1, 1941	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1971; amendment of certain provisions of Mortgage
Ninth November 1, 1944	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1967 and 2-3/4% Series due 1974; amendment of certain provisions of Mortgage
Tenth December 1, 1946	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1981; amendment of certain provisions of Mortgage*

Supplemental Indenture and Date	Parties	Providing for:
Eleventh February 1, 1948	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-7/8% Series due 1978*
Twelfth January 1, 1952	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/4% Series due 1982*
Thirteenth May 1, 1953	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-7/8% Series due 1983*
Fourteenth December 1, 1953	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/8% Series due 1983*
Fifteenth April 1, 1955	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/8% Series due 1985*
Sixteenth September 1, 1957	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-5/8% Series due 1987; amendment of certain provisions of Mortgage*
Seventeenth May 1, 1958	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-3/4% Series due 1988; amendment of certain provisions of Mortgage*
Eighteenth December 1, 1958	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-3/8% Series due 1986*
Nineteenth October 1, 1959	Company to Fidelity-Philadelphia Trust Company	Bonds of 5% Series due 1989*
Twentieth May 1, 1964	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-1/2% Series due 1994*
Twenty-first October 15, 1966	Company to Fidelity-Philadelphia Trust Company	Bonds of 6% Series due 1968-1973*
Twenty-second June 1, 1967	Company to The Fidelity Bank (formerly Fidelity-Philadelphia Trust Company)	Bonds of 5-1/4 % Series due 1968-1973 and 5-3/4 % Series due 1977*
Twenty-third October 1, 1957	Company to The Fidelity Bank	Bonds of 6-1/8 % Series due 1997*

Supplemental Indenture and Date	Parties	Providing for:
Twenty-fourth March 1, 1968	Company to The Fidelity Bank	Bonds of 6-1/2% Series due 1993; amendment of Article XIV of Mortgage*
Twenty-fifth September 10, 1968	Company to The Fidelity Bank	Bonds of 1968 Series due 1969-1976*
Twenty-sixth August 15, 1969	Company to The Fidelity Bank	Bonds of 8% Series due 1975*
Twenty-seventh February 1, 1970	Company to The Fidelity Bank	Bonds of 9% Series due 1995*
Twenty-eighth May 1, 1970	Company to The Fidelity Bank	Bonds of 8-1/2% Series due 1976*
Twenty-ninth December 15, 1970	Company to The Fidelity Bank	Bonds of 7-3/4% Series due 2000*
Thirtieth August 1, 1971	Company to The Fidelity Bank	Bonds of 8-1/4% Series due 1996*
Thirty-first December 15, 1971	Company to The Fidelity Bank	Bonds of 7-3/8% Series due 2001; amendment of Article XI of Mortgage*
Thirty-second June 15, 1972	Company to The Fidelity Bank	Bonds of 7-1/2% Series due 1998*
Thirty-third January 15, 1973	Company to The Fidelity Bank	Bonds of 7-1/2% Series due 1999*
Thirty-fourth January 15, 1974	Company to The Fidelity Bank	Bonds of 8-1/2% Series due 2004
Thirty-fifth October 15, 1974	Company to The Fidelity Bank	Bonds of 11% Series due 1980*
Thirty-sixth April 15, 1975	Company to The Fidelity Bank	Bonds of 11-5/8% Series due 2000*
Thirty-seventh August 1, 1975	Company to The Fidelity Bank	Bonds of 11% Series due 2000*
Thirty-eighth March 1, 1976	Company to The Fidelity Bank	Bonds of 9-1/8% Series due 2006*
Thirty-ninth August 1, 1976	Company to The Fidelity Bank	Bonds of 9-5/8% Series due 2002*

Supplemental Indenture and Date	Parties	Providing for:
Fortieth February 1, 1977	Company to The Fidelity Bank	Bonds of Pollution Control Series A and Pollution Control Series B*
Forty-first March 15, 1977	Company to The Fidelity Bank	Bonds of 8-5/8% Series due 2007*
Forty-second July 15, 1977	Company to The Fidelity Bank	Bonds of 8-5/8% Series due 2003*
Forty-third March 15, 1978	Company to The Fidelity Bank	Bonds of 9-1/8% Series due 2008*
Forty-fourth October 15, 1979	Company to The Fidelity Bank	Bonds of 12-1/2% Series due 2005*
Forty-fifth October 15, 1980	Company to The Fidelity Bank	Bonds of 13-3/4% Series due 1992*
Forty-sixth March 1, 1981	Company to The Fidelity Bank	Bonds of 15-1/4% Series due 1996; amendment of Article VIII of Mortgage*
Forty-seventh March 1, 1981	Company to The Fidelity Bank	Bonds of 15% Series due 1996; amendment of Article VIII of Mortgage*
Forty-eighth July 1, 1981	Company to The Fidelity Bank	Bonds of 17-5/8% Series due 2011*
Forty-ninth September 15, 1981	Company to The Fidelity Bank	Bonds of 18-3/4% Series due 2009*
Fiftieth April 1, 1982	Company to The Fidelity Bank	Bonds of 18% Series due 2012*
Fifty-first October 1, 1982	Company to The Fidelity Bank	Bonds of 15-3/8% Series due 2010*
Fifty-second June 15, 1983	Company to The Fidelity Bank	Bonds of 13-3/8% Series due 2013*
Fifty-third November 15, 1984	Company to Fidelity Bank, National Association (formerly The Fidelity Bank)	Bonds of 13.05% Series due 1994; amendment of Article VIII of Mortgage*

Supplemental Indenture and Date	Parties	Providing for:
Fifty-fourth December 1, 1984	Company to Fidelity Bank, National Association	Bonds of 14% Series due 1988-1994; amendment of Article VIII of Mortgage*
Fifty-fifth May 15, 1985	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series C*
Fifty-sixth October 1, 1985	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series D*
Fifty-seventh November 15, 1985	Company to Fidelity Bank, National Association	Bonds of 10-7/8% Series due 1995*
Fifty-eight November 15, 1985	Company to Fidelity Bank, National Association	Bonds of 11-3/4% Series due 2014*
Fifty-ninth June 1, 1986	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series E*
Sixtieth November 1, 1986	Company to Fidelity Bank, National Association	Bonds of 10-1/4% Series due 2016*
Sixty-first November 1, 1986	Company to Fidelity Bank, National Association	Bonds of 8-3/4% Series due 1994*
Sixty-second April 1, 1987	Company to Fidelity Bank, National Association	Bonds of 9-3/8% Series due 2017*
Sixty-third July 15, 1987	Company to Fidelity Bank, National Association	Bonds of 11% Series due 2016*
Sixty-fourth July 15, 1987	Company to Fidelity Bank, National Association	Bonds of 10% Series due 1997*
Sixty-fifth August 1, 1987	Company to Fidelity Bank, National Association	Bonds of 10-1/4% Series due 2007*
Sixty-sixth October 15, 1987	Company to Fidelity Bank, National Association	Bonds of 11% Series due 1997*
Sixty-seventh October 15, 1987	Company to Fidelity Bank, National Association	Bonds of 12-1/8% Series due 2016*
Sixty-eighth April 15, 1988	Company to Fidelity Bank, National Association	Bonds of 10% Series due 1998*
Sixty-ninth April 15, 1988	Company to Fidelity Bank, National Association	Bonds of 11% Series due 2018*

Supplemental Indenture and Date	Parties	Providing for:
Seventieth June 15, 1989	Company to Fidelity Bank, National Association	Bonds of 10% Series due 2019*
Seventy-first October 1, 1989	Company to Fidelity Bank, National Association	Bonds of 9-7/8% Series due 2019*
Seventy-second October 1, 1989	Company to Fidelity Bank, National Association	Bonds of 9-1/4% Series due 1999*
Seventy-third October 1, 1989	Company to Fidelity Bank, National Association	Medium-Term Note Series A*
Seventy-fourth October 15, 1990	Company to Fidelity Bank, National Association	Bonds of 10-1/2% Series due 2020*
Seventy-fifth October 15, 1990	Company to Fidelity Bank, National Association	Bonds of 10% Series due 2000*
Seventy-sixth April 1, 1991	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series F and Pollution Control Series G*
Seventy-seventh December 1, 1991	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series H*
Seventy-eighth January 15, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/2% 1992 Series due 1999*
Seventy-ninth April 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8% Series due 2002*
Eightieth April 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-3/4% Series due 2022*
Eighty-first June 1, 1992	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series I*
Eighty-second June 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-5/8% Series due 2022*
Eighty-third July 15, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/2% Series due 2002*
Eighty-fourth September 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-1/4% Series due 2022*
Eighty-fifth September 1, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/8% Series due 2002*

Supplemental Indenture and Date	Parties	Providing for:
Eighty-sixth March 1, 1993	Company to Fidelity Bank, National Association	Bonds of 6-5/8% Series due 2003*
Eighty-Seventh March 1, 1993	Company to Fidelity Bank, National Association	Bonds of 7-3/4% Series due 2023*
Eighty-eighth March 1, 1993	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series J, Pollution Control Series K, Pollution Control Series L and Pollution Control Series M*
Eighty-ninth May 1, 1993	Company to Fidelity Bank, National Association	Bonds of 6-1/2% Series due 2003*
Ninetieth May 1, 1993	Company to Fidelity Bank, National Association	Bonds of 7-3/4% Series 2 due 2023*
Ninety-first August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 7-1/8% Series due 2023*
Ninety-second August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 6-3/8% Series due 2005*
Ninety-third August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 5-3/8% Series due 1998*
Ninety-fourth November 1, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 7-1/4% Series due 2024*
Ninety-fifth November 1, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 5-5/8% Series due 2001*
Ninety-sixth May 1, 1995	Company to First Fidelity Bank, N.A., Pennsylvania	Medium Term Note Series B*
Ninety-seventh October 15, 2001	Company to First Union National Bank (formerly First Fidelity Bank, N.A., Pennsylvania)	Bonds of 5.95% Series due 2011*

*And amendment of certain provisions of the Ninth Supplemental Indenture.

WHEREAS, the respective principal amounts of the bonds of each series presently outstanding under the Mortgage and the several supplemental indentures above referred to, are as follows:

Series	PRINCIPAL AMOUNT
6-5/8% Series due 2003	250,000,000
6-1/2% Series due 2003	200,000,000
6-3/8% Series due 2005	75,000,000
Pollution Control Series J due 2012	50,000,000
Pollution Control Series K due 2012	50,000,000
Pollution Control Series L due 2012	50,000,000
Pollution Control Series M due 2012	4,200,000
5.95% Series due 2011	250,000,000
Total $	$929,200,000

WHEREAS, the Company deems it advisable and has determined, pursuant to Article XI of the Mortgage,

(a) to amend Article II of the Ninth Supplemental Indenture to the Mortgage as heretofore amended;

(b) to convey, pledge, transfer and assign to the Trustee and to subject specifically to the lien of the Mortgage additional property not therein or in any supplemental indenture specifically described but now owned by the Company and acquired by it by purchase or otherwise; and

(c) to create a new series of bonds to be issued from time to time under, and secured by, the Mortgage, to be designated PECO Energy Company First and Refunding Mortgage Bonds, 4.75% Series Due 2012, (hereinafter sometimes called the "bonds of the New Series" or the "bonds of the 4.75% Series due 2012"); and for the above-mentioned purposes to execute, deliver and record this Supplemental Indenture;

WHEREAS, the Company has determined by proper corporate action that the terms, provisions and form of the bonds of the New Series shall be substantially as follows:

(Form of Face of Bond)

PECO ENERGY COMPANY

REGISTERED NUMBER | REGISTERED

FIRST AND REFUNDING MORTGAGE BOND,
4.75 % SERIES DUE 2012,
DUE OCTOBER 1, 2012

PECO Energy Company, a Pennsylvania corporation (hereinafter called the Company), for value received, hereby promises to pay to _____________________ or registered assigns, __________________________ Dollars on October 1, 2012, at the office or agency of the Company, in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company, in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon from the date hereof at the rate of 4.75 percent per annum in like coin or currency, payable at either of the offices aforesaid on April 1 and October 1, commencing on April 1, 2003, in each year until the Company's obligation with respect to the payment of such principal shall have been discharged.

The Company may fix a date, not more than fourteen calendar days prior to any interest payment date, as a record date for determining the registered holder of this bond entitled to such interest payment, in which case only the registered holder on such record date shall be entitled to receive such payment, notwithstanding any transfer of this bond upon the registration books subsequent to such record date.

This bond shall not be valid or become obligatory for any purpose unless it shall have been authenticated by the certificate of the Trustee under said Mortgage endorsed hereon.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, PECO Energy Company has caused this instrument to be signed in its corporate name with the manual or facsimile signature of its President or a Vice President and its corporate seal to be impressed or a facsimile imprinted hereon, duly attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated:

PECO ENERGY COMPANY

By

President

(SEAL)

Attest:

Secretary

(Form of Reverse of Bond)

PECO ENERGY COMPANY
First and Refunding Mortgage Bond,
4.75% Series Due 2012, Due October 1, 2012

(CONTINUED)

This bond is one of a duly authorized issue of bonds of the Company, unlimited as to amount except as provided in the Mortgage hereinafter mentioned or in any indenture supplemental thereto, and is one of a series of said bonds known as First and Refunding Mortgage Bonds, 4.75% Series due 2012. This bond and all other bonds of said issue are issued and to be issued under and pursuant to and are all secured equally and ratably by an indenture of mortgage and deed of trust dated May 1, 1923, duly executed and delivered by The Counties Gas and Electric Company (to which the Company is successor) to Fidelity Trust Company, as Trustee (to which Wachovia Bank, National Association, a national banking association organized and existing under the laws of the United States of America, is successor Trustee), as amended, modified or supplemented by ninety-seven certain supplemental indentures from the Company or its predecessors to said successor Trustee or its predecessors, said mortgage, as so amended, modified or supplemented being herein called the Mortgage. Reference is hereby made to the Mortgage for a statement of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of said bonds and of the Trustee in respect of such security, the rights, duties and immunities of the Trustee, and the terms and conditions upon which said bonds are and are to be secured, and the circumstances under which additional bonds may be issued.

As provided in the Mortgage, the bonds secured thereby may be for various principal sums and are issuable in series, which series may mature at different times, may bear interest at different rates, and may otherwise vary. The bonds of this series mature on October 1, 2012, and are issuable only in registered form without coupons in any denomination authorized by the Company.

Any bond or bonds of this series may be exchanged for another bond or bonds of this series in a like aggregate principal amount in authorized denominations, upon presentation at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, all subject to the terms of the Mortgage but without any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the exchange.

The bonds of this series are redeemable at the option of the Company, as a whole or in part, at any time upon notice sent by the Company through the mail, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption, to the registered holder of each bond to be redeemed, addressed to such holder at his address appearing upon the registration books, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or (2) as determined by the Quotation Agent, the sum of the present values of the remaining

scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 25 basis points, plus accrued interest to the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds of this series or portions of the bonds of this series called for redemption.

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

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

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

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

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

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

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc. and Salomon Smith Barney Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Company.

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

The principal of this bond may be declared or may become due on the conditions, in the manner and with the effect provided in the Mortgage upon the happening of an event of default as in the Mortgage provided.

This bond is transferable by the registered holder hereof in person or by attorney, duly authorized in writing, at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in books of the Company to be kept for that purpose, upon surrender and cancellation hereof, and upon any such transfer, a new registered bond or bonds, without coupons, of this series and for the same aggregate principal amount, will be issued to the transferee in exchange herefor, all subject to the terms of the Mortgage but without payment of any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the transfer. The Company, the Trustee, and any paying agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or interest on this bond to any incorporator or any past, present or future stockholder, officer or director of the Company or of any predecessor or successor corporation, either directly or indirectly, by virtue of any statute or by enforcement of any assessment or otherwise, and any and all liability of the said incorporators, stockholders, officers or directors of the Company or of any predecessor or successor corporation in respect to this bond is hereby expressly waived and released by every holder hereof, except to the extent that such liability may not be waived or released under the provisions of the Securities Act of 1933 or of the rules and regulations of the Securities and Exchange Commission thereunder.

(End of Form of Reverse of Bond)

and

WHEREAS, on the face of each of the bonds of the New Series, there is to be endorsed a certificate of the Trustee in substantially the following form, to wit:

(Form of Trustee's Certificate)

This bond is one of the bonds, of the series designated therein, provided for in the within-mentioned Mortgage and in the Ninety-Ninth Supplemental Indenture dated as of September 15, 2002.

WACHOVIA BANK, NATIONAL ASSOCIATION

By

Authorized Officer

and

WHEREAS, all acts and things necessary to make the bonds of the New Series, when duly executed by the Company and authenticated by the Trustee as provided in the Mortgage and indentures supplemental thereto, and issued by the Company, the valid, binding and legal obligations of the Company, and this Supplemental Indenture a valid and enforceable supplement to the Mortgage, have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly and lawfully authorized.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That in order to secure the payment of the principal of and interest on all bonds issued and to be issued under the Mortgage and/or under any indenture supplemental thereto, according to their tenor and effect, and according to the terms of the Mortgage and of any indenture supplemental thereto, and to secure the performance of the covenants and obligations in the bonds and in the Mortgage and any indenture supplemental thereto respectively contained, and for the proper assuring, conveying, and confirming unto the Trustee, its successors in trust and its and their assigns forever, upon the trusts and for the purposes expressed in the Mortgage and in any indentures supplemental thereto, all and singular the estates, property and franchises of the Company thereby mortgaged or intended so to be, the Company, for and in consideration of the premises and of the sum of One Dollar ($1.00) in hand paid by the Trustee to the Company upon the execution and delivery of this Supplemental Indenture, receipt whereof is hereby acknowledged, and of other good and valuable consideration, has granted, bargained, sold, conveyed, released, confirmed, pledged, assigned, transferred and set over and by these presents does grant, bargain, sell, convey, release, confirm, pledge, assign, transfer, and set over to Wachovia Bank, National Association, as Trustee, and to its successors in trust and its and their

assigns forever, all the following described property, real, personal and mixed of the Company, viz.:

The real property set forth in Schedule A, attached hereto and hereby made a part hereof, with any improvements thereon erected now owned by the Company but not specifically described in the Mortgage or in any indenture supplemental thereto heretofore executed, in the places set forth in Schedule A.

Together with all gas works, electric works, plants, buildings, structures, improvements and machinery located upon such real estate or any portion thereof, and all rights, privileges and easements of every kind and nature appurtenant thereto, and all and singular the tenements, hereditaments and appurtenances belonging to the real estate or any part thereof hereinbefore described or referred to or intended so to be, or in any way appertaining thereto, and the reversions, remainders, rents, issues and profits thereof; also all the estate, right, title, interest, property, possession, claim and demand whatsoever, as well in law as in equity, of the Company, of, in and to the same and any and every part thereof, with the appurtenances.

Also all the Company's electric transmission and distribution lines and systems, substations, transforming stations, structures, machinery, apparatus, appliances, devices and appurtenances.

Also all the Company's gas transmission and distribution mains, pipes, pipe lines and systems, storage facilities, structures, machinery, apparatus, appliances, devices and appurtenances.

Also all plants, systems, works, improvements, buildings, structures, fixtures, appliances, engines, furnaces, boilers, machinery, retorts, tanks, condensers, pumps, gas tanks, holders, reservoirs, expansion tanks, gas mains and pipes, tunnels, service pipe, pipe lines, fittings, gates, valves, connections, gas and electric meters, generators, dynamos, fans, supplies, tools and implements, tracks, sidings, motor and other vehicles, all electric light lines, electric power lines, transmission lines, distribution lines, conduits, cables, stations, substations, and distributing systems, motors, conductors, converters, switchboards, shafting, belting, wires, mains, feeders, poles, towers, mast arms, brackets, pipes, lamps, insulators, house wiring connections and all instruments, appliances, apparatus, fixtures, fittings and equipment and all stores, repair parts, materials and supplies of every nature and kind whatsoever now or hereafter owned by the Company in connection with or appurtenant to its plants and systems for production, purchase, storage, transmission, distribution, utilization and sale of gas and its by-products and residual products, and/or for the generation, production, purchase, storage, transmission, distribution, utilization and sale of electricity, or in connection with such business.

Also all the goodwill of the business of the Company, and all rights, claims, contracts, leases, patents, patent rights, and agreements, all accounts receivable, accounts, claims, demands, choses in action, books of account, cash assets, franchises, ordinances, rights, powers, easements, water rights, riparian rights, licenses, privileges, immunities, concessions and consents now or hereafter owned by the Company in connection with or appurtenant to its said business.

Also all the right, title and interest of the Company in and to all contracts for the purchase, sale or supply of gas, and its by-products and residual products of electricity and electrical energy, now or hereafter entered into by the Company with the right on the part of the Trustee, upon the happening of an event of default as defined in the Mortgage as supplemented by any supplemental indenture, to require a specific assignment of any and all such contracts, whenever it shall request the Company to make the same.

Also all rents, tolls, earnings, profits, revenues, dividends and income arising or to arise from any property now owned, leased, operated or controlled or hereafter acquired, leased, operated or controlled by the Company and subject to the lien of the Mortgage and indentures supplemental thereto.

Also all the estate, right, title and interest of the Company, as lessee, in and to any and all demised premises under any and all agreements of lease now or at any time hereafter in force, insofar as the same may now or hereafter be assignable by the Company.

Also all other property, real, personal and mixed not hereinbefore specified or referred to, of every kind and nature whatsoever, now owned, or which may hereafter be owned by the Company (except shares of stock, bonds or other securities not now or hereafter specifically pledged under the Mortgage and indentures supplemental thereto or required to be pledged thereunder by the provisions of the Mortgage or any indenture supplemental thereto), together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any way appertaining and the reversions, remainder or remainders, rents, issues and profits thereof; and also all the estate, right, title, interest, property, claim and demand whatsoever as well in law as in equity of the Company of, in and to the same and every part and parcel thereof.

It is the intention and it is hereby agreed that all property and the earnings and income thereof acquired by the Company after the date hereof shall be as fully embraced within the provisions hereof and subject to the lien hereby created for securing the payment of all bonds, together with the interest thereon, as if the property were now owned by the Company and were specifically described herein and conveyed hereby, provided nevertheless, that no shares of stock, bonds or other securities now or hereafter owned by the Company, shall be subject to the lien of the Mortgage and indentures supplemental thereto unless now or hereafter specifically pledged or required to be pledged thereunder by the provisions of the Mortgage or any indenture supplemental thereto.

TO HAVE AND TO HOLD, all and singular the property, rights, privileges and franchises hereby conveyed, transferred or pledged or intended so to be, including after-acquired property, together with all and singular the reversions, remainders, rents, revenues, income, issues and profits, privileges and appurtenances, now or hereafter belonging or in any way appertaining thereto, unto the Trustee and its successors in the trust hereby created, and its and their assigns forever;

IN TRUST NEVERTHELESS, for the equal and pro rata benefit and security of each and every person or corporation who may be or become the holders of bonds secured by the Mortgage and indentures supplemental thereto, without preference, priority or distinction (except as provided in Section 1 of Article VIII of the Mortgage) as to lien or otherwise of any bond of

any series over or from any other bond, so that (except as aforesaid) each and every of the bonds issued or to be issued, of whatsoever series, shall have the same right, lien, privilege under the Mortgage and indentures supplemental thereto and shall be equally secured thereby and hereby, with the same effect as if the bonds had all been made, issued and negotiated simultaneously on the date of the Mortgage.

AND THIS SUPPLEMENTAL INDENTURE FURTHER WITNESSETH:

It is hereby covenanted that all bonds secured by the Mortgage and indentures supplemental thereto with the coupons appertaining thereto, are issued to and accepted by each and every holder thereof, and that the property aforesaid and all other property subject to the lien of the Mortgage and indentures supplemental thereto is held by or hereby conveyed to the Trustee, under and subject to the trusts, conditions and limitations set forth in the Mortgage and indentures supplemental thereto and upon and subject to the further trusts, conditions and limitations hereinafter set forth, as follows, to wit:

ARTICLE I

AMENDMENTS OF MORTGAGE

Article II of the Ninth Supplemental Indenture to the Mortgage, as heretofore amended, is hereby further amended as follows:

By adding to paragraph (d) of Section 5 and to the first clause of Section 9, the following:

"4.75% Series due 2012"

ARTICLE II .

BONDS OF THE NEW SERIES

Section 1. The bonds of the New Series shall be designated as hereinabove specified for such designation in the recital immediately preceding the form of bonds of the New Series, subject however, to the provisions of Section 2 of Article I of the Mortgage, as amended, and are issuable only as registered bonds without coupons, substantially in the form hereinbefore recited; and the issue thereof shall be limited to $225,000,000 principal amount.

The bonds of the New Series shall bear interest from the date thereof and shall be dated as of the interest payment date to which interest was paid next preceding the date of issue unless (a) such date of issue is an interest payment date to which interest was paid, in which event such bonds shall be dated as of such interest payment date, or (b) issued prior to the occurrence of the first interest payment date on which interest is to be paid, in which event such bonds shall be dated September 23, 2002. The bonds of the New Series shall mature on October 1, 2012.

The bonds of the New Series shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rate provided in the form of bond hereinbefore recited, payable on April 1 and October 1 in each year commencing on April 1, 2003 until the Company's

obligation with respect to the payment of principal thereof shall have been discharged. Both principal and interest on bonds of the New Series shall be payable at the office or agency of the Company in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and shall be payable in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts.

The bonds of the New Series shall be in any denomination authorized by the Company.

Any bond or bonds of the New Series shall be exchangeable for another bond or bonds of the New Series in a like aggregate principal amount. Any such exchange may be made upon presentation at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, without any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the exchange.

Section 2. (a) Initially, the bonds of the New Series shall be issued pursuant to a book-entry system administered by The Depository Trust Company (or its successor, referred to herein as the "Depository") as a global security with no physical distribution of bond certificates to be made except as provided in this Section 2. Any provisions of the Mortgage or the bonds of the New Series requiring physical delivery of bonds shall, with respect to any bonds of the New Series held under the book-entry system, be deemed to be satisfied by a notation on the bond registration books maintained by the Trustee that such bonds are subject to the book-entry system.

(b) So long as the book-entry system is being used, one bond of the New Series in the aggregate principal amount of the bonds of the New Series and registered in the name of the Depository's nominee (the "Nominee") will be issued and required to be deposited with the Depository and held in its custody. The book-entry system will be maintained by the Depository and its participants and indirect participants and will evidence beneficial ownership of the bonds of the New Series, with transfers of ownership effected on the records of the Depository, the participants and the indirect participants pursuant to rules and procedures established by the Depository, the participants and the indirect participants. The principal of and any premium on each bond of the New Series shall be payable to the Nominee or any other person appearing on the registration books as the registered holder of such bond or its registered assigns or legal representative at the office of the office or agency of the Company in the City of Philadelphia, Pennsylvania or the Borough of Manhattan, The City of New York. So long as the book-entry system is in effect, the Depository will be recognized as the holder of the bonds of the New Series for all purposes. Transfers of principal, interest and any premium payments or notices to participants and indirect participants will be the responsibility of the Depository, and transfers of principal, interest and any premium payments or notices to beneficial owners will be the responsibility of participants and indirect participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Depository, the participants or the indirect participants. While the Nominee or the Depository, as the case may be, is the registered owner of the bonds of the New Series, notwithstanding any other provisions set forth herein, payments of principal of, redemption premium, if any, and interest on the bonds of the New Series shall be made to the

Nominee or the Depository, as the case may be, by wire transfer in immediately available funds to the account of such holder. Without notice to or consent of the beneficial owners, the Trustee with the consent of the Company and the Depository may agree in writing to make payments of principal, redemption price and interest in a manner different from that set forth herein. In such event, the Trustee shall make payment with respect to the bonds of the New Series in such manner as if set forth herein.

(c) The Company may at any time elect (i) to provide for the replacement of any Depository as the depository for the bonds of the New Series with another qualified depository, or (ii) to discontinue the maintenance of the bonds of the New Series under book-entry system. In such event, the Trustee shall give 30 days prior notice of such election to the Depository (or such fewer number of days acceptable to such Depository).

(d) Upon the discontinuance of the maintenance of the bonds of the New Series under a book-entry system, the Company will cause the bonds to be issued directly to the beneficial owners of the bonds of the New Series, or their designees, as further described below. In such event, the Trustee shall make provisions to notify participants and beneficial owners of the bonds of the New Series, by mailing an appropriate notice to the Depository, that bonds of the New Series will be directly issued to beneficial owners of the bonds as of a date set forth in such notice (or such fewer number of days acceptable to such Depository).

(e) In the event that bonds of the New Series are to be issued to beneficial owners of the bonds, or their designees, the Company shall promptly have bonds of the New Series prepared in certificated form registered in the names of the beneficial owners of such bonds shown on the records of the participants provided to the Trustee, as of the date set forth in the notice above. Bonds issued to beneficial owners, or their designees shall be substantially in the form set forth in this Supplemental Indenture, but will not include the provision related to global securities.

(f) If the Depository is replaced as the depository for the bonds of the New Series with another qualified depository, the Company will issue a replacement global security substantially in the form set forth in this Supplemental Indenture.

(g) The Company and the Trustee shall have no liability for the failure of any Depository to perform its obligations to any participant, any indirect participant or any beneficial owner of any bonds of the New Series, and the Company and the Trustee shall not be liable for the failure of any participant, indirect participant or other nominee of any beneficial owner or any bonds of the New Series to perform any obligation that such participant, indirect participant or other nominee may incur to any beneficial owner of the bonds of the New Series.

(h) Notwithstanding any other provision of the Mortgage, on or prior to the date of issuance of the bonds of the New Series the Trustee shall have executed and delivered to the initial Depository a Letter of Representations governing various matters relating to the Depository and its activities pertaining to the bonds of the New Series. The terms and provisions of such Letter of Representations are incorporated herein by reference and, in the event there shall exist any inconsistency between the substantive provisions of the said Letter of Representations and any provisions of the Mortgage, then, for as long as the initial Depository

shall serve as depository with respect to the bonds of the New Series, the terms of the Letter of Representations shall govern.

(i) The Company and the Trustee may rely conclusively upon (i) a certificate of the Depository as to the identity of a participant in the book-entry system; (ii) a certificate of any participant as to the identity of any indirect participant and (iii) a certificate of any participant or any indirect participant as to the identity of, and the respective principal amount of bonds of the New Series owned by, beneficial owners.

Section 3. So long as the bonds of the New Series are held by The Depository Trust Company, such bonds of the New Series shall bear the following legend:

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Section 4. So long as any of the bonds of the New Series remain outstanding, the Company shall keep at its office or agency in the Borough of Manhattan, The City of New York, as well as at the office of the Trustee in the City of Philadelphia, Pennsylvania, books for the registry and transfer of outstanding bonds of the New Series, in accordance with the terms and provisions of the bonds of the New Series and the provisions of Section 8 of Article I of said Mortgage.

Section 5. So long as any bonds of the New Series remain outstanding, the Company shall maintain an office or agency in the City of Philadelphia, Pennsylvania, and an office or agency in the Borough of Manhattan, The City of New York, for the payment upon proper demand of the principal of, the interest on, or the redemption price of the outstanding bonds of the New Series, and will from time to time give notice to the Trustee of the location of such office or agency. In case the Company shall fail to maintain for such purpose an office or agency in the City of Philadelphia or shall fail to give such notice of the location thereof, then notices, presentations and demands in respect of the bonds of the New Series may be given or made to or upon the Trustee at its office in the City of Philadelphia and the principal of, the interest on, and the redemption price of said bonds in such event be payable at said office of the Trustee. All bonds of the New Series when paid shall forthwith be cancelled.

Section 6. The Company may fix a date, not more than fourteen calendar days prior to any interest payment date, as a record date for determining the registered holder of each bond of the New Series entitled to such interest payment, in which case only the registered holder of such bond on such record date shall be entitled to receive such payment, notwithstanding any transfer of such bond upon the registration books subsequent to such record date.

Section 7. The bonds of the New Series shall be issued under and subject to all of the terms and provisions of the Mortgage, of the indentures supplemental thereto referred to in the recitals hereof and of this Supplemental Indenture which may be applicable to such bonds or applicable to all bonds issued under the Mortgage and indentures supplemental thereto.

ARTICLE III .

ISSUE AND AUTHENTICATION OF
BONDS OF THE NEW SERIES

In addition to any bonds of any series which may from time to time be executed by the Company and authenticated and delivered by the Trustee upon compliance with the provisions of the Mortgage and/or of any indenture supplemental thereto, bonds of the New Series of an aggregate principal amount not exceeding $225,000,000 shall forthwith be executed by the Company and delivered to the Trustee, and the Trustee shall thereupon, whether or not this Supplemental Indenture shall have been recorded, authenticate and deliver said bonds to or upon the written order of the President, a Vice President, or the Treasurer of the Company, under the terms and provisions of paragraph (c) of Section 3 of Article II of the Mortgage, as amended.

ARTICLE IV .

REDEMPTION OF BONDS OF THE
NEW SERIES

Section 1. The bonds of the New Series shall be redeemable, at the option of the Company, as a whole or in part, at any time upon notice sent by the Company through the mail, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption, to the registered holder of each bond to be redeemed in whole or in part, addressed to such holder at his address appearing upon the registration books, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or (2) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 25 basis points, plus accrued interest to the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds of this series or portions of the bonds of this series called for redemption.

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

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

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

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

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

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

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc. and Salomon Smith Barney Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Company.

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

Section 2. In case the Company shall desire to exercise such right to redeem and pay off all or any part of such bonds of the New Series as hereinbefore provided it shall comply with all the terms and provisions of Article III of the Mortgage, as amended, applicable thereto, and such redemption shall be made under and subject to the terms and provisions of Article III and in the manner and with the effect therein provided, but at the time or times and upon mailing of notice, all as hereinbefore set forth in Section 1 of this Article. No publication of notice of any redemption of any bonds of the New Series shall be required.

ARTICLE V.
CERTAIN EVENTS OF DEFAULT; REMEDIES

Section 1. So long as any bonds of the New Series remain outstanding, in case one or more of the following events shall happen, such events shall, in addition to the events of default heretofore enumerated in paragraphs (a) throughout (d) of Section 2 of Article VIII of the Mortgage, constitute an "event of default" under the Mortgage, as fully as if such events were enumerated therein:

(e) default shall be made in the due and punctual payment of the principal (including the full amount of any applicable optional redemption price) of any bond or

bonds of the New Series whether at the maturity of said bonds, or at a date fixed for redemption of said bonds, or any of them, or by declaration as authorized by the Mortgage;

Section 2. So long as any bonds of the New Series remain outstanding, Section 10 of Article VIII of the Mortgage, as heretofore amended, is hereby further amended by inserting in the first paragraph of such Section 10, immediately after the words "as herein provided," at the end of clause (2) thereof, the following:

"or (3) in case default shall be made in any payment of any interest on any bond or bonds secured by this indenture or in the payment of the principal (including any applicable optional redemption price) of any bond or bonds secured by this indenture, where such default is not of the character referred to in clause (1) or (2) of this Section 10 but constitutes an event of default within the meaning of Section 2 of this Article VIII."

ARTICLE VI.

CONCERNING THE TRUSTEE

The Trustee hereby accepts the trust herein declared and provided and agrees to perform the same upon the terms and conditions set forth in the Mortgage, as amended and supplemented, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity 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.

ARTICLE VII.

MISCELLANEOUS

Section 3. Unless otherwise clearly required by the context, the term "Trustee," or any other equivalent term used in this Supplemental Indenture, shall be held and construed to mean the trustee under the Mortgage for the time being whether the original or a successor trustee.

Section 4. The headings of the Articles of this Supplemental Indenture are inserted for convenience of reference only and are not to be taken to be any part of this Supplemental Indenture or to control or affect the meaning of the same.

Section 5. Nothing expressed or mentioned in or to be implied from this Supplemental Indenture or in or from the bonds of the New Series is intended, or shall be construed, to give any person or corporation, other than the parties hereto and their respective successors, and the holders of bonds secured by the Mortgage and the indentures supplemental thereto, any legal or equitable right, remedy or claim under or in respect of such bonds or the Mortgage or any indenture supplemental thereto, or any covenant, condition or provision therein or in this Supplemental Indenture contained. All the covenants, conditions and provisions thereof and

hereof are for the sole and exclusive benefit of the parties hereto and their successors and of the holders of bonds secured by the Mortgage and indentures supplemental thereto.

Section 6. This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

Section 7. This Supplemental Indenture is dated and shall be effective as of September 15, 2002, but was actually executed and delivered on September 17, 2002.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties of the first and second parts hereto have caused their corporate seals to be hereunto affixed and the President or a Vice President of the party of the first part and the President or a Vice President of the party of the second part, under and by the authority vested in them, have hereto affixed their signatures and their Secretaries or Assistant Secretaries have duly attested the execution hereof the 17th day of September, 2002.

PECO ENERGY COMPANY

By

F. F. Frankowski
Vice President

[SEAL]

Attest

T. D. Cutler
Assistant Secretary

WACHOVIA BANK, NATIONAL ASSOCIATION

By

G. J. Rayzis
Vice President

[SEAL]

Attest

J. M. Matthews
Assistant Secretary

COMMONWEALTH OF PENNSYLVANIA

ss.

COUNTY OF PHILADELPHIA

BE IT REMEMBERED, that on the 17th day of September, 2002, before me, a Notary Public in and for said County and Commonwealth, residing in Philadelphia, personally came T. D. Cutler, who being duly sworn according to law deposes and says that he was personally present and did see the common or corporate seal of the above named PECO Energy Company affixed to the foregoing Supplemental Indenture, that the seal so affixed is the common or corporate seal of the said PECO Energy Company, and was so affixed by the authority of the said corporation as the act and deed thereof; that the above named F. F. Frankowski is a Vice President of the said corporation, and did sign the said Supplemental Indenture as such in the presence of this deponent that this deponent is Assistant Secretary of the said corporation; and the name of the deponent, above signed in attestation of the due execution of the said Supplemental Indenture, is in this deponent's own proper handwriting.

Sworn to and subscribed before me the day and year aforesaid.

____

Notarial Seal

____

Notary Public, City of Philadelphia,
Philadelphia County
My Commission Expires ______, ____

[SEAL]

COMMONWEALTH OF PENNSYLVANIA

ss.

COUNTY OF PHILADELPHIA

BE IT REMEMBERED, that on the 17th day of September, 2002, before me, the subscriber, a Notary Public in and for said County and Commonwealth, residing in Philadelphia, personally came J. M. Matthews, who being duly sworn according to law deposes and says that he was personally present and did see the common or corporate seal of the above named Wachovia Bank, National Association, affixed to the foregoing Supplemental Indenture, that the seal so affixed is the common or corporate seal of the said Wachovia Bank, National Association, and was so affixed by the authority of the said corporation as the act and deed thereof, that the above named G. J. Rayzis is a Vice President of the said corporation, and did sign the said Supplemental Indenture as such in the presence of this deponent; that this deponent is an Assistant Secretary of the said corporation; and that the name of this deponent, above signed in attestation of the due execution of the said Supplemental Indenture, is in this deponent's own proper handwriting.

Sworn to and subscribed before me the day and year aforesaid.

I hereby certify that I am not an officer of director of said Wachovia Bank, National Association.

____

Notarial Seal
_____________, Notary Public
City of Philadelphia, Philadelphia County
My Commission Expires ______, ____

[SEAL]

CERTIFICATE OF RESIDENCE

Wachovia Bank, National Association, Mortgagee and Trustee within named, hereby certifies that its precise residence in the City of Philadelphia is N.E. Cor. Broad and Walnut Streets in the City of Philadelphia, Pennsylvania.

WACHOVIA BANK, NATIONAL ASSOCIATION

By ---------------------------------------
G. J. Rayzis
Vice President

SCHEDULE A

COMMONWEALTH OF PENNSYLVANIA

PHILADELPHIA COUNTY

EIGHTEENTH WARD: (PE 10,560)

(1) ALL THAT CERTAIN lot or piece of ground with the buildings and improvements thereon erected, Situate in the 18th ward of the City of Philadelphia, Commonwealth of Pennsylvania, BEGINNING at a point formed by the intersection of the Southeasterly side of Delaware Avenue (variable width) and the Northeasterly side of Palmer Street (50 feet wide), CONTAINING 105,681 square feet or 2.4261 acres.

BEING the same premises which Jerome Foods, Inc. by Deed dated 1/27/1998 and recorded 2/2/1998 in Philadelphia County in Deed Book JTD 577 Page 46 conveyed unto PIDC Financing Corporation, a Pennsylvania Non-Profit Corp., in fee. UNDER AND SUBJECT to certain rights as of record.

Exhibit 4.2

PECO ENERGY COMPANY

TO

WACHOVIA BANK, NATIONAL ASSOCIATION TRUSTEE
(formerly, First Union National Bank)

NINETY-EIGHTH SUPPLEMENTAL
INDENTURE DATED AS OF
OCTOBER 1, 2002

TO

FIRST AND REFUNDING MORTGAGE

OF

THE COUNTIES GAS AND ELECTRIC
COMPANY

TO

FIDELITY TRUST COMPANY, TRUSTEE
DATED MAY 1, 1923

5.95% SERIES DUE 2011
(Exchange Series)

THIS SUPPLEMENTAL INDENTURE dated as of October 1, 2002, by and between PECO ENERGY COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the Company), party of the first part, and WACHOVIA BANK, NATIONAL ASSOCIATION (formerly, First Union National Bank), a national banking association organized and existing under the laws of the United States of America (hereinafter called the Trustee), as Trustee under the Mortgage hereinafter mentioned, party of the second part, Witnesseth that

WHEREAS, The Counties Gas and Electric Company (hereinafter called Counties Company), a Pennsylvania corporation and a predecessor to the Company, duly executed and delivered to Fidelity Trust Company, a Pennsylvania corporation to which the Trustee is successor, as Trustee, a certain indenture of mortgage and deed of trust dated May 1, 1923 (hereinafter called the Mortgage), to provide for the issue of, and to secure, its First and Refunding Mortgage Bonds, issuable in series and without limit as to principal amount except as provided in the Mortgage, the initial series of Bonds being designated the 6% Series of 1923, and the terms and provisions of other series of bonds secured by the Mortgage to be determined as provided in the Mortgage; and

WHEREAS, thereafter Counties Company, Philadelphia Suburban-Counties Gas and Electric Company (hereinafter called Suburban Company), and the Company, respectively, have from time to time executed and delivered indentures supplemental to the Mortgage, providing for the creation of additional series of bonds secured by the Mortgage and for amendment of certain of the terms and provisions of the Mortgage and of indentures supplemental thereto, or evidencing the succession of Suburban Company to Counties Company and of the Company to Suburban Company, such indentures supplemental to the Mortgage, the respective dates, parties thereto, and purposes thereof, being as follows:

Supplemental Indenture and Date	Parties	Providing for:
First September 1, 1926	Counties Company to Fidelity-Philadelphia Trust Company (Successor to Fidelity Trust Company)	Bonds of 5% Series of 1926
Second May 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Evidencing succession of Suburban Company to Counties Company
Third May 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Bonds of 4-1/2% Series due 1957; amendment of certain provisions of Mortgage
Fourth November 1, 1927	Suburban Company to Fidelity-Philadelphia Trust Company	Additional Bonds of 4-1/2% Series due 1957
Fifth January 31, 1931	Company to Fidelity-Philadelphia Trust Company	Evidencing succession of Company to Suburban Company
Sixth February 1, 1931	Company to Fidelity-Philadelphia Trust Company	Bonds of 4% Series due 1971
Seventh March 1, 1937	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/2% Series due 1967; amendment of certain provisions of Mortgage
Eighth December 1, 1941	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1971; amendment of certain provisions of Mortgage
Ninth November 1, 1944	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1967 and 2-3/4% Series due 1974; amendment of certain provisions of Mortgage
Tenth December 1, 1946	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-3/4% Series due 1981; amendment of certain provisions of Mortgage*

Supplemental Indenture and Date	Parties	Providing for:
Eleventh February 1, 1948	Company to Fidelity-Philadelphia Trust Company	Bonds of 2-7/8% Series due 1978*
Twelfth January 1, 1952	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/4% Series due 1982*
Thirteenth May 1, 1953	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-7/8% Series due 1983*
Fourteenth December 1, 1953	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/8% Series due 1983*
Fifteenth April 1, 1955	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-1/8% Series due 1985*
Sixteenth September 1, 1957	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-5/8% Series due 1987; amendment of certain provisions of Mortgage*
Seventeenth May 1, 1958	Company to Fidelity-Philadelphia Trust Company	Bonds of 3-3/4% Series due 1988; amendment of certain provisions of Mortgage*
Eighteenth December 1, 1958	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-3/8% Series due 1986*
Nineteenth October 1, 1959	Company to Fidelity-Philadelphia Trust Company	Bonds of 5% Series due 1989*
Twentieth May 1, 1964	Company to Fidelity-Philadelphia Trust Company	Bonds of 4-1/2% Series due 1994*
Twenty-first October 15, 1966	Company to Fidelity-Philadelphia Trust Company	Bonds of 6% Series due 1968-1973*
Twenty-second June 1, 1967	Company to The Fidelity Bank (formerly Fidelity-Philadelphia Trust Company)	Bonds of 5-1/4 % Series due 1968-1973 and 5-3/4 % Series due 1977*
Twenty-third October 1, 1957	Company to The Fidelity Bank	Bonds of 6-1/8 % Series due 1997*

Supplemental Indenture and Date	Parties	Providing for:
Twenty-fourth March 1, 1968	Company to The Fidelity Bank	Bonds of 6-1/2% Series due 1993; amendment of Article XIV of Mortgage*
Twenty-fifth September 10, 1968	Company to The Fidelity Bank	Bonds of 1968 Series due 1969-1976*
Twenty-sixth August 15, 1969	Company to The Fidelity Bank	Bonds of 8% Series due 1975*
Twenty-seventh February 1, 1970	Company to The Fidelity Bank	Bonds of 9% Series due 1995*
Twenty-eighth May 1, 1970	Company to The Fidelity Bank	Bonds of 8-1/2% Series due 1976*
Twenty-ninth December 15, 1970	Company to The Fidelity Bank	Bonds of 7-3/4% Series due 2000*
Thirtieth August 1, 1971	Company to The Fidelity Bank	Bonds of 8-1/4% Series due 1996*
Thirty-first December 15, 1971	Company to The Fidelity Bank	Bonds of 7-3/8% Series due 2001; amendment of Article XI of Mortgage*
Thirty-second June 15, 1972	Company to The Fidelity Bank	Bonds of 7-1/2% Series due 1998*
Thirty-third January 15, 1973	Company to The Fidelity Bank	Bonds of 7-1/2% Series due 1999*
Thirty-fourth January 15, 1974	Company to The Fidelity Bank	Bonds of 8-1/2% Series due 2004
Thirty-fifth October 15, 1974	Company to The Fidelity Bank	Bonds of 11% Series due 1980*
Thirty-sixth April 15, 1975	Company to The Fidelity Bank	Bonds of 11-5/8% Series due 2000*
Thirty-seventh August 1, 1975	Company to The Fidelity Bank	Bonds of 11% Series due 2000*
Thirty-eighth March 1, 1976	Company to The Fidelity Bank	Bonds of 9-1/8% Series due 2006*
Thirty-ninth August 1, 1976	Company to The Fidelity Bank	Bonds of 9-5/8% Series due 2002*

Supplemental Indenture and Date	Parties	Providing for:
Fortieth February 1, 1977	Company to The Fidelity Bank	Bonds of Pollution Control Series A and Pollution Control Series B*
Forty-first March 15, 1977	Company to The Fidelity Bank	Bonds of 8-5/8% Series due 2007*
Forty-second July 15, 1977	Company to The Fidelity Bank	Bonds of 8-5/8% Series due 2003*
Forty-third March 15, 1978	Company to The Fidelity Bank	Bonds of 9-1/8% Series due 2008*
Forty-fourth October 15, 1979	Company to The Fidelity Bank	Bonds of 12-1/2% Series due 2005*
Forty-fifth October 15, 1980	Company to The Fidelity Bank	Bonds of 13-3/4% Series due 1992*
Forty-sixth March 1, 1981	Company to The Fidelity Bank	Bonds of 15-1/4% Series due 1996; amendment of Article VIII of Mortgage*
Forty-seventh March 1, 1981	Company to The Fidelity Bank	Bonds of 15% Series due 1996; amendment of Article VIII of Mortgage*
Forty-eighth July 1, 1981	Company to The Fidelity Bank	Bonds of 17-5/8% Series due 2011*
Forty-ninth September 15, 1981	Company to The Fidelity Bank	Bonds of 18-3/4% Series due 2009*
Fiftieth April 1, 1982	Company to The Fidelity Bank	Bonds of 18% Series due 2012*
Fifty-first October 1, 1982	Company to The Fidelity Bank	Bonds of 15-3/8% Series due 2010*
Fifty-second June 15, 1983	Company to The Fidelity Bank	Bonds of 13-3/8% Series due 2013*
Fifty-third November 15, 1984	Company to Fidelity Bank, National Association (formerly The Fidelity Bank)	Bonds of 13.05% Series due 1994; amendment of Article VIII of Mortgage*

Supplemental Indenture and Date	Parties	Providing for:
Fifty-fourth December 1, 1984	Company to Fidelity Bank, National Association	Bonds of 14% Series due 1988-1994; amendment of Article VIII of Mortgage*
Fifty-fifth May 15, 1985	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series C*
Fifty-sixth October 1, 1985	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series D*
Fifty-seventh November 15, 1985	Company to Fidelity Bank, National Association	Bonds of 10-7/8% Series due 1995*
Fifty-eight November 15, 1985	Company to Fidelity Bank, National Association	Bonds of 11-3/4% Series due 2014*
Fifty-ninth June 1, 1986	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series E*
Sixtieth November 1, 1986	Company to Fidelity Bank, National Association	Bonds of 10-1/4% Series due 2016*
Sixty-first November 1, 1986	Company to Fidelity Bank, National Association	Bonds of 8-3/4% Series due 1994*
Sixty-second April 1, 1987	Company to Fidelity Bank, National Association	Bonds of 9-3/8% Series due 2017*
Sixty-third July 15, 1987	Company to Fidelity Bank, National Association	Bonds of 11% Series due 2016*
Sixty-fourth July 15, 1987	Company to Fidelity Bank, National Association	Bonds of 10% Series due 1997*
Sixty-fifth August 1, 1987	Company to Fidelity Bank, National Association	Bonds of 10-1/4% Series due 2007*
Sixty-sixth October 15, 1987	Company to Fidelity Bank, National Association	Bonds of 11% Series due 1997*
Sixty-seventh October 15, 1987	Company to Fidelity Bank, National Association	Bonds of 12-1/8% Series due 2016*
Sixty-eighth April 15, 1988	Company to Fidelity Bank, National Association	Bonds of 10% Series due 1998*
Sixty-ninth April 15, 1988	Company to Fidelity Bank, National Association	Bonds of 11% Series due 2018*

Supplemental Indenture and Date	Parties	Providing for:
Seventieth June 15, 1989	Company to Fidelity Bank, National Association	Bonds of 10% Series due 2019*
Seventy-first October 1, 1989	Company to Fidelity Bank, National Association	Bonds of 9-7/8% Series due 2019*
Seventy-second October 1, 1989	Company to Fidelity Bank, National Association	Bonds of 9-1/4% Series due 1999*
Seventy-third October 1, 1989	Company to Fidelity Bank, National Association	Medium-Term Note Series A*
Seventy-fourth October 15, 1990	Company to Fidelity Bank, National Association	Bonds of 10-1/2% Series due 2020*
Seventy-fifth October 15, 1990	Company to Fidelity Bank, National Association	Bonds of 10% Series due 2000*
Seventy-sixth April 1, 1991	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series F and Pollution Control Series G*
Seventy-seventh December 1, 1991	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series H*
Seventy-eighth January 15, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/2% 1992 Series due 1999*
Seventy-ninth April 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8% Series due 2002*
Eightieth April 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-3/4% Series due 2022*
Eighty-first June 1, 1992	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series I*
Eighty-second June 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-5/8% Series due 2022*
Eighty-third July 15, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/2% Series due 2002*
Eighty-fourth September 1, 1992	Company to Fidelity Bank, National Association	Bonds of 8-1/4% Series due 2022*
Eighty-fifth September 1, 1992	Company to Fidelity Bank, National Association	Bonds of 7-1/8% Series due 2002*

Supplemental Indenture and Date	Parties	Providing for:
Eighty-sixth March 1, 1993	Company to Fidelity Bank, National Association	Bonds of 6-5/8% Series due 2003*
Eighty-Seventh March 1, 1993	Company to Fidelity Bank, National Association	Bonds of 7-3/4% Series due 2023*
Eighty-eighth March 1, 1993	Company to Fidelity Bank, National Association	Bonds of Pollution Control Series J, Pollution Control Series K, Pollution Control Series L and Pollution Control Series M*
Eighty-ninth May 1, 1993	Company to Fidelity Bank, National Association	Bonds of 6-1/2% Series due 2003*
Ninetieth May 1, 1993	Company to Fidelity Bank, National Association	Bonds of 7-3/4% Series 2 due 2023*
Ninety-first August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 7-1/8% Series due 2023*
Ninety-second August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 6-3/8% Series due 2005*
Ninety-third August 15, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 5-3/8% Series due 1998*
Ninety-fourth November 1, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 7-1/4% Series due 2024*
Ninety-fifth November 1, 1993	Company to First Fidelity Bank, N.A., Pennsylvania	Bonds of 5-5/8% Series due 2001*
Ninety-sixth May 1, 1995	Company to First Fidelity Bank, N.A., Pennsylvania	Medium Term Note Series B*
Ninety-seventh October 15, 2001	Company to First Union National Bank (formerly First Fidelity Bank, N.A., Pennsylvania)	Bonds of 5.95% Series due 2011*
Ninety-ninth September 15, 2002	Company to Wachovia Bank, National Association (formerly First Union National Bank)	Bonds of 4.75% Series due 2012*

*And amendment of certain provisions of the Ninth Supplemental Indenture.

WHEREAS, the respective principal amounts of the bonds of each series presently outstanding under the Mortgage and the several supplemental indentures above referred to, are as follows:

Series	PRINCIPAL AMOUNT
5-5/8% Series due 2001	$250,000,000
6-5/8% Series due 2003	250,000,000
6-1/2% Series due 2003	200,000,000
6-3/8% Series due 2005	75,000,000
Pollution Control Series J due 2012	50,000,000
Pollution Control Series K due 2012	50,000,000
Pollution Control Series L due 2012	50,000,000
Pollution Control Series M due 2012	4,200,000
6-5/8% Pollution Control Series I due 2022	29,530,000
4.75% Series due 2012	250,000,000
Total	$1,208,730,000

WHEREAS, on October 15, 2001, pursuant to the Ninety-seventh Supplemental Indenture, the Company issued $250,000,000 aggregate principal amount 5.95% First and Refunding Mortgage Bonds due 2011 (hereinafter called the "Original Series");

WHEREAS, in connection with such issuance, the Company entered into a Registration Rights Agreement, dated October 30, 2001, by and between the Company and the representatives of the initial purchasers of the Original Series, pursuant to which the Company agreed to register $250,000,000 aggregate principal amount 5.95% First and Refunding Mortgage Bonds due 2011 (hereinafter called "Exchange Series") and exchange the Original Series for the Exchange Series in an exchange offer (the "Exchange Offer").

WHEREAS, the exchange offer for the Original Series, having been completed, the Company wishes to issue $250,000,000 aggregate principal amount of its 5.95% Exchange Series due 2011,

and

WHEREAS, the Company deems it advisable and has determined, pursuant to Article XI of the Mortgage,

(a) to convey, pledge, transfer and assign to the Trustee and to subject specifically to the lien of the Mortgage additional property not therein or in any supplemental indenture specifically described but now owned by the Company and acquired by it by purchase or otherwise; and

(b) to create an Exchange Series of bonds to be issued under, and secured by, the Mortgage, and for the above-mentioned purposes to execute, deliver and record this Supplemental Indenture; and

WHEREAS, the Company has determined by proper corporate action that the terms, provisions and form of the bonds of the Exchange Series shall be substantially as follows:

(Form of Face of Exchange Series of Bond)

PECO ENERGY COMPANY

REGISTERED NUMBER   REGISTERED

FIRST AND REFUNDING MORTGAGE BOND,
5.95% SERIES DUE 2011,
DUE NOVEMBER 1, 2011

PECO Energy Company, a Pennsylvania corporation (hereinafter called the Company), for value received, hereby promises to pay to ________________________ or registered assigns, ________________________ Dollars on November 1, 2011, at the office or agency of the Company, in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company, in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon from the date hereof at the rate of 5.95 percent per annum in like coin or currency, payable at either of the offices aforesaid on May 1 and November 1 in each year until the Company's obligation with respect to the payment of such principal shall have been discharged. Any accrued and unpaid interest on any bond of the Original Series upon the issuance of an Exchange Security (as defined in the Registration Rights Agreement) shall cease to be payable to the holder thereof but such accrued and unpaid interest shall be payable on the next interest payment date for such Exchange Security to the holder thereof on the related record date. Both such principal and interest are payable less deduction for any taxes, assessments or governmental charges assessed against this bond or the interest hereon or any owner or holder hereof which the Company, the Trustee under the Mortgage referred to on the reverse hereof or any paying agent is or may be required to collect or withhold under any present or future law of the United States of America, or any state and/or of any county, municipality, taxing authority or political subdivision thereof.

"Registration Rights Agreement" means an agreement by and among the Company and the initial purchasers of the bonds of this series regarding the Company's obligation to (1) complete the Exchange Offer and (2) register the resale of the bonds of this series with the Securities and Exchange Commission.

The Company may fix a date, not more than fourteen calendar days prior to any interest payment date, as a record date for determining the registered holder of this bond entitled to such interest payment, in which case only the registered holder on such record date shall be entitled to receive such payment, notwithstanding any transfer of this bond upon the registration books subsequent to such record date.

This bond shall not be valid or become obligatory for any purpose unless it shall have been authenticated by the certificate of the Trustee under said Mortgage endorsed hereon.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, PECO Energy Company has caused this instrument to be signed in its corporate name with the manual or facsimile signature of its President or a Vice President and its corporate seal to be impressed or a facsimile imprinted hereon, duly attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated:

PECO ENERGY COMPANY

By

President

(SEAL)

Attest:

Secretary

(Form of Reverse of Exchange Series of Bond)

PECO ENERGY COMPANY
First and Refunding Mortgage Bond,
5.95% Series Due 2011
Due November 1, 2011

(CONTINUED)

This bond is one of a duly authorized issue of bonds of the Company, unlimited as to amount except as provided in the Mortgage hereinafter mentioned or in any indenture supplemental thereto, and is one of a series of said bonds known as First and Refunding Mortgage Bonds, 5.95% Series due 2011. This bond and all other bonds of said issue are issued and to be issued under and pursuant to and are all secured equally and ratably by an indenture of mortgage and deed of trust dated May 1, 1923, duly executed and delivered by The Counties Gas and Electric Company (to which the Company is successor) to Fidelity Trust Company, as Trustee (to which Wachovia Bank, National Association, a national banking association organized and existing under the laws of the United States of America, is successor Trustee), as amended, modified or supplemented by certain supplemental indentures from the Company or its predecessors to said successor Trustee or its predecessors, said mortgage, as so amended, modified or supplemented being herein called the Mortgage. Reference is hereby made to the Mortgage for a statement of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of said bonds and of the Trustee in respect of such security, the rights, duties and immunities of the Trustee, and the terms and conditions upon which said bonds are and are to be secured, and the circumstances under which additional bonds may be issued.

As provided in the Mortgage, the bonds secured thereby may be for various principal sums and are issuable in series, which series may mature at different times, may bear interest at different rates, and may otherwise vary. The bonds of this series mature on November 1, 2011, and are issuable only in registered form without coupons in any denomination authorized by the Company.

Any bond or bonds of this series may be exchanged for another bond or bonds of this series in a like aggregate principal amount in authorized denominations, upon presentation at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, all subject to the terms of the Mortgage but without any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the exchange.

The bonds of this series are redeemable at the option of the Company, as a whole or in part, at any time upon notice sent by the Company through the mail, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption, to the registered holder of each bond to be redeemed, addressed to such holder at his address appearing upon the registration books, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or (2) as determined by the Quotation Agent, the sum of the present values of the remaining

scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 30 basis points, plus accrued interest to the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds of this series or portions of the bonds of this series called for redemption.

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

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

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

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

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

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

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" means (1) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and First Union Securities, Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Company.

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

The principal of this bond may be declared or may become due on the conditions, in the manner and with the effect provided in the Mortgage upon the happening of an event of default as in the Mortgage provided.

This bond is transferable by the registered holder hereof in person or by attorney, duly authorized in writing, at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in books of the Company to be kept for that purpose, upon surrender and cancellation hereof, and upon any such transfer, a new registered bond or bonds, without coupons, of this series and for the same aggregate principal amount, will be issued to the transferee in exchange herefor, all subject to the terms of the Mortgage but without payment of any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the transfer. The Company, the Trustee, and any paying agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or interest on this bond to any incorporator or any past, present or future stockholder, officer or director of the Company or of any predecessor or successor corporation, either directly or indirectly, by virtue of any statute or by enforcement of any assessment or otherwise, and any and all liability of the said incorporators, stockholders, officers or directors of the Company or of any predecessor or successor corporation in respect to this bond is hereby expressly waived and released by every holder hereof, except to the extent that such liability may not be waived or released under the provisions of the Securities Act of 1933 or of the rules and regulations of the Securities and Exchange Commission thereunder.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(End of Form of Reverse of Bond)

and

WHEREAS, on the face of each of the bonds of the Exchange Series, there is to be endorsed a certificate of the Trustee in substantially the following form, to wit:

(Form of Trustee's Certificate)

This bond is one of the bonds, of the series designated therein, provided for in the within-mentioned Mortgage and in the Ninety-Eighth Supplemental Indenture dated as of October 1, 2002.

WACHOVIA BANK, NATIONAL ASSOCIATION

By

Authorized Officer

and

WHEREAS, all acts and things necessary to make the bonds of the Exchange Series, when duly executed by the Company and authenticated by the Trustee as provided in the Mortgage and indentures supplemental thereto, and issued by the Company, the valid, binding and legal obligations of the Company, and this Supplemental Indenture a valid and enforceable supplement to the Mortgage, have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly and lawfully authorized.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

That in order to secure the payment of the principal of and interest on all bonds issued and to be issued under the Mortgage and/or under any indenture supplemental thereto, according to their tenor and effect, and according to the terms of the Mortgage and of any indenture supplemental thereto, and to secure the performance of the covenants and obligations in the bonds and in the Mortgage and any indenture supplemental thereto respectively contained, and for the proper assuring, conveying, and confirming unto the Trustee, its successors in trust and its and their assigns forever, upon the trusts and for the purposes expressed in the Mortgage and in any indentures supplemental thereto, all and singular the estates, property and franchises of the Company thereby mortgaged or intended so to be, the Company, for and in consideration of the premises and of the sum of One Dollar ($1.00) in hand paid by the Trustee to the Company upon the execution and delivery of this Supplemental Indenture, receipt whereof is hereby acknowledged, and of other good and valuable consideration, has granted, bargained, sold, conveyed, released, confirmed, pledged, assigned, transferred and set over and by these presents does grant, bargain, sell, convey, release, confirm, pledge, assign, transfer, and set over to Wachovia Bank, National Association, as Trustee, and to its successors in trust and its and their assigns forever, all the following described property, real, personal and mixed of the Company, viz.:

All of the real property with any improvements thereon erected as may be owned by the Company and described in the Mortgage or in any indenture supplemental thereto as may heretofore have been executed, delivered and recorded, but excluding therefrom all real property heretofore released from the lien of the Mortgage. It is hereby stated that the Company has not acquired title to nor become the owner of any new or additional real property since the execution, delivery and recording of the Ninety-ninth Supplemental Indenture dated as of September 15, 2002. The purpose of restating such prior conveyances as security is to confirm that the obligations of the Company as provided in this Supplemental Indenture are included within the lien and security of the Mortgage, and that public record be made of such purpose and fact by the recording of this Supplemental Indenture.

Together with all gas works, electric works, plants, buildings, structures, improvements and machinery located upon such real estate or any portion thereof, and all rights, privileges and easements of every kind and nature appurtenant thereto, and all and singular the tenements, hereditaments and appurtenances belonging to the real estate or any part thereof hereinbefore described or referred to or intended so to be, or in any way appertaining thereto, and the

reversions, remainders, rents, issues and profits thereof; also all the estate, right, title, interest, property, possession, claim and demand whatsoever, as well in law as in equity, of the Company, of, in and to the same and any and every part thereof, with the appurtenances.

Also all the Company's electric transmission and distribution lines and systems, substations, transforming stations, structures, machinery, apparatus, appliances, devices and appurtenances.

Also all the Company's gas transmission and distribution mains, pipes, pipe lines and systems, storage facilities, structures, machinery, apparatus, appliances, devices and appurtenances.

Also all plants, systems, works, improvements, buildings, structures, fixtures, appliances, engines, furnaces, boilers, machinery, retorts, tanks, condensers, pumps, gas tanks, holders, reservoirs, expansion tanks, gas mains and pipes, tunnels, service pipe, pipe lines, fittings, gates, valves, connections, gas and electric meters, generators, dynamos, fans, supplies, tools and implements, tracks, sidings, motor and other vehicles, all electric light lines, electric power lines, transmission lines, distribution lines, conduits, cables, stations, substations, and distributing systems, motors, conductors, converters, switchboards, shafting, belting, wires, mains, feeders, poles, towers, mast arms, brackets, pipes, lamps, insulators, house wiring connections and all instruments, appliances, apparatus, fixtures, fittings and equipment and all stores, repair parts, materials and supplies of every nature and kind whatsoever now or hereafter owned by the Company in connection with or appurtenant to its plants and systems for production, purchase, storage, transmission, distribution, utilization and sale of gas and its by-products and residual products, and/or for the generation, production, purchase, storage, transmission, distribution, utilization and sale of electricity, or in connection with such business.

Also all the goodwill of the business of the Company, and all rights, claims, contracts, leases, patents, patent rights, and agreements, all accounts receivable, accounts, claims, demands, choses in action, books of account, cash assets, franchises, ordinances, rights, powers, easements, water rights, riparian rights, licenses, privileges, immunities, concessions and consents now or hereafter owned by the Company in connection with or appurtenant to its said business.

Also all the right, title and interest of the Company in and to all contracts for the purchase, sale or supply of gas, and its by-products and residual products of electricity and electrical energy, now or hereafter entered into by the Company with the right on the part of the Trustee, upon the happening of an event of default as defined in the Mortgage as supplemented by any supplemental indenture, to require a specific assignment of any and all such contracts, whenever it shall request the Company to make the same.

Also all rents, tolls, earnings, profits, revenues, dividends and income arising or to arise from any property now owned, leased, operated or controlled or hereafter acquired, leased, operated or controlled by the Company and subject to the lien of the Mortgage and indentures supplemental thereto.

Also all the estate, right, title and interest of the Company, as lessee, in and to any and all demised premises under any and all agreements of lease now or at any time hereafter in force, insofar as the same may now or hereafter be assignable by the Company.

Also all other property, real, personal and mixed not hereinbefore specified or referred to, of every kind and nature whatsoever, now owned, or which may hereafter be owned by the Company (except shares of stock, bonds or other securities not now or hereafter specifically pledged under the Mortgage and indentures supplemental thereto or required to be pledged thereunder by the provisions of the Mortgage or any indenture supplemental thereto), together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in any way appertaining and the reversions, remainder or remainders, rents, issues and profits thereof; and also all the estate, right, title, interest, property, claim and demand whatsoever as well in law as in equity of the Company of, in and to the same and every part and parcel thereof.

It is the intention and it is hereby agreed that all property and the earnings and income thereof acquired by the Company after the date hereof shall be as fully embraced within the provisions hereof and subject to the lien hereby created for securing the payment of all bonds, together with the interest thereon, as if the property were now owned by the Company and were specifically described herein and conveyed hereby, provided nevertheless, that no shares of stock, bonds or other securities now or hereafter owned by the Company, shall be subject to the lien of the Mortgage and indentures supplemental thereto unless now or hereafter specifically pledged or required to be pledged thereunder by the provisions of the Mortgage or any indenture supplemental thereto.

TO HAVE AND TO HOLD, all and singular the property, rights, privileges and franchises hereby conveyed, transferred or pledged or intended so to be, including after-acquired property, together with all and singular the reversions, remainders, rents, revenues, income, issues and profits, privileges and appurtenances, now or hereafter belonging or in any way appertaining thereto, unto the Trustee and its successors in the trust hereby created, and its and their assigns forever;

IN TRUST NEVERTHELESS, for the equal and pro rata benefit and security of each and every person or corporation who may be or become the holders of bonds secured by the Mortgage and indentures supplemental thereto, without preference, priority or distinction (except as provided in Section 1 of Article VIII of the Mortgage) as to lien or otherwise of any bond of any series over or from any other bond, so that (except as aforesaid) each and every of the bonds issued or to be issued, of whatsoever series, shall have the same right, lien, privilege under the Mortgage and indentures supplemental thereto and shall be equally secured thereby and hereby, with the same effect as if the bonds had all been made, issued and negotiated simultaneously on the date of the Mortgage.

AND THIS SUPPLEMENTAL INDENTURE FURTHER WITNESSETH:

It is hereby covenanted that all bonds secured by the Mortgage and indentures supplemental thereto with the coupons appertaining thereto, are issued to and accepted by each and every holder thereof, and that the property aforesaid and all other property subject to the lien of the Mortgage and indentures supplemental thereto is held by or hereby conveyed to the

Trustee, under and subject to the trusts, conditions and limitations set forth in the Mortgage and indentures supplemental thereto and upon and subject to the further trusts, conditions and limitations hereinafter set forth, as follows, to wit:

ARTICLE I .

AMENDMENTS OF MORTGAGE

Article II of the Ninth Supplemental Indenture to the Mortgage, as heretofore amended, is hereby further amended as follows:

By deleting from paragraph (d) of Section 5 and from the first clause of Section 9, the following:

"4.75% Series due 2012"

and by inserting in lieu thereof, in both instances, the following:

", 4.75% Series due 2012 or 5.95% Series due 2011 ("Exchange Series")"

ARTICLE II .

BONDS OF THE EXCHANGE SERIES

Section 1. The bonds of the Exchange Series are identical in all material respects to the bonds of the Original Series (except that the interest rate step-up provisions and the transfer restrictions shall be modified or eliminated, as appropriate) and are to be issued under this Ninety-Eighth Supplemental Indenture to the Mortgage.

The bonds of the Exchange Series shall be designated as hereinabove specified for such designation in the recital immediately preceding the form of bonds of the Exchange Series, subject however, to the provisions of Section 2 of Article I of the Mortgage, as amended, and are issuable only as registered bonds without coupons, substantially in the form hereinbefore recited; and the issue thereof shall be limited to $250,000,000 principal amount.

The bonds of the Exchange Series shall be dated the date of issuance and shall bear interest from the interest payment date to which interest was paid next preceding the date of issue. The bonds of the Exchange Series shall mature on November 1, 2011.

Interest on the bonds of the Exchange Series shall be computed on the basis of a 360-day year of twelve 30-day months and such bonds shall bear interest at the rate provided in the form of bond hereinbefore recited, payable on May 1 and November 1 in each year commencing on November 1, 2002 until the Company's obligation with respect to the payment of principal thereof shall have been discharged. Both principal and interest on bonds of the Exchange Series shall be payable at the office or agency of the Company in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the

Borough of Manhattan, The City of New York, and shall be payable in such coin or currency of the United States of America as at the time of payment shall constitute legal tender for the payment of public and private debts.

The bonds of the Exchange Series shall be in any denomination authorized by the Company.

Any bond or bonds of the Exchange Series shall be exchangeable for another bond or bonds of the Exchange Series in a like aggregate principal amount. Any such exchange may be made upon presentation at the office of the Trustee in the City of Philadelphia, Pennsylvania, or, at the option of the holder, at the office or agency of the Company in the Borough of Manhattan, The City of New York, without any charge other than a sum sufficient to reimburse the Company for any stamp tax or other governmental charge incident to the exchange.

Section 2. (a) Initially, the bonds of the Exchange Series shall be issued pursuant to a book-entry system administered by the Depository Trust Company (or its successor, referred to herein as the "Depository") as a global security with no physical distribution of bond certificates to be made except as provided in this Section 2. Any provisions of the Mortgage or the bonds of the Exchange Series requiring physical delivery of bonds shall, with respect to any bonds of the Exchange Series held under the book-entry system, be deemed to be satisfied by a notation on the bond registration books maintained by the Trustee that such bonds are subject to the book-entry system.

(b) So long as the book-entry system is being used, one bond of the Exchange Series in the aggregate principal amount of the bonds of the Exchange Series and registered in the name of the Depository's nominee (the "Nominee") will be issued and required to be deposited with the Depository and held in its custody. The book-entry system will be maintained by the Depository and its participants and indirect participants and will evidence beneficial ownership of the bonds of the Exchange Series, with transfers of ownership affected on the records of the Depository, the participants and the indirect participants pursuant to rules and procedures established by the Depository, the participants and the indirect participants. The principal of and any premium on each bond of the Exchange Series shall be payable to the Nominee or any other person appearing on the registration books as the registered holder of such bond or its registered assigns or legal representative at the office of the office or agency of the Company in the City of Philadelphia, Pennsylvania or the Borough of Manhattan, The City of New York. So long as the book-entry system is in effect, the Depository will be recognized as the holder of the bonds of the Exchange Series for all purposes. Transfers of principal, interest and any premium payments or notices to participants and indirect participants will be the responsibility of the Depository, and transfers of principal, interest and any premium payments or notices to beneficial owners will be the responsibility of participants and indirect participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Depository, the participants or the indirect participants. While the Nominee or the Depository, as the case may be, is the registered owner of the bonds of the Exchange Series, notwithstanding any other provisions set forth herein, payments of principal of, redemption premium, if any, and interest on the bonds of the Exchange Series shall be made to the Nominee or the Depository, as the case may be, by wire transfer in immediately available funds to the account of such holder. Without

notice to or consent of the beneficial owners, the Trustee with the consent of the Company and the Depository may agree in writing to make payments of principal, redemption price and interest in a manner different from that set forth herein. In such event, the Trustee shall make payment with respect to the bonds of the Exchange Series in such manner as if set forth herein.

(c) The Company may at any time elect (i) to provide for the replacement of any Depository as the depository for the bonds of the Exchange Series with another qualified depository, or (ii) to discontinue the maintenance of the bonds of the Exchange Series under book-entry system. In such event, the Trustee shall give 30 days prior notice of such election to the Depository (or such fewer number of days acceptable to such Depository).

(d) Upon the discontinuance of the maintenance of the bonds of the Exchange Series under a book-entry system, the Company will cause the bonds to be issued directly to the beneficial owners of the bonds of the Exchange Series, or their designees, as further described below. In such event, the Trustee shall make provisions to notify participants and beneficial owners of the bonds of the Exchange Series, by mailing an appropriate notice to the Depository, that bonds of the Exchange Series will be directly issued to beneficial owners of the bonds as of a date set forth in such notice (or such fewer number of days acceptable to such Depository).

(e) In the event that bonds of the Exchange Series are to be issued to beneficial owners of the bonds, or their designees, the Company shall promptly have bonds of the Exchange Series prepared in certificated form registered in the names of the beneficial owners of such bonds shown on the records of the participants provided to the Trustee, as of the date set forth in the notice above. Bonds issued to beneficial owners, or their designees shall be substantially in the form set forth in this Supplemental Indenture, but will not include the provision related to global securities.

(f) If the Depository is replaced as the depository for the bonds of the Exchange Series with another qualified depository, the Company will issue a replacement global security substantially in the form set forth in this Supplemental Indenture.

(g) The Company and the Trustee shall have no liability for the failure of any Depository to perform its obligations to any participant, any indirect participant or any beneficial owner of any bonds of the Exchange Series, and the Company and the Trustee shall not be liable for the failure of any participant, indirect participant or other nominee of any beneficial owner or any bonds of the Exchange Series to perform any obligation that such participant, indirect participant or other nominee may incur to any beneficial owner of the bonds of the Exchange Series.

(h) Notwithstanding any other provision of the Mortgage, on or prior to the date of issuance of the bonds of the Exchange Series the Trustee shall have executed and delivered to the initial Depository a Letter of Representations governing various matters relating to the Depository and its activities pertaining to the bonds of the Exchange Series. The terms and provisions of such Letter of Representations are incorporated herein by reference and, in the event there shall exist any inconsistency between the substantive provisions of the said Letter of Representations and any provisions of the Mortgage, then, for as long as the initial Depository

shall serve as depository with respect to the bonds of the Exchange Series, the terms of the Letter of Representations shall govern.

(i) The Company and the Trustee may rely conclusively upon (i) a certificate of the Depository as to the identity of a participant in the book-entry system; (ii) a certificate of any participant as to the identity of any indirect participant and (iii) a certificate of any participant or any indirect participant as to the identity of, and the respective principal amount of bonds of the Exchange Series owned by, beneficial owners.

Section 3. So long as the bonds of the Exchange Series or Original Series are held by The Depository Trust Company, such bonds shall bear the following legend:

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Section 4. So long as any of the bonds of the Exchange Series remain outstanding, the Company shall keep at its office or agency in the Borough of Manhattan, The City of New York, as well as at the office of the Trustee in the City of Philadelphia, Pennsylvania, books for the registry and transfer of outstanding bonds of the Exchange Series, in accordance with the terms and provisions of the bonds of the Exchange Series and the provisions of Section 8 of Article I of said Mortgage.

Section 5. So long as any bonds of the Exchange Series remain outstanding, the Company shall maintain an office or agency in the City of Philadelphia, Pennsylvania, and an office or agency in the Borough of Manhattan, The City of New York, for the payment upon proper demand of the principal of, the interest on, or the redemption price of the outstanding bonds of the Exchange Series, and will from time to time give notice to the Trustee of the location of such office or agency. In case the Company shall fail to maintain for such purpose an office or agency in the City of Philadelphia or shall fail to give such notice of the location thereof, then notices, presentations and demands in respect of the bonds of the Exchange Series may be given or made to or upon the Trustee at its office in the City of Philadelphia and the principal of, the interest on, and the redemption price of said bonds in such event be payable at said office of the Trustee. All bonds of the Exchange Series when paid shall forthwith be cancelled.

Section 6. The Company may fix a date, not more than fourteen calendar days prior to any interest payment date, as a record date for determining the registered holder of each bond of the Exchange Series entitled to such interest payment, in which case only the registered holder

of such bond on such record date shall be entitled to receive such payment, notwithstanding any transfer of such bond upon the registration books subsequent to such record date.

Section 7. The bonds of the Exchange Series shall be issued under and subject to all of the terms and provisions of the Mortgage, of the indentures supplemental thereto referred to in the recitals hereof and of this Supplemental Indenture which may be applicable to such bonds or applicable to all bonds issued under the Mortgage and indentures supplemental thereto.

ARTICLE III .

ISSUE AND AUTHENTICATION OF BONDS OF THE EXCHANGE SERIES

In addition to any bonds of any series which may from time to time be executed by the Company and authenticated and delivered by the Trustee upon compliance with the provisions of the Mortgage and/or of any indenture supplemental thereto, bonds of the Exchange Series of an aggregate principal amount not exceeding the principal amount of the bonds of the Original Series that were tendered in the Exchange Offer shall forthwith be executed by the Company and delivered to the Trustee, and the Trustee shall thereupon, whether or not this Supplemental Indenture shall have been recorded, authenticate and deliver said bonds to or upon the written order of the President, a Vice President, or the Treasurer of the Company, under the terms and provisions of paragraph (d) of Section 3 of Article II of the Mortgage, as amended.

ARTICLE IV .

REDEMPTION OF BONDS OF THE EXCHANGE SERIES

Section 1. The bonds of the Exchange Series shall be redeemable, at the option of the Company, as a whole or in part, at any time upon notice sent by the Company through the mail, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption, to the registered holder of each bond to be redeemed in whole or in part, addressed to such holder at his address appearing upon the registration books, at a redemption price equal to the greater of (1) 100% of the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date, or (2) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the bonds to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 30 basis points, plus accrued interest to the redemption date. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the bonds of this series or portions of the bonds of this series called for redemption.

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

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

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

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

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

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

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" means (1) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and First Union Securities, Inc. and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), in which case the Company shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Company.

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

Section 2. In case the Company shall desire to exercise such right to redeem and pay off all or any part of such bonds of the Exchange Series as hereinbefore provided it shall comply with all the terms and provisions of Article III of the Mortgage, as amended, applicable thereto, and such redemption shall be made under and subject to the terms and provisions of Article III and in the manner and with the effect therein provided, but at the time or times and upon mailing of notice, all as hereinbefore set forth in Section 1 of this Article. No publication of notice of any redemption of any bonds of the Exchange Series shall be required.

ARTICLE V .

CERTAIN EVENTS OF DEFAULT; REMEDIES

Section 1. So long as any bonds of the Exchange Series remain outstanding, in case one or more of the following events shall happen, such events shall, in addition to the events of default heretofore enumerated in paragraphs (a) throughout (d) of Section 2 of Article VIII of the

Mortgage, constitute an "event of default" under the Mortgage, as fully as if such events were enumerated therein:

(e) default shall be made in the due and punctual payment of the principal (including the full amount of any applicable optional redemption price) of any bond or bonds of the Exchange Series whether at the maturity of said bonds, or at a date fixed for redemption of said bonds, or any of them, or by declaration as authorized by the Mortgage;

Section 2. So long as any bonds of the Exchange Series remain outstanding, Section 10 of Article VIII of the Mortgage, as heretofore amended, is hereby further amended by inserting in the first paragraph of such Section 10, immediately after the words "as herein provided," at the end of clause (2) thereof, the following:

"or (3) in case default shall be made in any payment of any interest on any bond or bonds secured by this indenture or in the payment of the principal (including any applicable optional redemption price) of any bond or bonds secured by this indenture, where such default is not of the character referred to in clause (1) or (2) of this Section 10 but constitutes an event of default within the meaning of Section 2 of this Article VIII."

ARTICLE VI .

CONCERNING THE TRUSTEE

The Trustee hereby accepts the trust herein declared and provided and agrees to perform the same upon the terms and conditions set forth in the Mortgage, as amended and supplemented, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity 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.

ARTICLE VII .

MISCELLANEOUS

Section 1. Unless otherwise clearly required by the context, the term "Trustee," or any other equivalent term used in this Supplemental Indenture, shall be held and construed to mean the trustee under the Mortgage for the time being whether the original or a successor trustee.

Section 2. The headings of the Articles of this Supplemental Indenture are inserted for convenience of reference only and are not to be taken to be any part of this Supplemental Indenture or to control or affect the meaning of the same.

Section 3. Nothing expressed or mentioned in or to be implied from this Supplemental Indenture or in or from the bonds of the Exchange Series is intended, or shall be construed, to give any person or corporation, other than the parties hereto and their respective successors, and the holders of bonds secured by the Mortgage and the indentures supplemental thereto, any legal or equitable right, remedy or claim under or in respect of such bonds or the Mortgage or any indenture supplemental thereto, or any covenant, condition or provision therein or in this Supplemental Indenture contained. All the covenants, conditions and provisions thereof and hereof are for the sole and exclusive benefit of the parties hereto and their successors and of the holders of bonds secured by the Mortgage and indentures supplemental thereto.

Section 4. This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

Section 5. This Supplemental Indenture is dated and shall be effective as of October 1, 2002.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties of the first and second parts hereto have caused their corporate seals to be hereunto affixed and the President or a Vice President of the party of the first part and the President or a Vice President of the party of the second part, under and by the authority vested in them, have hereto affixed their signatures and their Secretaries or Assistant Secretaries have duly attested the execution hereof the 1st day of October, 2002.

PECO ENERGY COMPANY

By

F. F. Frankowski
Vice President

[SEAL]

Attest

T. D. Cutler
Assistant Secretary

WACHOVIA BANK, NATIONAL ASSOCIATION

By

G. J. Rayzis
Vice President

[SEAL]

Attest

J. M. Matthews
Assistant Secretary

COMMONWEALTH OF PENNSYLVANIA

ss.

COUNTY OF PHILADELPHIA

BE IT REMEMBERED, that on the 1st day of October, 2002, before me, a Notary Public in and for said County and Commonwealth, residing in Philadelphia, personally came T. D. Cutler, who being duly sworn according to law deposes and says that he was personally present and did see the common or corporate seal of the above named PECO Energy Company affixed to the foregoing Supplemental Indenture, that the seal so affixed is the common or corporate seal of the said Wachovia Bank, National Association, and was so affixed by the authority of the said corporation as the act and deed thereof; that the above named F. F. Frankowski is a Vice President of the said corporation, and did sign the said Supplemental Indenture as such in the presence of this deponent that this deponent is Assistant Secretary of the said corporation; and the name of the deponent, above signed in attestation of the due execution of the said Supplemental Indenture, is in this deponent's own proper handwriting.

Sworn to and subscribed before me the day and year aforesaid.

____

Notarial Seal

____

Notary Public, City of Philadelphia,
Philadelphia County
My Commission Expires ______, ____

[SEAL]

COMMONWEALTH OF PENNSYLVANIA

ss.

COUNTY OF PHILADELPHIA

BE IT REMEMBERED, that on the 1st day of October, 2002, before me, the subscriber, a Notary Public in and for said County and Commonwealth, residing in Philadelphia, personally came J. M. Matthews, who being duly sworn according to law deposes and says that he was personally present and did see the common or corporate seal of the above named First Union National Bank affixed to the foregoing Supplemental Indenture, that the seal so affixed is the common or corporate seal of the said Wachovia Bank, National Association and was so affixed by the authority of the said corporation as the act and deed thereof, that the above named G. J. Rayzis is a Vice President of the said corporation, and did sign the said Supplemental Indenture as such in the presence of this deponent; that this deponent is an Assistant Secretary of the said corporation; and that the name of this deponent, above signed in attestation of the due execution of the said Supplemental Indenture, is in this deponent's own proper handwriting.

Sworn to and subscribed before me the day and year aforesaid.

I hereby certify that I am not an officer of director of said Wachovia Bank, National Association.

____

Notarial Seal
_____________, Notary Public
City of Philadelphia, Philadelphia County
My Commission Expires ______, ____

[SEAL]

CERTIFICATE OF RESIDENCE

Wachovia Bank, National Association, Mortgagee and Trustee within named, hereby certifies that its precise residence in the City of Philadelphia is N.E. Cor. Broad and Walnut Streets in the City of Philadelphia, Pennsylvania.

WACHOVIA BANK, NATIONAL ASSOCIATION

By

G. J. Rayzis
Vice President

EXHIBIT 10.1

EMPLOYMENT AGREEMENT
BY AND AMONG
EXELON CORPORATION, EXELON GENERATION COMPANY, LLC
AND
OLIVER D. KINGSLEY, JR.

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EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT dated as of September 5, 2002 (the "Agreement Date") is made by and among Exelon Corporation, incorporated under the laws of the Commonwealth of Pennsylvania (together with successors thereto, the "Company"), Exelon Generation Company, LLC, a Pennsylvania limited liability company (together with successors and assigns thereto, "Genco"), and Oliver D. Kingsley, Jr. ("Executive"), a resident of Illinois, amends and restates, to be effective immediately upon the Agreement Date, that certain Employment Agreement dated as of November 1, 1997, as amended, between ComEd and Executive.

RECITALS

WHEREAS, Executive is currently serving as Senior Executive Vice President of the Company and President and Chief Executive Officer of Genco;

WHEREAS, Commonwealth Edison Company ("ComEd") was a subsidiary of Unicom Corporation;

WHEREAS, effective October 20, 2000 Unicom Corporation merged with and into the Company, which has succeeded to the rights and obligations of ComEd hereunder, except with respect to the Enhanced SERP (as defined below in Article I) which obligations are joint and several between ComEd and the Company;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued services of Executive, despite the possibility or occurrence of a Change in Control of the Company and the Board believes it is imperative to reduce the distraction of Executive that would result from the personal uncertainties caused by a pending or threatened Change in Control or a Significant Acquisition, to encourage Executive's full attention and dedication to the Company, and to provide Executive with compensation and benefits arrangements upon a Change in Control which are competitive with those of similarly-situated corporations;

WHEREAS, the Board has determined that Change in Control protection for Executive as incorporated into this Agreement should also include non-competition, confidential information, non-solicitation, intellectual property and non-disparagement restrictive covenants as provided in Article XII below (the "Restrictive Covenants");

WHEREAS, the Board has determined that the Change in Control protection for Executive should supersede the Change in Control Agreement by and among Unicom Corporation, ComEd and Executive, dated March 8, 1999 (the "Prior CIC Agreement");

WHEREAS, in order to induce Executive to enter into this Agreement, including but not limited to the Restrictive Covenants and Change in Control protection superseding the Prior CIC Agreement, and to induce Executive to continue to serve as Senior Executive Vice President of the Company and President and Chief Executive Officer of Genco, the Compensation Committee

of the Board of Directors of the Company has approved the terms of this Agreement as amended and restated herein; and

WHEREAS, Executive is willing to accept such continued employment and perform such services on the terms and conditions hereunder set forth;

NOW, THEREFORE, the parties agree as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the terms specified below shall have the following meanings:

1.1 "Accrued Annual Incentive" means the amount of any Annual Incentive earned but not yet paid with respect to the Company's latest fiscal year ended prior to the Termination Date.

1.2 "Accrued Base Salary" means the amount of Executive's Base Salary that is accrued but not yet paid as of the Termination Date.

1.3 "Accrued LTIP Award" means the amount of any LTIP Award earned and vested, but either deferred or not yet paid as of the Termination Date.

1.4 "Accrued Obligations" means, as of any date, the sum of the following (subject to Section 8.11):

(a) Accrued Base Salary,

(b) Accrued Annual Incentive,

(c) Accrued LTIP Award,

(d) any accrued but unpaid paid time off, calculated in accordance with Company policy in effect from time to time,

(e) reimbursement, in accordance with the applicable Plans of the Company, of any unreimbursed business expenses incurred by Executive prior to the Termination Date, to the extent such expenses would be reimbursable if Executive remained employed by the Company, and

(f) any other amounts and benefits in accordance with the Plans of the Company in effect from time to time (including, each to the extent applicable, retiree health care coverage and benefits due under any tax-qualified retirement plans), calculated by taking into account the years of service provided in accordance to the provisions of Attachment B, which are then due to be paid or provided to Executive by the Company, but have not yet been paid or provided (as applicable).

1.5 "Affiliate" means any Person that directly or indirectly controls, is controlled by, or is under common control with, the Company. For purposes of this definition the term "control"

with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise. As of the Agreement Date, Genco is an Affiliate.

1.6 "Agreement Date" -- see the introductory paragraph of this Agreement.

1.7 "Annual Incentive" -- see Section 4.2.

1.8 "Applicable Trigger Date" means

(a) the Agreement Date with respect to the Current Post-Merger Period;

(b) the Change Date with respect to the Post-Change Period;

(c) the date of an Imminent Control Change with respect to the Imminent Control Change Period;

(d) the date of a Significant Acquisition with respect to a Post-Significant Acquisition Period; and

(e) the date of a Disaggregation with respect to a Post-Disaggregation Period.

1.9 "Article" means an article of this Agreement.

1.10 "Base Salary" -- see Section 4.1.

1.11 "Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

1.12 "Beneficiary" -- see Section 14.5.

1.13 "Board" means the Board of Directors of Company or, from and after the effective date of a Corporate Transaction (as defined in the definition of "Change in Control"), the Board of Directors of the corporation resulting from a Corporate Transaction or, if securities representing at least 50% of the aggregate voting power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

1.14 "Cause" -- see Section 7.3.

1.15 "Change Date" means the date on which a Change in Control first occurs during the Employment Period.

1.16 "Change in Control" means, except as otherwise provided below, the first to occur of any of the following during the Employment Period:

(a) any SEC Person becomes the Beneficial Owner of 20% or more of the then outstanding common stock of the Company or of Voting Securities representing 20% or more of the combined voting power of all the then outstanding Voting Securities of Company (such an SEC Person, a "20% Owner"); provided, however, that for purposes

of this subsection (a), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (2) any acquisition by the Company, (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (a "Company Plan"), or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (2), if any 20% Owner of the Company other than the Company or any Company Plan becomes a 20% Owner by reason of an acquisition by the Company, and such 20% Owner of the Company shall, after such acquisition by the Company, become the beneficial owner of any additional outstanding common shares of the Company or any additional outstanding Voting Securities of the Company (other than pursuant to any dividend reinvestment plan or arrangement maintained by the Company) and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Incumbent Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation ("Merger"), or the sale or other disposition of more than 50% of the operating assets of the Company (determined on a consolidated basis), other than in connection with a sale-leaseback or other arrangement resulting in the continued utilization of such assets (or the operating products of such assets) by the Company (such reorganization, merger, consolidation, sale or other disposition, a "Corporate Transaction"); excluding, however, a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such

Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be;

(ii) no SEC Person (other than the corporation resulting from such Corporate Transaction, and any Person which beneficially owned, immediately prior to such corporate Transaction, directly or indirectly, 20% or more of the outstanding common stock of the Company or the outstanding Voting Securities of the Company, as the case may be) becomes a 20% Owner, directly or indirectly, of the then-outstanding common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation; and

(iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) Approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets of the Company by an affiliated company.

Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to Executive if, in advance of such event, Executive agrees in writing that such event shall not constitute a Change in Control.

1.17 "Code" means the Internal Revenue Code of 1986, as amended.

1.18 "Company" - see the introductory paragraph to this Agreement.

1.19 "Competitive Business" means, as of any date, any utility business and any individual or entity (and any branch, office, or operation thereof) which engages in, or proposes to engage in (with Executive's assistance) (i) the harnessing, production, transmission, distribution, marketing or sale of energy or the transmission or distribution thereof through wire or cable or similar medium, (ii) any other business engaged in by the Company prior to Executive's Termination Date which represents for any calendar year or is projected by the Company (as reflected in a business plan adopted by the Company before Executive's Termination Date) to yield during any year during the first three-fiscal year period commencing on or after Executive's Termination Date, more than 5% of the gross revenue of Company, and, in either case, which is located (x) anywhere in the United States, or (y) anywhere outside of the United States where Company is then engaged in, or proposes as of the Termination Date to engage in to the knowledge of Executive, any of such activities.

1.20 "Confidential Information" shall mean any information, ideas, processes, methods, designs, devices, inventions, data, techniques, models and other information developed or used by the Company or any Affiliate and not generally known in the relevant trade or industry relating to the Company's or its Affiliates' products, services, businesses, operations, employees, customers or suppliers, whether in tangible or intangible form, which gives the Company and its Affiliates a competitive advantage in the harnessing, production, transmission,

distribution, marketing or sale of energy or the transmission or distribution thereof through wire or cable or similar medium or in the energy services industry and other businesses in which the Company or an Affiliate is engaged, or of third parties which the Company or Affiliate is obligated to keep confidential (provided Executive knows or should have known the Company or the Affiliate, as the case may be, was obligated by the third party to keep such information confidential), or which was learned, discovered, developed, conceived, originated or prepared during or as a result of Executive's performance of any services on behalf of the Company and which falls within any of the following general categories:

(a) information relating to trade secrets of the Company or Affiliate or any customer or supplier of the Company or Affiliate;

(b) information relating to existing or contemplated products, services, technology, designs, processes, formulae, algorithms, research or product developments of the Company or Affiliate or any customer or supplier of the Company or Affiliate;

(c) information relating to business plans or strategies, sales or marketing methods, methods of doing business, customer lists, customer usages and/or requirements, supplier information of the Company or Affiliate or any customer or supplier of the Company or Affiliate;

(d) information subject to protection under the Uniform Trade Secrets Act, as adopted by the State of Illinois, or to any comparable protection afforded by applicable law; or

(e) any other confidential information which either the Company or Affiliate or any customer or supplier of the Company or Affiliate may reasonably have the right to protect by patent, copyright or by keeping it secret and confidential.

1.21 "Current Post-Merger Period" means the period commencing on the Agreement Date and ending on the earlier of the Termination Date or October 20, 2002. To the extent that, prior to October 21, 2002, the Current Post-Merger Period includes any portion of an Imminent Control Change Period or a Post-Significant Acquisition Period, the terms of this Agreement applicable to the Current Post-Merger Period shall govern. To the extent that, prior to October 21, 2002, the Current Post-Merger Period includes any portion of a Post-Disaggregation Period, the terms of this Agreement applicable to the Post-Disaggregation Period shall govern.

1.22 "Disability" - see Section 7.1(b).

1.23 "Disaggregated Entity" means the Disaggregated Unit or any other Person (other than the Company or an Affiliate) that controls or is under common control with the Disaggregated Unit.

1.24 "Disaggregation" means the consummation, in contemplation of a Change in Control, of a sale, spin-off or other disaggregation by the Company or the Affiliate or business unit of the Company ("Disaggregated Unit") which employed Executive immediately prior to the sale, spin-off or other disaggregation.

1.25 "Employment Period" - see Section 3.1.

1.26 "Enhanced SERP" means the contractual supplemental executive retirement benefit described in Section 6.2.

1.27 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.28 "Good Reason" -- see Section 7.4.

1.29 "Imminent Control Change" means, as of any date on or after the Agreement Date and prior to the Change Date, the occurrence of any one or more of the following:

(a) the Company enters into an agreement the consummation of which would constitute a Change in Control;

(b) Any SEC Person commences a "tender offer" (as such term is used in Section 14(d) of the Exchange Act) or exchange offer, which, if consummated, would result in a Change in Control; or

(c) Any SEC Person files with the SEC a preliminary or definitive proxy solicitation or election contest to elect or remove one or more members of the Board, which, if consummated or effected, would result in a Change in Control;

provided, however, that an Imminent Control Change will lapse and cease to qualify as an Imminent Control Change:

(i) With respect to an Imminent Control Change described in clause (a) of this definition, the date such agreement is terminated, cancelled or expires without a Change Date occurring;

(ii) With respect to an Imminent Control Change described in clause (b) of this definition, the date such tender offer or exchange offer is withdrawn or terminates without a Change Date occurring;

(iii) With respect to an Imminent Control Change described in clause (c) of this definition, (1) the date the validity of such proxy solicitation or election contest expires under relevant state corporate law, or (2) the date such proxy solicitation or election contest culminates in a shareholder vote, in either case without a Change Date occurring; or

(iv) The date a majority of the members of the Incumbent Board make a good faith determination that any event or condition described in clause (a), (b), or (c) of this definition no longer constitutes an Imminent Control Change, provided that such determination may not be made prior to the twelve (12) month anniversary of the occurrence of such event.

1.30 "Imminent Control Change Period" means the period (excluding any portion of such period in effect during the Current Post-Merger Period, but including any portion of such

period after a Disaggregation occurring after October 20, 2002) commencing on the date of an Imminent Control Change, and ending on the first to occur thereafter of

(a) a Change Date, provided

(i) such date occurs after October 20, 2002 and no later than the one-year anniversary of the Termination Date, and

(ii) either the Imminent Control Change has not lapsed, or the Imminent Control Change in effect upon such Change Date is the last Imminent Control Change in a series of Imminent Control Changes unbroken by any period of time between the lapse of an Imminent Control Change and the occurrence of a new Imminent Control Change;

(b) if Executive's business unit undergoes Disaggregation after October 20, 2002, and Executive retains substantially the same position with the Disaggregated Entity as immediately prior to such Disaggregation (determined without regard to reporting obligations) the earlier to occur after such Disaggregation of a Change Date or the end of the 60th day following such Disaggregation without the occurrence of a Change Date,

(c) the date an Imminent Control Changes lapses without the prior or concurrent occurrence of a new Imminent Control Change; or

(d) the twelve-month anniversary of the Termination Date.

1.31 "Incentive Plan" means any annual incentive award arrangement of the Company.

1.32 "including" means including without limitation.

1.33 "Incumbent Board" - see definition of "Change in Control".

1.34 "IRS" means the Internal Revenue Service of the United States of America.

1.35 "Key Management Severance Plan" means the Second Amended and Restated Exelon Corporation Key Management Severance Plan, as effective June 15, 1989, as amended and restated effective June 1, 2001, and as may be further amended and restated from time to time.

1.36 "LTIP" means the Exelon Corporation Long-Term Incentive Plan, as amended from time to time, or any successor thereto, and including any Stock Options or Restricted Stock granted thereunder to replace stock options or restricted stock initially granted under the Unicom Corporation Long-Term Incentive Plan.

1.37 "LTIP Performance Period" means the performance period applicable to an LTIP award, as designated in accordance with the LTIP.

1.38 "LTIP Target Level" means, in respect of any grant of Performance Shares under the Exelon Performance Share Program under the LTIP, the number of Performance Shares

which Executive would have been awarded (prior to the Termination Date) for the LTIP Performance Period corresponding to such grant if the business and personal performance goals related to such grant were achieved at the 100% (target) level as of the end of the first year of the LTIP Performance Period.

1.39 "Merger" - see definition of "Change in Control".

1.40 "Notice of Termination" means a written notice given in accordance with Section 14.9 which sets forth (i) the specific termination provision in this Agreement relied upon by the party giving such notice, (ii) in reasonable detail the specific facts and circumstances claimed to provide a basis for such Termination of Employment, and (iii) if the Termination Date is other than the date of receipt of such Notice of Termination, the Termination Date; provided that in the case of Disability or Cause, the procedures referred to in Section 7.1 or Section 7.3, respectively, have been complied with.

1.41 "Performance Shares" - see Section 8.1(e). After a Disaggregation, "Performance Shares" shall also refer to performance shares, performance units or similar stock incentive awards granted by a Disaggregated Entity (or an affiliate thereof) in replacement of performance shares, performance units or similar stock incentive awards granted under the Exelon Performance Share Program under the LTIP.

1.42 "Person" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

1.43 "Plan" means a plan, practice, policy or program of the Company (or, if applicable to Executive, the Disaggregated Entity or Affiliate).

1.44 "Post-Change Period" means the period commencing on the Change Date and ending on the earlier of the Termination Date or the second anniversary of the Change Date.

1.45 "Post-Disaggregation Period" means the period commencing on the first date during the Employment Period on which a Change in Control occurs following a Disaggregation, provided such Change Date occurs no more than 60 days following such Disaggregation, and ending on the earlier of the Termination Date or the second anniversary of the Change Date. If no Change Date occurs within 60 days after the Disaggregation, there shall be no Post-Disaggregation Period.

1.46 "Post-Significant Acquisition Period" means the period (excluding any portion thereof in effect during the Current Post-Merger Period) commencing on the date of a Significant Acquisition that occurs during the Employment Period prior to a Change Date, and ending on the first to occur of (a) the end of the 18-month period commencing on the date of the Significant Acquisition, (b) the Change Date, or (c) the Termination Date.

1.47 "Prior CIC Agreement" - see the Recitals to this Agreement.

1.48 "Restrictive Covenants" - see the Recitals to this Agreement.

1.49 "Restricted Stock" -- see Section 8.1(f). After a Disaggregation, "Restricted Stock" shall also refer to deferred stock units, restricted stock or restricted share units granted by a Disaggregated Entity (or an affiliate thereof) in replacement of deferred stock units, restricted stock or restricted share units granted by the Company other than under the Exelon Performance Share Program under the LTIP.

1.50 "SEC" means the United States Securities and Exchange Commission.

1.51 "SEC Person" means any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than (a) the Company or an Affiliate, or (b) any employee benefit plan (or any related trust) or Company or any of its Affiliates.

1.52 "Section" means, unless the context otherwise requires, a section of this Agreement.

1.53 "SERP" means the Exelon Corporation Supplemental Management Retirement Plan, as in effect from time to time, or any successor thereto.

1.54 "Severance Incentive" means

(a) for purposes of Section 8.1, the average of the annual incentive awards paid to Executive under the LTIP (or such other Incentive Plan under which Executive is entitled to such awards), a successor plan or otherwise with respect to each of the two calendar years preceding the year in which the Termination Date occurs; and

(b) for all other purposes under the Agreement, the greater of (i) the Target Incentive for the performance period in which the Termination Date occurs, or (ii) the average (mean) of the actual Annual Incentives paid (or payable, to the extent not previously paid) to Executive under the Incentive Plan for each of the two calendar years preceding the calendar year in which the Termination Date occurs.

1.55 "Severance Period" means the period beginning on Executive's Termination Date, and ending on whichever of the following is applicable:

(a) if Executive's Termination of Employment entitles Executive to benefits under Section 8.1, the second anniversary of such Termination of Employment; or

(b) if Executive's Termination of Employment entitles Executive to benefits under Section 8.2, 8.3 or 8.4, the third anniversary of such Termination of Employment.

There shall be no Severance Period if Executive's Termination of Employment is on account of death or Disability or if Executive's employment is terminated by the Company for Cause or by Executive other than for Good Reason.

1.56 "Significant Acquisition" means a Corporate Transaction affecting Genco that is consummated after the Agreement Date and prior to the Change Date, which Corporate Transaction is not a Change in Control, provided that as a result of such Corporate Transaction,

all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% but not more than 66-2/3% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be.

1.57 "Stock Options" -- see Section 8.1(d). After a Disaggregation, "Stock Options" shall also refer to stock options, stock appreciation rights, or similar incentive awards granted by the Disaggregated Entity (or an affiliate thereof) in replacement of stock options, stock appreciation rights, or similar incentive awards granted under the LTIP.

1.58 "Subsidiary" - see the introductory paragraph to this Agreement.

1.59 "Target Incentive" as of a certain date means an amount equal to the product of Base Salary determined as of such date multiplied by the percentage of such Base Salary to which Executive would have been entitled immediately prior to such date under the Incentive Plan for the applicable performance period if the performance goals established pursuant to such Incentive Plan were achieved at the 100% (target) level as of the end of the applicable performance period (which shall be equal to at least 80% of Base Salary as provided in Section 4.2); provided, however, that any reduction in Executive's Base Salary or Annual Incentive that would qualify as Good Reason shall be disregarded for purposes of this definition.

1.60 "Taxes" means the incremental federal, state, local and foreign income, employment, excise and other taxes payable by Executive with respect to any applicable item of income.

1.61 "Termination Date" means the effective date of Executive's Termination of Employment, which shall be the date of the receipt of the Notice of Termination, or any later date, not more than 30 days after the giving of such notice, specified in such notice; provided, however, that:

(a) if, during a Current Post-Merger Period, Post-Change Period, Post-Significant Acquisition Period, Post-Disaggregation Period, or Imminent Control Change Period, the Company terminates Executive's employment other than for Cause or Disability or if Executive terminates Executive's employment for Good Reason, then the Termination Date shall be the date of receipt of the Notice of Termination by Executive (if such Notice is given by the Company, an Affiliate or a Disaggregated Entity) or by the Company, an Affiliate or a Disaggregated Entity (if such Notice is given by Executive), or such later date, not more than 15 days after the giving of such Notice, specified in such Notice as of which Executive's employment shall be terminated; and

(b) if Executive's employment is terminated by reason of death or Disability, the Termination Date shall be the date of Executive's death or the Disability Effective Date (as described in Section 7.1(a));

(c) if, during the Employment Period other than during a Current Post-Merger Period, Post-Change Period, Post-Significant Acquisition Period, Post-Disaggregation Period, or Imminent Control Change Period, Executive elects to retire or otherwise terminate employment other than for Good Reason, Disability or death, the Termination Date shall be at least 90 days after the Company's receipt of a Notice of Termination; and

(d) if no Notice of Termination is given, the Termination Date shall be the last day on which Executive is employed by the Company, an Affiliate or a Disaggregated Entity.

1.62 "Termination of Employment" means any termination of Executive's employment with the Company and its Affiliates, whether such termination is initiated by the Company or by Executive; provided that if Executive's cessation of employment with the Company and its Affiliates is effected through a Disaggregation, and Executive is employed in substantially the same position (without regard to reporting obligations) by the Disaggregated Entity immediately following the Disaggregation, and a Change Date occurs no more than 60 days after such Disaggregation, then the Disaggregation shall not be deemed to effect a "Termination of Employment" for purposes of this Agreement, and after the Disaggregation, "Termination of Employment" means any termination of Executive's employment with the Disaggregated Entity, whether such termination is initiated by the Disaggregated Entity or by Executive.

1.63 "20% Owner" -- see paragraph (a) of the definition of "Change in Control."

1.64 "Voting Securities" means with respect to a corporation, securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

1.65 "Welfare Plans" - see Section 6.3.

ARTICLE II
TERMS OF EMPLOYMENT

2.1 Duties. During the Employment Period, Executive shall be a Senior Executive Vice President of the Company and shall hold such other position as the Board designates, provided such other position (including status, offices, and rank) shall be at least commensurate in status, responsibility, and authority with Executive's current position of President and Chief Executive Officer of Genco. Executive shall report directly to the Chief Executive Officer of the Company. Executive shall assume the authority, duties, and responsibilities as are commensurate and consistent with Executive's experience in the industry, his contributions to the Company and such positions and titles. During the Employment Period, Executive shall perform the duties properly assigned to him by the Chief Executive Officer to the reasonable satisfaction of the Company; shall devote substantially all of his business time, attention and effort during normal business hours, excluding any periods of disability, vacation, or sick leave to which Executive is

entitled, to the affairs of the Company and Genco; and shall use his reasonable best efforts to promote the interests of the Company and Genco.

2.2 Other Activities. Executive may (i) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions and (iii) manage personal investments; provided that such activities are consistent with the Plans of the Company (or in the case of a Disaggregation, the Disaggregated Entity) in effect from time to time or have been consented to by the Company, and do not significantly interfere with the performance of Executive's duties under this Agreement.

ARTICLE III
EMPLOYMENT PERIOD

3.1 Employment Period. Subject to the termination provisions hereinafter provided, the term of Executive's employment under this Agreement (the "Employment Period") shall begin on the Agreement Date and shall end on the first anniversary of the Agreement Date or such later date to which the Employment Period is extended pursuant to the following sentence, unless earlier terminated as provided herein. Commencing on the Agreement Date, the Employment Period shall automatically be extended each day by one day to create a new one-year term until, at any time after the Agreement Date, the Company delivers written notice (an "Expiration Notice") to Executive that the Employment Period shall expire on a date specified in the Expiration Notice (the "Expiration Date") that is not less than 12 months after the date the Expiration Notice is delivered to Executive; provided, however, that if a Change Date, Imminent Control Change, Disaggregation or Significant Acquisition occurs before the Expiration Date specified in the Expiration Notice, then such Expiration Notice shall be void and of no further effect. If such Imminent Control Change or Disaggregation does not culminate in a Change Date, then such Expiration Notice shall be reinstated and the Employment Period shall expire on the date originally specified as the Expiration Date, or if later, the date the Imminent Control Change lapses or the end of the sixtieth day after the Disaggregation. Notwithstanding anything herein to the contrary, the Employment Period shall not end before the earliest of the following: (a) the second anniversary of the Change Date, (b) eighteen (18) months after the Significant Acquisition, provided there has been no Change Date, (c) the end of the sixtieth day after the Disaggregation if there has been no Change Date after the Disaggregation, and (d) the Termination Date.

ARTICLE IV
COMPENSATION

4.1 Base Salary. The Company shall pay or cause to be paid to Executive in accordance with its normal payroll practices (as may be modified from time to time) an annual salary at a rate of $750,000 per year ("Base Salary"). During the Employment Period, the Base Salary shall be reviewed at least annually and may be increased from time to time as shall be determined by the Company. After any such increase, the term "Base Salary" shall thereafter refer to the increased amount. Base Salary shall not be reduced at any time without the express written consent of Executive. Any increase in Base Salary shall not limit or reduce any other obligation of the Company to Executive under this Agreement.

4.2 Annual Incentive. Executive shall have the opportunity to participate in and receive payment ("Annual Incentive") pursuant to the Company's annual cash incentive plan or program in such amount as determined by the Company in its discretion in accordance with the terms hereof for each fiscal year which begins during the Employment Period.

(a) If Executive achieves his target performance goals, as determined by the Company on an annual basis, such Annual Incentive shall be at least 80% of Executive's Base Salary. Actual payout of the Annual Incentive may vary from 0% to 160% according to achievement of performance goals.

(b) During the Current Post-Merger Period and the Post-Change Period, the Annual Incentive will have an award opportunity no less, including target performance goals not materially more difficult to achieve, than that in effect immediately prior to the Applicable Trigger Date for each applicable performance period which commences prior to the Termination Date and ends during the Current Post-Merger Period and the Post-Change Period.

ARTICLE V
SPECIAL INCENTIVE

5.1 Restricted Stock Grant. The Company has granted to Executive a total of 35,000 restricted shares of common stock of the Company, the terms of which shall be substantially as set forth in Attachment A.

ARTICLE VI
OTHER BENEFITS

6.1 Stock Option, Restricted Stock, Other Incentive Plans, Savings and Retirement Plans. Executive shall be entitled to participate during the Employment Period and thereafter in all stock option, restricted stock, other equity incentive plans, other incentive plans, savings and retirement plans, practices policies and programs of the Company that are from time to time applicable to and on the same terms as apply to peer executives of the Company generally, including the LTIP but excluding any supplemental executive retirement plan (subject to Section 6.2).

6.2 Enhanced Supplemental Executive Retirement Benefit. Executive shall be entitled to a contractual supplemental executive retirement benefit pursuant to this Section 6.2 ("Enhanced SERP"), determined and paid in accordance with the provisions of the SERP (including, without limitation, Section 5.6 thereof) for "Key Management Employees" thereunder, provided, however, that (A) the amount of, and entitlement to, the annual benefit otherwise determined in accordance with the SERP, payable to Executive or his surviving spouse, shall be determined based on service in accordance with the provisions of Attachment B and the other applicable provisions of this Agreement. The Enhanced SERP shall be reduced by the actuarial equivalent value of any amount payable to Executive or his spouse under the SERP.

6.3 Welfare Benefits. During the Employment Period and thereafter, Executive and his eligible dependents shall be eligible to participate in, and shall receive all benefits under, welfare

benefit plans, practices, policies and programs provided by the Company ("Welfare Plans") (including medical, prescription, dental, vision/hearing, disability, salary continuance, employee group life, dependent life, accidental death and travel accident insurance plans and programs) applicable to and on the same terms as apply to peer executives of the Company generally, in accordance with their terms as in effect from time to time. For purposes of the Key Management Severance Plan, this Agreement shall be considered to be an individual Change in Control Agreement.

6.4 Fringe Benefits. During the Employment Period and thereafter, Executive shall be entitled to fringe benefits applicable to and on the same terms as apply to peer executives of the Company generally, in accordance with their terms as in effect from time to time.

6.5 Paid Time Off. During the Employment Period, Executive shall be entitled to 30 days of paid vacation per year in accordance with the Plans applicable to and on the same terms as apply to peer executives of the Company generally.

6.6 Expenses. During the Employment Period and thereafter, Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by Executive in accordance with the Plans applicable to and on the same terms as apply to peer executives of the Company generally.

6.7 Daughter's Medical Coverage.

(a) Company has arranged for a Blue Cross/Blue Shield individual Preferred Provider Option medical coverage policy for Executive's daughter Abby ("Policy"), which is guaranteed renewable to age 65. Executive shall purchase the Policy from Blue Cross/Blue Shield.

(b) Beginning on the Start Date (as defined below) and terminating on the day that is the fifteenth (15th) anniversary of the Start Date, Company shall reimburse Executive for expenses for her medical care (as defined in Section 213(d) of the Internal Revenue Code) incurred by Executive's daughter, Abby, to the extent such expenses exceed the amount payable (after satisfaction of deductibles and co-payments, which shall be the responsibility of Executive) under the Policy and any other medical coverage applicable to Abby; provided that such reimbursement shall not exceed $100,000 for medical care expenses incurred in any 12-month period, beginning with the Start Date and annual anniversaries of the Start Date. The "Start Date" shall be, (as elected by Executive) (i) the Agreement Date, (ii) the first day following the Termination Date, or (iii) on such day as the medical coverage for Executive's daughter Abby in effect as of the Agreement Date lapses.

6.8 Certain Special Circumstances.

(a) Additional Assurances during the Current Post-Merger Period and Post-Change Period. During the Current Post-Merger Period and the Post-Change Period, the compensation and benefits described in Sections 6.1 through 6.5 shall in no event be materially less favorable, in the aggregate, than the greater of (A) those provided by the Company for Executive (including any such compensation and benefits provided under

Plans) at any time during the 90-day period immediately preceding the Applicable Trigger Date, or (B) those provided at any time after the Applicable Trigger Date to peer executives of the Company generally. In addition, Executive shall be entitled to the following during the Current Post-Merger Period and the Post Change Period:

(i) Office and Support Staff. Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance substantially equivalent to the office or offices, furnishings, appointments and assistance as in effect with respect to Executive on the Applicable Trigger Date.

(ii) LTIP Awards. Awards under the LTIP shall be granted to Executive with aggregate target opportunities (including target performance goals not materially more difficult to achieve) no less than the average of Executive's awards (expressed as a percentage of Executive's Base Salary in effect at the beginning of the applicable performance period) granted in the three-year period ending on the Applicable Trigger Date.

(b) Treatment of Certain Equity During the Post-Disaggregation Period.

(i) Stock Options.

Extinguished or Converted at Disaggregation. If so provided in the documents and instruments ("Disaggregation Documents") pursuant to which the Disaggregation is effected, then all of Executive's Stock Options shall (I) be extinguished immediately prior to the Disaggregation for such consideration as is provided for in the Disaggregation Documents (but not less than the product of the number of Executive's vested Stock Options multiplied by the difference between the fair market value of a share of common stock of the Company immediately prior to the Disaggregation and the option exercise price), or (II) be converted into options to acquire stock of the Disaggregated Entity or an affiliate thereof on a basis determined by the Company in good faith to preserve economic value.

Extinguished or Converted at Merger. If the Change in Control following the Disaggregation is a Merger, and if so provided in the agreement pursuant to which the Merger is effected, then all of Executive's Company Stock Options that were not extinguished or converted to options to acquire stock in the Disaggregated Entity or an affiliate shall (I) be extinguished immediately prior to the Change in Control for such consideration as is provided for Stock Options of peer executives employed by the Company or an Affiliate, or (II) be converted into options to acquire stock of the corporation resulting from the Merger ("Merger Survivor") or an affiliate thereof, on the same basis as Stock Options of peer executives of the Company are converted.

Stock Options after the Disaggregation. Executive's unextinguished Stock Options, whether or not they are converted to options for stock of the Disaggregated Entity or Merger Survivor, shall continue to vest and, once vested, shall remain exercisable in accordance with their terms, subject to Section 8.4(b).

(ii) Performance Shares.

Extinguished or Converted at Disaggregation. If so provided in the Disaggregation Documents, all of Executive's Performance Shares shall (I) be extinguished immediately prior to the Disaggregation for such consideration as is provided under the Disaggregation Documents (but no less than the fair market value, immediately prior to the Disaggregation, of a number of shares of common stock of the Company equal to the sum of Executive's earned and awarded Performance Shares and the target number of Executive's Performance Shares that have not yet been earned and awarded), or (II) shall be converted into performance shares with respect to the Disaggregated Entity or an affiliate on a basis determined by the Company in good faith to preserve economic value for Executive.

Extinguished or Converted at Merger. If the Change in Control following the Disaggregation is a Merger, and if so provided in the agreement pursuant to which the Merger is effected, then all of Executive's Performance Shares that were not extinguished or converted to performance shares of the Disaggregated Entity or an affiliate shall (I) be extinguished immediately prior to the Change in Control for such consideration as is provided for Performance Shares of peer executives employed by the Company or an Affiliate, or (II) be converted into performance shares of the Merger Survivor or an affiliate thereof, on the same basis as Performance Shares of peer executives of the Company are converted.

Performance Shares after the Disaggregation. Executive's unextinguished Performance Shares, whether or not they are converted into performance shares of the Disaggregated Entity or Merger Survivor, will continue to vest during the Post-Disaggregation Period, subject to Section 8.4(c).

(iii) Restricted Stock.

Extinguished or Converted at Disaggregation. If so provided in the Disaggregation Documents, all of Executive's Restricted Stock shall (I) be extinguished immediately prior to the Disaggregation and Executive shall be paid an amount equal to the fair market value of an equal number of shares of common stock of the Company, or (II) shall be converted into restricted stock of the Disaggregated Entity or an affiliate (on a basis determined by the Company in good faith to preserve economic value for Executive).

Extinguished or Converted at Merger. If the Change in Control following the Disaggregation is a Merger, and if so provided in the agreement pursuant to which the Merger is effected, then all of Executive's Restricted Stock that was not extinguished or converted to restricted stock of the Disaggregated Entity or an affiliate shall (I) be extinguished immediately prior to the Change in Control for such consideration as is provided for Restricted Stock of peer executives employed by the Company or an Affiliate, or (II) be converted into restricted stock of the Merger Survivor or an affiliate thereof on a basis determined by the Merger Survivor (or such affiliate) in good faith to preserve economic value for Executive, and such converted restricted stock will continue to vest during the Post-Disaggregation Period prior to the Termination Date.

Restricted Stock after the Disaggregation. Executive's unextinguished Restricted Stock, whether or not converted to restricted stock of the Disaggregated Entity or Merger Survivor, will continue to vest during the Post-Disaggregation Period, subject to Section 8.4(d).

ARTICLE VII
TERMINATION OF EMPLOYMENT

7.1 Disability.

(a) During the Employment Period, the Company (or, if applicable, the Disaggregated Entity) may terminate Executive's employment at any time because of Executive's Disability by giving Executive or his legal representative, as applicable, (i) written notice in accordance with Section 14.9 of the Company's intention to terminate Executive's employment pursuant to this Section and (ii) a certification of Executive's Disability by a physician selected by the Company or its insurers, subject to the reasonable consent of Executive or Executive's legal representative, which consent shall not be unreasonably withheld or delayed. Executive's employment shall terminate effective on the 30th day after Executive's receipt of such notice (which such 30th day shall be deemed to be the "Disability Effective Date") unless, before such 30th day, Executive shall have resumed the full-time performance of Executive's duties.

(b) "Disability" means any medically determinable physical or mental impairment that has lasted for a continuous period of not less than six months and can be expected to be permanent or of indefinite duration, and that renders Executive unable to perform the duties required under this Agreement.

7.2 Death. Executive's employment shall terminate automatically upon Executive's death during the Employment Period.

7.3 Termination by the Company for Cause.

(a) Termination for Cause Without Special Circumstances. During the Employment Period other than during the Current Post-Merger Period, Post-Change Period, Post-Disaggregation Period, Imminent Control Change Period or Post-Significant Acquisition Period, the Company may terminate Executive's employment and the Employment Period (or cause Executive's employment and the Employment Period to be terminated) for Cause in accordance with this Section 7.3(a) and Section 7.3(e). The Company shall provide Executive with a Notice of Termination specifying that it is a Termination of Employment for Cause and stating the basis for the Termination of Employment for Cause. Such Notice of Termination shall be provided no more than a reasonable time after the Board becomes aware of the circumstances constituting Cause. Immediately upon Executive's receipt of the Notice of Termination for Cause, Executive shall no longer participate in the management or other operations of the Company. For purposes of this Section 7.3(a), "Cause" means any one or more of the following:

(i) Executive's material breach of any of the material terms of this Agreement or the Restrictive Covenants;

(ii) Executive's willful commission of an act(s) or omission(s) which has, has had, or are likely to have a material adverse effect on the business, operations, financial condition or reputation of the Company and/or an Affiliate;

(iii) Executive's conviction (including a plea of guilty or nolo contendere) of a felony or any crime of fraud, theft, dishonesty or moral turpitude; or

(iv) Executive's material violation of any statutory or common-law duty of loyalty to the Company or an Affiliate;

provided that, if (A) Executive's material breach of any of the Restrictive Covenants is not willful or (B) Executive's material breach of any of the Restrictive Covenants or Executive's material breach of any of the material terms of this Agreement involved an act, or failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief that Executive's act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulation, and if such breach described in (A) or (B) is curable, such breach shall not constitute Cause if, within 10 days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. During such 10-day cure period, at the discretion of the Company, Executive shall no longer participate in the management or other operations of the Company.

(b) Termination for Cause Under Certain Special Circumstances. During the Current Post-Merger Period and the Post-Change Period, the Company may terminate Executive's employment and the Employment Period (or cause Executive's employment and the Employment Period to be terminated) for Cause solely in accordance with all of the substantive and procedural provisions of this Section 7.3(b) and Section 7.3(e).

(i) Definition of Cause. For purposes of this Section 7.3(b), "Cause" means any one or more of the following, subject to Section 7.3(d):

(1) Executive's willful commission of acts or omissions which have, have had, or are likely to have a material adverse effect on the business, operations, financial condition or reputation of the Company or an Affiliate;

(2) Executive's conviction (including a plea of guilty or nolo contendere) of a felony or any crime of fraud, theft, dishonesty or moral turpitude;

(3) Executive's material violation of any statutory or common-law duty of loyalty to the Company or an Affiliate; or

(4) Executive's material breach of any of the Restrictive Covenants;

provided that, if (A) Executive's material breach of any of the Restrictive Covenants is not willful or (B) Executive's material breach of any of the Restrictive Covenants involved an act, or failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief that Executive's act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulation, and if such breach described in (A) or (B) is curable, such breach shall not

constitute Cause if, within 10 days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. During such 10-day cure period, at the discretion of the Company, Executive shall no longer participate in the management or other operations of the Company.

(ii) Post-Disaggregation Period. In the event Executive's Termination of Employment for Cause is from a Disaggregated Entity in a Post-Disaggregation Period, the definition of Cause and the procedural requirements for termination for Cause in this Section 7.3(b) and Section 7.3(e) shall be applied by substituting "Disaggregated Entity" for "Company," "affiliate of the Disaggregated Entity" for "Affiliate," and "Disaggregated Entity's Board" for "Board." Further, the Company shall have no obligation to provide payments or benefits under Section 8.4 if the Board determines that the Company could have terminated Executive's employment for Cause as defined above in Section 7.3(b)(i)(1), if Executive had been employed by the Company. Rather, in such case, the Company shall provide payments of benefits in accordance with Section 8.5. Such determination by the Board shall be made as provided in Section 7.3(e) but in applying Section 7.3(d), "Disaggregated Entity" shall be substituted for "Company" and "Disaggregated Entity's Board" shall be substituted for "Board."

(c) Termination for Cause During the Imminent Control Change Period or Post-Significant Acquisition Period. During the Imminent Control Change Period and any Post-Significant Acquisition Period, the Company may terminate Executive's employment (or cause Executive's employment to be terminated) for Cause solely in accordance with all of the substantive and procedural provisions of this Section 7.3(c) and Section 7.3(e).

(i) Definition of Cause. For purposes of this Section 7.3(c), "Cause" means any one or more of the following:

(1) Executive's willful commission of acts or omissions which have, have had, or are likely to have a material adverse effect on the business, operations, financial condition or reputation of the Company or an Affiliate;

(2) Executive's conviction (including a plea of guilty or nolo contendere) of a felony or any crime of fraud, theft, dishonesty or moral turpitude;

(3) Executive's material violation of any statutory or common law duty of loyalty to the Company or an Affiliate; or

(4) Executive's failure to meet objective performance criteria of the position, provided that, in the case of a Termination of Employment during an Imminent Control Change Period (other than after a Disaggregation) this Section 7.3(c)(i)(4) shall be

inapplicable if the Imminent Change in Control culminates in a Change Date; or

(5) Executive's material breach of any of the Restrictive Covenants;

provided that, if (A) Executive's material breach of any of the Restrictive Covenants is not willful or (B) Executive's material breach of any of the Restrictive Covenants involved an act, or failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief that Executive's act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulation, and if such breach described in (A) or (B) is curable, such breach shall not constitute Cause if, within 10 days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. During such 10-day cure period, at the discretion of the Company, Executive shall no longer participate in the management or other operations of the Company.

(d) Meaning of "Willful". For purposes of Sections 7.3(b) and 7.3(c), no act, or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company, or unless Executive fails to cure such breach to the fullest extent that it is curable if a cure period is provided in this Section 7.3. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the chief executive officer or a senior officer of the Company other than Executive or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

(e) Procedural Requirements for Termination for Cause. Executive's Termination of Employment shall not be deemed to be for Cause under this Section 7.3 unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than 60% of the entire membership of the Board at a meeting of such Board called and held for such purpose (after reasonable written notice of such meeting is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive's acts, or failure to act, constitutes Cause and specifying the particulars thereof in detail.

7.4 Termination by Executive for Good Reason.

(a) Termination by Executive for Good Reason Without Special Circumstances. During the Employment Period other than during the Current Post-Merger Period, Post-Change Period, Post-Disaggregation Period, Imminent Control Change Period or Post-Significant Acquisition Period, Executive may terminate his employment for Good Reason. Executive shall provide the Company with a Notice of Termination specifying that it is a Termination of Employment for Good Reason and stating the basis for the Termination of Employment for Good Reason. Such Notice of Termination shall be

provided no more than a reasonable time after Executive becomes aware of the circumstances constituting Good Reason. For purposes of this Section 7.4(a), "Good Reason" means a material reduction of Executive's Base Salary, incentive compensation (including Annual Incentive), or other benefits, unless such reduction is part of a policy, program or arrangement applicable to peer executives of the Company and of any successor entity; or a material reduction or material adverse alteration in the nature of Executive's position, duties, function, responsibilities or authority, other than during the 10-day cure period described in Section 7.3(a).

(b) Termination by Executive for Good Reason Under Certain Special Circumstances. During the Current Post-Merger Period, the Post-Change Period, an Imminent Control Change Period, a Post-Significant Acquisition Period or Post-Disaggregation Period, Executive may terminate his or her employment for Good Reason in accordance with the substantive and procedural provisions of this Section 7.4(b).

(i) Definition of Good Reason. For purposes of this Section 7.4(b), and subject to the provisions of subsections (ii) through (vi), "Good Reason" means the occurrence of any one or more of the following actions or omissions prior to the Termination Date during the Current Post-Merger Period, the Post-Change Period, the Imminent Control Change Period, the Post-Significant Acquisition Period or the Post-Disaggregation Period:

(1) a material adverse reduction in the nature or scope of Executive's office, position, duties, functions, responsibilities or authority (other than in a Post-Significant Acquisition Period, and other than ceasing to serve as an officer of the Company after a Disaggregation in which Genco is the Disaggregated Unit);

(2) a material reduction of Executive's salary, incentive compensation or aggregate benefits unless such reduction is part of a policy, program or arrangement applicable to peer executives of the Company and of any successor entity;

(3) the failure of any successor to the Company or Genco to assume this Agreement;

(4) a relocation (other than in a Post-Significant Acquisition Period), of more than 50 miles of (A) Executive's workplace, or (B) the principal offices of the Company or its successor (if such offices are Executive's workplace), in each case without the consent of Executive; provided, however, in both cases of (A) and (B) of this Section 7.4(b)(i)(4), such new location is farther from Executive's residence than the prior location;

(5) a requirement (other than in a Post-Significant Acquisition Period) of the greater of (A) more than 24 days of travel per year, or (B) at

least 20% more business travel than was required of Executive prior to the Applicable Trigger Date;

(6) any failure by the Company to comply with any of the provisions of Sections 4.1 and 4.2, and Article VI of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by Executive; or

(7) a material breach of this Agreement by the Company or its successor;

provided that the occurrence of a Disaggregation shall not be Good Reason if Executive retains substantially the same position (determined without regard to reporting requirements) with the Disaggregated Entity, with substantially the same compensation and benefits, in the aggregate, as immediately prior to such Disaggregation, notwithstanding Sections 7.4(b)(i)(1), 7.4(b)(i)(2) and 7.4(b)(i)(6).

(ii) Additional Basis for Good Reason During the Current Post-Merger Period. With respect to the Current Post-Merger Period, "Good Reason" shall have the meaning set forth in Section 7.4(b)(i) and shall also include any of the following which occurred prior to the Agreement Date:

(1) a material adverse alteration in the nature or scope of Executive's position, duties, functions, responsibilities or authority;

(2) a determination by Executive, made in good faith during the term of the Prior CIC Agreement and prior to the Agreement Date, that, as a result of the change in control resulting in the merger of Unicom Corporation and PECO Energy Corporation, Executive is substantially unable to perform, or that there has been a material reduction in, any of Executive's duties, functions, responsibilities or authority;

(3) a relocation of more than 50 miles of Executive's workplace, without the consent of Executive;

(4) a requirement of at least 20% more business travel than was required of Executive prior to the change in control resulting in the merger of Unicom Corporation and PECO Energy Corporation.

(iii) Application of "Good Reason" Definition During the Imminent Control Change Period. During the Imminent Control Change Period, "Good Reason" shall not include the events or conditions described in Section 7.4(b)(i)(1), 7.4(b)(i)(4) or 7.4(b)(i)(5) unless the Imminent Control Change Period culminates in a Change Date. Further, if Executive's Termination of Employment occurs during an Imminent Control Change Period that

culminates in a Change Date, then, except as provided in Section 7.4(b)(iv), the definition of "Good Reason" shall be applied as though Sections 4.1 and 4.2, and Article VI were applicable during the Imminent Control Change Period prior to Executive's Termination of Employment.

(iv) Special Conditions Relating to Good Reason During the Post-Disaggregation Period. If Executive retains substantially the same position with the Disaggregated Entity as was held with respect to the Disaggregated Unit immediately prior to the Disaggregation (determined without regard to reporting requirements and determined without regard to Executive's position with respect to the Company), then (1) Section 7.4(b)(i)(1) shall apply only with respect to Executive's office, duties, functions, responsibilities or authority as in effect at the Disaggregated Entity on the day following the Disaggregation, (2) subsections 7.4(b)(i)(4) and 7.4(b)(i)(5) shall apply only with respect to relocations or travel required more than 60 days after the Disaggregation and shall be applied by substituting "Disaggregated Entity" for "any successor to the Company", and (3) all references in Section 7.4(b) to the Company or its successor shall be to the Disaggregated Entity or its successor.

(c) Limitations on Good Reason. Notwithstanding the foregoing provisions of this Section 7.4(a) or (b), no act or omission shall constitute a material breach of this Agreement by the Company, nor grounds for Termination of Employment by Executive for "Good Reason":

(1) unless Executive gives the Company 30 days' prior written notice of such act or omission and the Company fails to cure such act or omission within the 30-day period following receipt of such notice;

(2) if Executive first acquired knowledge of such act or omission more than 12 months before Executive gives the Company such notice; or

(3) if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section.

(d) Notice by Executive. In the event of any Termination of Employment by Executive for Good Reason, Executive shall as soon as practicable after the expiration of the 30-day cure period referred to in Section 7.4(c) above send a Notice of Termination to the Company (and Disaggregated Entity, if applicable) detailing the events constituting such Good Reason by a Notice of Termination. Subject to the limitations in Section 7.4(c), a delay in the delivery of such Notice of Termination shall not waive any right of Executive under this Agreement.

ARTICLE VIII
COMPANY'S OBLIGATIONS UPON CERTAIN TERMINATIONS OF EMPLOYMENT

8.1 Termination During the Employment Period Without Special Circumstances. If, during the Employment Period other than during the Current Post-Merger Period, Post-Change Period, Imminent Control Change Period that culminates in a Change Date, Post-Significant Acquisition Period or Post-Disaggregation Period, the Company terminates Executive's employment other than for Cause or Disability, or Executive terminates employment for Good Reason, the Company's sole obligations to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section 8.1, subject to Sections 8.9, 8.10, 8.11 and 12.8.

(a) Termination Without Special Circumstances: Accrued Obligations. The Company shall pay to Executive all Accrued Obligations.

(b) Termination Without Special Circumstances: Prorated Annual Incentive. The Company shall pay to Executive an amount equal to the Target Incentive, determined as of the Termination Date, for the performance period in which the Termination Date occurs, multiplied by a fraction, the numerator of which is the number of days elapsed during such calendar year as of and including the date of such Termination Date and the denominator of which is 365.

(c) Termination Without Special Circumstances: Severance Payments. The Company shall pay (according to the payment terms set forth in Section 8.9 below) to Executive an amount equal to two (2.0) times the sum of (i) Base Salary plus (ii) the Severance Incentive.

(d) Termination Without Special Circumstances: Stock Options. Executive shall not be entitled to participate in any grants of stock options, stock appreciation rights or similar incentive awards granted under the LTIP ("Stock Options") made after the earlier of the date of the Notice of Termination or the Termination Date. All Stock Options shall (i) become fully vested (if they are not already vested as of the Termination Date), and (ii) remain exercisable until (1) the option expiration date for any such Stock Options granted prior to January 1, 2002, or (2) the fifth anniversary of the Termination Date, or, if earlier, the option expiration date for any such Stock Options granted on or after January 1, 2002.

(e) Termination Without Special Circumstances: LTIP Vesting. On the Termination Date all of the performance shares, performance units or similar stock incentive awards granted to Executive under the Exelon Performance Share Program under the LTIP ("Performance Shares") to the extent earned by and awarded to Executive (i.e. as to which the first year of the performance cycle has elapsed) as of the Termination Date, shall become fully vested at the actual level earned and awarded, and, to the extent not yet earned by and awarded to Executive (i.e., as to which the first year of the performance cycle has not elapsed) as of the Termination Date, shall become fully vested at the LTIP Target Level. Payment under this Section 8.1(e) shall be made according to the terms of the LTIP, as in effect from time to time.

(f) Termination Without Special Circumstances: Restricted Stock. All forfeiture conditions that as of the Termination Date are applicable to any deferred stock unit, restricted stock or restricted share units awarded to Executive by the Company, including the restricted shares granted pursuant to Article V (other than under the Exelon Performance Share Program under the LTIP) ("Restricted Stock") shall lapse immediately and all such awards will become fully vested. Within ten business days after the Termination Date, the Company shall deliver to Executive all of such shares theretofore held by or on behalf of the Company.

(g) Termination Without Special Circumstances: Health Care Coverage. Until the last day of the Severance Period, Executive shall continue to participate in the health care plans under which he was covered immediately prior to his Termination Date. Executive's out of pocket costs (including premiums, deductibles, and co-payments) for such health care coverage shall be the same as that in effect from time to time for peer executives who are actively employed by the Company after the Termination Date. Coverage under this Section 8.1(g) shall be provided for the duration of the Severance Period in lieu of continuation coverage under Section 4980B of the Code and Section 601 to 609 of ERISA ("COBRA") for the Severance Period. At the end of such period, Executive and his eligible dependents shall be entitled to elect retiree health care coverage under the Company's health care plans in effect from time to time on the same terms and subject to the same conditions as peer employees and their eligible dependents who are actively employed by the Company after the Termination Date who have completed ten years of service after age 45 and are eligible to begin receiving early retirement benefits under the Commonwealth Edison Company Service Annuity System.

(h) Termination Without Special Circumstances: Retirement Plans. Until the last day of the Severance Period, Executive shall accrue credited service under the Enhanced SERP. The amount of any payment made under Section 8.1(c) to Executive during, or in respect of, such period shall be taken into account as compensation for purposes of the Enhanced SERP. At the end of the Severance Period, the Company shall pay to Executive the Enhanced SERP pursuant to the terms of the SERP regarding form of payment, calculated according to this Section 8.1(h) and the service credited to Executive pursuant to the provisions of Attachment B. Executive shall not accrue service or otherwise actively participate in any tax-qualified retirement or savings plan sponsored by the company during or in respect of the Severance Period, and shall not be entitled to commence to receive benefits under any such plan until after the expiration of the Severance Period.

(i) Termination Without Special Circumstances: Life Insurance and Disability Coverage. The Company shall extend to Executive continued coverage under the life insurance plan and long term disability program of the Company through the last day of the Severance Period on the same terms and subject to the same conditions as are applicable to active peer executives.

(j) Termination Without Special Circumstances: Deferred Compensation Plans. The elections, if any, that Executive made under any non-qualified deferred compensation plan sponsored by the Company shall remain in effect through the last day

of the Severance Period, but Executive shall not be entitled to make any additional deferral elections with respect to such plans after December 31 of the year in which the Termination Date occurs.

(k) Termination Without Special Circumstances: Executive Perquisites. Executive's perquisites shall terminate effective as of the Termination Date, and any Company-owned property shall be required to be returned to the Company no later than such date; provided, however, that if Executive is retiring at the end of the Severance Period, he shall be entitled to financial counseling services for a period of twenty-four (24) months following the Termination Date.

(l) Termination Without Special Circumstances: Outplacement Services. Executive shall be entitled to outplacement services, to the extent actually used, at the expense of the Company for such period (which shall not be less than six months) and subject to such terms and conditions as the Company, it its sole discretion, determines are appropriate. No cash shall be paid in lieu of such fees and costs.

8.2 Termination in Certain Special Circumstances. If, during the Current Post-Merger Period, Post-Change Period or Post-Significant Acquisition Period (other than any portion of any of such periods that are also a Post-Disaggregation Period), the Company terminates Executive's employment other than for Cause or Disability, or Executive terminates employment for Good Reason, the Company's sole obligations to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section 8.2, subject to Sections 8.9, 8.10, 8.11 and 12.8.

(a) Termination in Certain Special Circumstances: Severance Payments. The Company shall pay or provide Executive, according to the payment terms set forth in Section 8.9 below, the following:

(i) Accrued Obligations. All Accrued Obligations;

(ii) Annual Incentive for Year of Termination. An amount equal to the Target Incentive applicable to Executive under the Incentive Plan for the performance period in which the Termination Date occurs.

(iii) Deferred Compensation and Non-Qualified Defined Contribution Plans. All amounts previously deferred by, or accrued to the benefit of, Executive under the Exelon Corporation Deferred Compensation Plan, the Exelon Corporation Stock Deferral Plan, or any successor of either of them, or under any non-qualified defined contribution or deferred compensation plan of the Company or an Affiliate (unless Executive has made an irrevocable election in writing, filed with the Company no more than 60 days after the Applicable Trigger Date (or such earlier date as counsel to the Company may deem to be required to avoid constructive receipt of such amounts), and in any event at least 90 days prior to the Termination Date to have such amounts paid under the terms of the Exelon Corporation Deferred Compensation Plan or the Exelon Corporation Stock Deferral Plan, as applicable, or any successor of either (including any elections in effect thereunder)) whether vested or unvested, together with any accrued

earnings thereon, to the extent that such amounts and earnings have not been previously paid and are not provided under the terms of either such non-qualified plan;

(iv) Enhanced SERP. An amount equal to the lump sum value of Executive's Enhanced SERP, calculated as if Executive had

(1) attained as of the Termination Date and age that is three years greater than Executive actual age,

(2) accrued a number of years of service (for purposes of determining the amount of such benefits, entitlement to - but not commencement of - early retirement benefits, and all other purposes of such defined benefit plans) that is three years greater than the number of years of service credited to Executive pursuant to the provisions of Attachment B, and

(3) received the severance benefits specified in Sections 8.2(a)(ii) and 8.2(a)(vi) as covered compensation for the purpose of computing Highest Average Annual Pay (as defined in the SERP) in equal monthly installments during the Severance Period.

(v) Unvested Benefits Under Defined Benefit Plan. To the extent not paid pursuant to clause (iv) of this Section 8.2(a), an amount equal to the actuarial equivalent present value of the unvested portion of Executive's accrued benefits under any tax-qualified (under Section 401(a) of the Code) defined benefit retirement plan maintained by the Company as of the Termination Date and forfeited by Executive by reason of the Termination of Employment; and

(vi) Multiple of Salary and Severance Incentive. An amount equal to three (3.0) times the sum of (x) Base Salary plus (y) the Severance Incentive.

(b) Termination in Certain Special Circumstances: Stock Options. Each of Executive's Stock Options shall (i) become fully vested, and (ii) remain exercisable until (1) the option expiration date for any such Stock Options granted prior to January 1, 2002 or (2) the fifth anniversary of the Termination Date or, if earlier, the option expiration date for any such Stock Options granted on or after January 1, 2002.

(c) Termination in Certain Special Circumstances: LTIP Vesting. On the Termination Date all of the Performance Shares to the extent earned by and awarded to Executive (i.e. as to which the first year of the performance cycle has elapsed) as of the Termination Date, shall become fully vested at the actual level earned and awarded, and, to the extent not yet earned by and awarded to Executive (i.e., as to which the first year of the performance cycle has not elapsed) as of the Termination Date, shall become fully vested at the LTIP Target Level. Payment under this Section 8.2(c) shall be made according to the terms of the LTIP, as in effect from time to time.

(d) Termination in Certain Special Circumstances: Restricted Stock. All forfeiture conditions that as of the Termination Date are applicable to any Restricted Stock shall lapse immediately and all such awards will become fully vested, and within ten business days after the Termination Date, the Company shall deliver to Executive all of such shares theretofore held by or on behalf of the Company.

(e) Termination in Certain Special Circumstances: Continuation of Welfare Benefits. During the Severance Period (and continuing through such later date as any Welfare Plan may specify), the Company shall continue to provide (or shall cause the continued provision) to Executive and Executive's family welfare benefits under the Welfare Plans to the same extent as if Executive had remained employed during the Severance Period. Such provision of welfare benefits shall be subject to the following:

(i) In determining benefits applicable under such Welfare Plans, Executive's annual compensation attributable to base salary and incentives for any plan year or calendar year, as applicable, shall be deemed to be not less than Executive's Base Salary and Annual Incentive.

(ii) The cost of such welfare benefits to Executive and family under this Section 4.1(e) shall not exceed the cost of such benefits to peer executives who are actively employed after the Termination Date.

(iii) Executive's rights under this Section 8.2(e) shall be in addition to and not in lieu of any post-termination continuation coverage or conversion rights Executive may have pursuant to applicable law, including, without limitation, continuation coverage required by COBRA.

(iv) Executive and his eligible dependents shall be eligible for the retiree health care coverage benefits provided under the Company's health care plans under the terms of the Company's health care plans as in effect from time to time, commencing after the end of the Severance Period.

Notwithstanding the foregoing, if Executive obtains a specific type of coverage under welfare plan(s) sponsored by another employer of Executive (e.g. medical, prescription, vision/hearing, dental, disability, individual life insurance benefits, group life insurance benefits, but excluding for the purposes of this sentence retiree benefits if Executive is so eligible), then the Company shall not be obligated to provide any such specific type of coverage.

(f) Termination in Certain Special Circumstances: Outplacement. To the extent actually incurred by Executive, the Company shall pay or cause to be paid on behalf of Executive, as incurred, all reasonable fees and costs charged by a nationally recognized outplacement firm selected by Executive for outplacement services provided up to 12 months after the Termination Date. No cash shall be paid in lieu of such fees and costs.

8.3 Termination During an Imminent Control Change Period. If Executive has a Termination of Employment during an Imminent Control Change Period, the Company's sole obligations to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section

8.3, subject to Sections 8.9, 8.10, 8.11 and 12.8. If, during an Imminent Control Change Period, Executive has a Termination of Employment that would (but for the fact that such Termination of Employment occurred during an Imminent Control Change Period), entitle Executive to benefits under Section 8.1, then the Company shall, prior to the occurrence of a Change Date, provide Executive any payments and benefits to which Executive would be entitled under Section 8.1. If Executive's Termination of Employment is without Cause by the Company or for Good Reason by Executive during any portion of an Imminent Control Change Period which culminates in a Change in Control, then the Company shall, upon the Change Date, provide Executive any payments and benefits to which Executive would be entitled under Section 8.2; provided that to the extent the Company has already paid or provided any amounts or benefits to Executive pursuant to Section 8.1, such amounts and benefits shall reduce the amounts and benefits due pursuant to Section 8.2.

8.4 Termination During a Post-Disaggregation Period. If, during a Post-Disaggregation Period the Disaggregated Entity terminates Executive's employment other than for Cause or Disability, or if Executive terminates employment for Good Reason, the Company's sole obligations to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section 8.4, subject to Section 7.3(b)(ii), but only to the extent not provided by the Disaggregated Entity.

(a) Termination During a Post-Disaggregation Period: Cash Severance Payments. The Company shall pay Executive the amounts described in Section 8.2(a), as provided in Section 8.9.

(b) Termination During a Post-Disaggregation Period: Stock Options. All of Executive's Stock Options granted prior to the Disaggregation that have not expired, whether or not converted to options or stock of the Disaggregated Entity or Merger Survivor, shall be fully vested, and may be exercised in whole or in part by Executive at any time until (1) the remaining option expiration date for such Stock Options granted prior to January 1, 2002 and (2) the earlier of the fifth anniversary of the Termination Date or the option expiration date for such Stock Options granted on or after January 1, 2002.

(c) Termination During a Post-Disaggregation Period: Performance Shares. Executive's Performance Shares granted prior to the Disaggregation, whether or not earned by and awarded to Executive as of the Disaggregation, and whether or not converted to performance shares of the Disaggregated Entity or the Merger Survivor, shall become fully vested (at the earned level for Performance Shares earned and awarded, and at the target level for any converted performance shares not yet earned and awarded) on the Termination Date. Payment under this Section 8.4(c) shall be made according to the terms of the LTIP, as in effect from time to time.

(d) Termination During a Post-Disaggregation Period: Restricted Stock. Executive's unvested Restricted Stock (including restricted shares granted pursuant to Article V), whether or not converted to restricted stock of the Disaggregated Entity or Merger Survivor, shall become fully vested on the Termination Date.

(e) Termination During a Post-Disaggregation Period: Continuation of Welfare Benefits. Until the end of the Severance Period, the Company shall continue to provide to Executive and Executive's family welfare benefits with the same rights in relation to continuation coverage, status in relation to other employer benefits, scope and cost as described in Section 8.2(e); provided that, to the extent Executive is eligible for post-termination continuation coverage under the plans of the Disaggregated Entity, whether pursuant to COBRA or otherwise, the continued coverage required hereunder shall be provided under the plans of the Disaggregated Entity (and the Company shall reimburse any excess cost to Executive of such coverage).

(f) Termination During a Post-Disaggregation Period: Outplacement. To the extent actually incurred by Executive, the Company shall pay or cause to be paid on behalf of Executive, as incurred, all reasonable fees and costs charged by a nationally recognized outplacement firm selected by Executive for outplacement services provided up to 12 months after the Termination Date. No cash shall be paid in lieu of such fees and costs.

8.5 Termination by the Company for Cause.

(a) If the Company (or Affiliate or, if applicable, the Disaggregated Entity) terminates Executive's employment for Cause during the Employment Period, the Company's sole obligation to Executive under Articles II, IV, VI and VIII shall be to pay Executive

(i) pursuant to the Company's then-effective Plans, a lump-sum cash amount equal to all Accrued Obligations (provided that any amounts due under any tax-qualified plans (under Section 401(a) of the Code) shall be paid in accordance with the provision of those plans) determined as of the Termination Date, and

(ii) the Enhanced SERP pursuant to the terms of the SERP regarding form of payment, as in effect from time to time;

and Executive shall not be entitled to receive any severance payment hereunder; provided, however, that if the Company terminates Executive's employment for Cause based on Executive's material breach of the Restrictive Covenants, and obtains a judicial determination or final arbitration decree as provided in Section 12.8 (collectively, the "Determination") at any time before or after Executive is terminated for Cause, the Company's sole obligation to Executive under Articles II, IV, VI and VIII shall be to pay Executive his Accrued Base Salary and Accrued Annual Incentive.

(b) During the time ("Determination Period"), if any, between such termination for Cause based on Executive's material breach of the Restrictive Covenants and the date of the Determination (or, if applicable, the date proceedings conclude without a Determination having been made), but subject to the repayment provisions of Section 12.8(c),

(i) Executive and his eligible dependents shall be eligible for the retiree health care coverage benefits provided under the Company's health care plans under the terms of the Company's health care plans as in effect from time to time, and

(ii) Enhanced SERP payments, regardless of the form of payment elected, shall be no greater than the monthly amount Executive (and in the event of Executive's death during the Determination Period, his surviving spouse) would receive if Executive elected a Marital Annuity (as defined in Attachment B). Such amounts shall be payable monthly during the Determination Period commencing with the date elected by Executive for such commencement, and the Company shall deposit any Enhanced SERP amounts that would otherwise be paid in excess of such Marital Annuity monthly amounts in an escrow account established by the Company for this purpose, to be paid from the escrow to the Company upon the Determination, or to Executive if the Determination Period ends without a Determination.

(c) If Executive is terminated for Cause, The remaining applicable provisions of this Agreement (including the Restrictive Covenants) shall continue to apply.

8.6 Termination by Executive Other Than for Good Reason. If Executive elects to retire or otherwise terminate employment with the Company or Affiliate (or, if applicable, the Disaggregated Entity) during the Employment Period other than for Good Reason, Disability or death, the Company's sole obligation to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section 8.6 (and Executive shall not be entitled to receive any severance payment hereunder). The remaining provisions of this Agreement (including the Restrictive Covenants) shall continue to apply.

(a) Termination Other Than for Good Reason: Accrued Obligations. The Company shall pay Executive all Accrued Obligations.

(b) Termination Other Than for Good Reason: Enhanced SERP. The Company shall pay to Executive the Enhanced SERP pursuant to the terms of the SERP regarding form of payment as in effect from time to time.

(c) Termination Other Than for Good Reason: Stock Options. Executive shall not be entitled to participate in any grants of Stock Options made after the Termination Date. All Stock Options shall (i) become fully vested, and (ii) remain exercisable until (A) the option expiration date for any such Stock Options granted prior to January 1, 2002, or (B) the fifth anniversary of the Termination Date, or if earlier, the option expiration date for any such Stock Options granted on or after January 1, 2002.

(d) Termination Other Than for Good Reason: LTIP Vesting. On the Termination Date all Performance Shares to the extent earned by and awarded to Executive (i.e. as to which the first year of the performance cycle has elapsed) as of the Termination Date, shall become fully vested at the actual level earned and awarded, and,

to the extent not yet earned by and awarded to Executive (i.e., as to which the first year of the performance cycle has not elapsed) as of the Termination Date, shall be forfeited. Payment under this Section 8.6(d) shall be made according to the terms of the LTIP, as in effect from time to time.

(e) Termination Other Than for Good Reason: Restricted Stock. All forfeiture conditions that as of the Termination Date are applicable to any Restricted Stock (other than the restricted shares granted under Article V) shall lapse immediately and all such awards will become fully vested, and within ten business days after the Termination Date, the Company shall deliver to Executive all of such shares theretofore held by or on behalf of the Company.

(f) Termination Other Than for Good Reason: Health Care Coverage. Executive and his eligible dependents shall be eligible for the retiree health care coverage benefits provided under the Company's health care plans under the terms of the Company's health care plans as in effect from time to time.

(g) Termination Other Than for Good Reason: Other Benefits. The Company shall provide Executive other retirement benefits (but not perquisites) after the Termination Date to the extent available to retired peer executives under Plans of the Company.

8.7 Termination by the Company for Disability. If the Company (or Disaggregated Entity, if applicable) terminates Executive's employment by reason of Executive's Disability, the Company's sole obligation to Executive under Articles II, IV, VI and VIII shall be as set forth in this Section 8.7 reduced by amounts paid or provided by the Disaggregated Entity (and Executive shall not be entitled to receive any severance payment hereunder). The remaining provisions of this Agreement (including the Restrictive Covenants) shall continue to apply.

(a) Termination for Disability: Accrued Obligations and Prorated Annual Incentive. The Company shall pay Executive a lump-sum cash amount equal to the amount specified in Sections 8.1(a) and (b) determined as of the Termination Date.

(b) Termination for Disability: Enhanced SERP. Executive may elect payment or commencement of the Enhanced SERP, pursuant to the terms of the SERP regarding form of payment as in effect from time to time, and subject to the offset for disability benefits provided under the SERP.

(c) Termination for Disability: Stock Options. Executive shall not be entitled to participate in any grants of Stock Options made after the Termination Date. All Stock Options shall (i) become fully vested, and (ii) remain exercisable until (A) the option expiration date for any such Stock Options granted prior to January 1, 2002, or (B) the fifth anniversary of the Termination Date, or if earlier, the option expiration date for any such Stock Options granted on or after January 1, 2002.

(d) Termination for Disability: LTIP Vesting. On the Termination Date all Performance Shares to the extent earned by and awarded to Executive (i.e. as to which

the first year of the performance cycle has elapsed) as of the Termination Date, shall become fully vested at the actual level earned and awarded, and, to the extent not yet earned by and awarded to Executive (i.e., as to which the first year of the performance cycle has not elapsed) as of the Termination Date, shall become fully vested at the LTIP Target Level. Payment under this Section 8.7(d) shall be made according to the terms of the LTIP, as in effect from time to time.

(e) Termination for Disability: Restricted Stock. All forfeiture conditions that as of the Termination Date are applicable to any Restricted Stock (including the restricted shares granted pursuant to Article V) shall lapse immediately and all such awards will become fully vested, and within ten business days after the Termination Date, the Company shall deliver to Executive all of such shares theretofore held by or on behalf of the Company.

(f) Termination for Disability: Health Care Coverage. While Executive is receiving long term disability benefits, he shall continue to participate in the health care plans under which Executive was covered immediately prior to his Termination Date. Executive's out of pocket costs (including premiums, deductibles, and co-payments) for such health care coverage shall be the same as that in effect from time to time for peer executives whose employment has been terminated on account of disability. Coverage under this Section 8.7(f) shall be provided in lieu of COBRA. Thereafter, Executive and his eligible dependents shall be eligible for the retiree health care coverage benefits provided under the Company's health care plans under the terms of the Company's health care plans as in effect from time to time.

(g) Termination for Disability: Disability Benefits. The Company shall provide Executive disability and other benefits after the Termination Date pursuant to the Company's long term disability Plans in which Executive participates, as in effect from time to time; provided, however, that if the Termination Date occurs during the Current Post-Merger Period, Post-Change Period, Imminent Control Change Period that culminates in a Change Date, Post-Significant Acquisition Period or Post-Disaggregation Period, the Company shall provide Executive disability and other benefits after the Termination Date that are not less than the most favorable of such benefits then provided under Plans of the Company to disabled peer executives of the Company in effect immediately before the Termination Date.

8.8 Upon Death. If Executive's employment with the Company or Affiliate, (or, if applicable, the Disaggregated Entity) is terminated by reason of Executive's death during the Employment Period, the Company's sole obligation to Executive (and the Beneficiary) under Articles II, IV, VI and VIII shall be as set forth in this Section 8.8 (and neither Executive nor the Beneficiary shall be entitled to receive any severance payment hereunder). The remaining provisions of this Agreement shall continue to apply.

(a) Termination By Death: Accrued Obligations and Prorated Annual Incentive. The Company shall pay the Beneficiary, a lump-sum cash amount equal to the amount specified in Sections 8.1(a) and (b) determined as of the Termination Date.

(b) Termination By Death: Enhanced SERP. The Company shall pay to the Beneficiary the Enhanced SERP pursuant to the terms of the SERP regarding form of payment as in effect from time to time.

(c) Termination By Death: Stock Options. All Stock Options shall (i) become fully vested, and (ii) remain exercisable until (A) the option expiration date for any such Stock Options granted prior to January 1, 2002, or (B) the third anniversary of the Termination Date, or if earlier, the option expiration date for any such Stock Options granted on or after January 1, 2002.

(d) Termination By Death: LTIP Vesting. On the Termination Date all Performance Shares to the extent earned by and awarded to Executive (i.e. as to which the first year of the performance cycle has elapsed) as of the Termination Date, shall become fully vested at the actual level earned and awarded, and, to the extent not yet earned by and awarded to Executive (i.e., as to which the first year of the performance cycle has not elapsed) as of the Termination Date, shall become fully vested at the LTIP Target Level. Payment under this Section 8.8(d) shall be made according to the terms of the LTIP, as in effect from time to time.

(e) Termination By Death: Restricted Stock. All forfeiture conditions that as of the Termination Date are applicable to any Restricted Stock (including restricted shares granted under Article V) shall lapse immediately and all such awards will become fully vested, and within ten business days after the Termination Date, the Company shall deliver to the Beneficiary all of such shares theretofore held by or on behalf of the Company.

(f) Termination By Death: Health Care Coverage. Executive's surviving spouse shall be eligible for the retiree health care coverage benefits provided under the Company's health plans under the terms of the Company's health care plans as in effect from time to time.

(g) Termination By Death: Survivor Benefits. The Company shall provide the Beneficiary such survivor and other benefits (including the proceeds of any life insurance policies on Executive's life maintained by the Company on behalf of Executive under which the Beneficiary is the beneficiary) available as of the Termination Date under the Plans of the Company; provided, however, that if Executive's death occurs during the Current Post-Merger Period, Post-Change Period, Imminent Control Change Period that culminates in a Change Date, Post-Significant Acquisition Period or Post-Disaggregation Period, the Company shall provide the Beneficiary such survivor and other benefits that are not less favorable than the most favorable of such benefits then available under Plans of the Company to surviving families of peer executives of the Company in effect immediately before Executive's death.

8.9 Timing of Severance Payments. Unless otherwise specified herein or in an applicable Plan, the amounts described in Sections 8.1(a) and (b), Sections 8.2(a)(i), (ii), (iii), (iv) and (v), Sections 8.6(a) and Section 8.7(a) and Section 8.8(a) shall be paid in cash within 30 business days of the Termination Date (provided that any amounts due under any tax-qualified plans

(under Section 401(a) of the Code) shall be paid pursuant to the terms of such plans, including payment timing and form). The severance payments described in Sections 8.1(c) and 8.2(a)(vi) shall be paid as follows:

(a) Beginning no later than the second paydate which occurs after the Termination Date, the Company shall make periodic payments to Executive according to the Company's normal payroll practices at a monthly rate equal to 1/12 of the sum of (i) Executive's Base Salary plus (ii) the Severance Incentive; and

(b) Within 30 business days of the second anniversary of the Termination Date, the Company shall pay Executive a cash lump sum equal to the difference (if any) between the total severance payment under Sections 8.1(c) and 8.2(a)(vi), as applicable, less the total amount paid pursuant to normal payroll practices under Section 8.9(a).

8.10 Waiver and Release. Notwithstanding anything herein to the contrary, the Company shall have no obligation to Executive under Article VIII or Article IX unless and until Executive executes a release and waiver of Company and its Affiliates, in substantially the same form as attached hereto as Attachment C, or as otherwise mutually acceptable, and any revocation period with respect to such release and waiver has lapsed. Notwithstanding anything herein (whether or not during the Employment Period) or in the Key Management Severance Plan to the contrary, Executive hereby waives any right he may have at any time during the Current Post-Merger Period to terminate his employment for Good Reason, whether or not under the Key Management Severance Plan or this Agreement, as a result of any event or condition ("Waived Events") made as part of an internal structural reorganization or restructuring of Genco which results in any change or reduction or transition in the nature or scope of Executive's office, position, duties, functions, responsibilities or authority, that has occurred, exists, or occurs, or of which Executive has been or is notified, at any time during the Current Post-Merger Period, provided that any such change or reduction after the Agreement Date shall not assign Executive to a position of less status, responsibility, or authority than Executive's position on the Agreement Date. Executive also hereby agrees and acknowledges that the substitution of this Agreement for the Prior CIC Agreement (a) does not and will not give rise to Good Reason under either such agreement and (b) renders the Prior CIC Agreement null and void with no further rights or obligations thereunder. Executive will, however, retain the right to terminate his employment for Good Reason under this Agreement, as applicable, should other future events or conditions other than the Waived Events independently trigger such right (including other future events or conditions relating to a subsequent Change in Control).

8.11 Sole and Exclusive Obligations. The obligations of the Company under this Agreement with respect to the employment and any Termination of Employment of Executive shall supersede any obligations of the Company in any other plan of the Company (except to the extent the Company's obligations under such agreement are included herein) or any other agreement between Executive and the Company, including, without limitations, the Key Management Severance Plan, the Prior CIC Agreement, any other Change in Control Agreement entered into by and among Executive, Unicom Corporation, or ComEd, or any other plan or agreement (including an offer of employment or employment contract) of the Company or any Affiliates. Notwithstanding the preceding or anything in this Article VIII to the contrary, all benefits or coverage provided or amounts paid by the Company pursuant to this Article VIII

shall be reduced (but not below zero) by the same or similar benefits or coverage provided or amounts paid or payable to Executive by the Company or an affiliate on account of the Termination of Employment, pursuant to the Key Management Severance Plan or otherwise. In the event of any inconsistency, ambiguity or conflict between the terms of such other plan of the Company or agreement between Executive and the Company and this Agreement with respect to any severance obligations of the Company, this Agreement shall govern.

ARTICLE IX
CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY

9.1 Gross-Up Payment. If at any time or from time to time, it shall be determined by the Company's independent auditors that any payment or other benefit to Executive under this Agreement or otherwise ("Potential Parachute Payment") is or will become subject to the excise tax imposed by Section 4999 of the Code or any similar tax payable under any United States federal, state, local, foreign or other law ("Excise Taxes"), then the Company shall, subject to Section 9.2, pay or cause to be paid a tax gross-up payment ("Gross-Up Payment") with respect to all such Excise Taxes and other Taxes on the Gross-Up Payment. The Gross-Up Payment shall be an amount equal to the product of

(a) The amount of the Excise Taxes (calculated at the effective marginal rates of all federal, state, local, foreign or other law),

multiplied by

(b) A fraction (the "Gross-Up Multiple"), the numerator or which is one (1.0), and the denominator of which is one (1.0) minus the lesser of (i) the sum, expressed as a decimal fraction, of the effective marginal rates of any Taxes and any Excise Taxes applicable to the Gross-Up Payment or (ii) .80, it being intended that the Gross-Up Multiple shall in no event exceed five (5.0). If different rates of tax are applicable to various portions of a Gross-Up Payment, the weighted average of such rates shall be used. For purposes of this Section, Executive shall be deemed to be subject to the highest effective marginal rate of Taxes.

The Gross-Up Payment is intended to compensate Executive for all such Excise Taxes and any other Taxes payable by Executive with respect to the Gross-Up Payment. The Company shall pay or cause to be paid the Gross-Up Payment to Executive within thirty (30) days of the calculation of such amount, but in no event after Executive makes payment to the IRS of such Excise Taxes.

9.2 Limitation on Gross-Up Payments.

(a) To the extent possible, any payments or other benefits to Executive pursuant to Article IV, Article VI and Article VII of this Agreement shall be allocated as consideration for Executive's entry into the covenants of Article IX.

(b) Notwithstanding any other provision of this Article V, if the aggregate amount of the Potential Parachute Payments that, but for this Section 9.2, would be payable to

Executive, does not exceed 110% of Floor Amount (as defined below), then no Gross-Up Payment shall be made to Executive and the aggregate amount of Potential Parachute Payments payable to Executive shall be reduced (but not below the Floor Amount) to the largest amount which would both (i) not cause any Excise Tax to be payable by Executive and (ii) not cause any Potential Parachute Payments to become nondeductible by the Company by reason of Section 280G of the Code (or any successor provision). For purposes of the preceding sentence, "Floor Amount" means the greatest pre-tax amount of Potential Parachute Payments that could be paid to Executive without causing Executive to become liable for any Excise Taxes in connection therewith.

9.3 Additional Gross-up Amounts. If, for any reason (whether pursuant to subsequently enacted provisions of the Code, final regulations or published rulings of the IRS, or a final judgment of a court of competent jurisdiction) the Company's independent auditors later determine that the amount of Excise Taxes payable by Executive is greater than the amount initially determined pursuant to Section 9.1, then the Company shall, subject to Sections 9.2 and 9.4, pay Executive, within thirty (30) days of such determination, or pay to the IRS as required by applicable law, an amount (which shall also be deemed a Gross-Up Payment) equal to the product of:

(a) the sum of (i) such additional Excise Taxes and (ii) any interest, penalties, expenses or other costs incurred by Executive as a result of having taken a position in accordance with a determination made pursuant to Section 9.1 or 9.4,

multiplied by

(b) the Gross-Up Multiple.

9.4 Amount Increased or Contested.

(a) Executive shall notify the Company in writing (an "Executive's Notice") of any claim by the IRS or other taxing authority (an "IRS Claim") that, if successful, would require the payment by Executive of Excise Taxes in respect of Potential Parachute Payments in an amount in excess of the amount of such Excise Taxes determined in accordance with Section 9.1. Executive's Notice shall include the nature and amount of such IRS Claim, the date on which such IRS Claim is due to be paid (the "IRS Claim Deadline"), and a copy of all notices and other documents or correspondence received by Executive in respect of such IRS Claim. Executive shall give Executive's Notice as soon as practicable, but no later than the earlier of (i) 10 days after Executive first obtains actual knowledge of such IRS Claim or (ii) five days before the IRS Claim Deadline; provided, however, that any failure to give such Executive's Notice shall affect the Company's obligations under this Article only to the extent that the Company is actually prejudiced by such failure. If at least one business day before the IRS Claim Deadline the Company shall:

(i) deliver to Executive a written certificate from the Company's independent auditors ("Company Certificate") to the effect that, notwithstanding the IRS Claim, the amount of Excise Taxes, interest or penalties payable by

Executive is either zero or an amount less than the amount specified in the IRS Claim,

(ii) pay to Executive, or to the IRS as required by applicable law, an amount (which shall also be deemed a Gross-Up Payment) equal to difference between the product of (A) amount of Excise Taxes, interest and penalties specified in the Company Certificate, if any, multiplied by (B) the Gross-Up Multiple, less the portion of such product, if any, previously paid to Executive by the Company, and

(iii) direct Executive pursuant to Section 9.4(d) to contest the balance of the IRS Claim,

then Executive shall pay only the amount, if any, of Excise Taxes, interest and penalties specified in the Company Certificate. In no event shall Executive pay an IRS Claim earlier than 30 business days after having given an Executive's Notice to the Company (or, if sooner, the IRS Claim Deadline).

(b) At any time after the payment by Executive of any amount of Excise Taxes, other Taxes or related interest or penalties in respect of Potential Parachute Payments (including any such amount equal to or less than the amount of such Excise Taxes specified in any Company Certificate, or IRS Claim), the Company may in its discretion require Executive to pursue a claim for a refund (a "Refund Claim") of all or any portion of such Excise Taxes, other Taxes, interest or penalties as may be specified by the Company in a written notice to Executive.

(c) If the Company notifies Executive in writing that the Company desires Executive to contest an IRS Claim or to pursue a Refund Claim, Executive shall:

(i) give the Company all information that it reasonably requests in writing from time to time relating to such IRS Claim or Refund Claim, as applicable,

(ii) take such action in connection with such IRS Claim or Refund Claim (as applicable) as the Company reasonably requests in writing from time to time, including accepting legal representation with respect thereto by an attorney selected by the Company, subject to the approval of Executive (which approval shall not be unreasonably withheld or delayed),

(iii) cooperate with the Company in good faith to contest such IRS Claim or pursue such Refund Claim, as applicable,

(iv) permit the Company to participate in any proceedings relating to such IRS Claim or Refund Claim, as applicable, and

(v) contest such IRS Claim or prosecute Refund Claim (as applicable) to a determination before any administrative tribunal, in a court of initial

jurisdiction and in one or more appellate courts, as the Company may from time to time determine in its discretion.

The Company shall control all proceedings in connection with such IRS Claim or Refund Claim (as applicable) and in its discretion may cause Executive to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service or other taxing authority in respect of such IRS Claim or Refund Claim (as applicable); provided that (i) any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive relating to the IRS Claim is limited solely to such IRS Claim, (ii) the Company's control of the IRS Claim or Refund Claim (as applicable) shall be limited to issues with respect to which a Gross-Up Payment would be payable, and (iii) Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or other taxing authority.

(d) The Company may at any time in its discretion direct Executive to (i) contest the IRS Claim in any lawful manner or (ii) pay the amount specified in an IRS Claim and pursue a Refund Claim; provided, however, that if the Company directs Executive to pay an IRS Claim and pursue a Refund Claim, the Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify Executive, on an after-tax basis, for any Excise Tax or income tax, including related interest or penalties, imposed with respect to such advance.

(e) The Company shall pay directly all legal, accounting and other costs and expenses (including additional interest and penalties) incurred by the Company or Executive in connection with any IRS Claim or Refund Claim, as applicable, and shall indemnify Executive, on an after-tax basis, for any Excise Tax or income tax, including related interest and penalties, imposed as a result of such payment of costs and expenses.

9.5 Refunds. If, after the receipt by Executive or the IRS of any payment or advance of Excise Taxes or other Taxes by the Company pursuant to this Article, Executive receives any refund with respect to such Excise Taxes, Executive shall (subject to the Company's complying with any applicable requirements of Section 9.4) promptly pay the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 9.4 or receipt by the IRS of an amount paid by the Company on behalf of Executive pursuant to Section 9.4, a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such determination within 30 days after the Company receives written notice of such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Any contest of a denial of refund shall be controlled by Section 9.4(d).

ARTICLE X
EXPENSES, INTEREST, DISPUTE RESOLUTION,
INDEMNIFICATION AND D&O LIABILITY INSURANCE

10.1 Enforcement and Late Payments: Under Certain Special Circumstances. If, after the Agreement Date and during or on account of the Current Post-Merger Period, Post-Change Period, Imminent Control Change Period that culminates in a Change Date, Post-Significant Acquisition Period or Post-Disaggregation Period, Executive incurs reasonable legal fees or other expenses (including arbitration costs and expenses under Section 10.4) in an effort to secure, preserve, or obtain benefits under this Agreement, the Company shall, regardless of the outcome of such effort, reimburse Executive (in accordance with Section 10.1(a)) for such fees and expenses, subject to the following.

(a) Reimbursement of legal fees and expenses and Gross-Up Payments shall be made on a current basis, promptly after Executive's written submission of a request for reimbursement together with evidence that such fees and expenses were incurred.

(b) If Executive does not prevail (after exhaustion of all available judicial remedies) in respect of a claim by Executive or by the Company hereunder, and the Company establishes before a court of competent jurisdiction by clear and convincing evidence that Executive had no reasonable basis for Executive's claim hereunder, or for Executive's response to the Company's claim hereunder, or that Executive acted in bad faith, no further reimbursement for legal fees and expenses shall be due to Executive in respect of such claim and Executive shall refund any amounts previously reimbursed hereunder with respect to such claim.

10.2 Negotiation of Agreement. The Company shall reimburse Executive for 50% of the reasonable attorney fees and expenses incurred by Executive in negotiating and drafting this Agreement for up to the first $100,000 of such reasonable attorney fees and expenses so incurred. The Company's obligation under this Section 10.2 shall not exceed $50,000.

10.3 Interest: Under Certain Special Circumstances. If the Company does not pay any cash amount due to Executive under Sections 8.2, 8.3, 8.4 or Article IX this Agreement within three business days after such amount first became due and owing, interest shall accrue on such amount from the date it became due and owing until the date of payment at an annual rate equal to 200 basis points above the base commercial lending rate published in The Wall Street Journal in effect from time to time during the period of such nonpayment; provided that Executive shall not be entitled to interest on any Gross Up Payment.

10.4 Arbitration. Any dispute, controversy or claim between the parties hereto arising out of or in connection with or relating to this Agreement (other than disputes related to Article IX or to an alleged breach of the Restrictive Covenants in Article XII) or any breach or alleged breach thereof, or any benefit or alleged benefit hereunder, shall be settled by arbitration in Chicago, Illinois, before an impartial arbitrator pursuant to the rules and regulations of the American Arbitration Association ("AAA") pertaining to the arbitration of commercial disputes. Either party may invoke the right to arbitration. The arbitrator shall be selected by means of the parties striking alternatively from a panel of seven arbitrators supplied by the Chicago office of

AAA. The arbitrator shall have the authority to interpret and apply the provisions of this Agreement, consistent with Section 14.12 below. The decision of the arbitrator shall be final and binding upon the parties and a judgment thereon may be entered in the highest court of a forum, state or federal, having jurisdiction. The expenses of the arbitration shall be borne according to Section 10.1, if applicable and, if Section 10.1 is not applicable, each party shall be responsible for its own costs including attorneys' fees. No arbitration shall be commenced after the date when institution of legal or equitable proceedings based upon such subject matter would be barred by the applicable statutes of limitations. Notwithstanding anything to the contrary contained in this Section 10.4 or elsewhere in this Agreement, either party may bring an action in the District Court of Cook County, or the United States District Court for the Northern District of Illinois, if jurisdiction there lies, in order to maintain the status quo ante of the parties. The "status quo ante" is defined as the last peaceable, uncontested status between the parties. However, neither the party bringing the action nor the party defending the action thereby waives its right to arbitration of any dispute, controversy or claim arising out of or in connection or relating to this Agreement. Notwithstanding anything to the contrary contained in this Section 10.4 or elsewhere in this Agreement, either party may seek relief in the form of specific performance, injunctive or other equitable relief in order to enforce the decision of the arbitrator. The parties agree that in any arbitration commenced pursuant to this Agreement, the parties shall be entitled to such discovery (including depositions, requests for the production of documents and interrogatories) as would be available in a federal district court pursuant to Rules 26 through 37 of the Federal Rules of Civil Procedure. In the event that either party fails to comply with its discovery obligations hereunder, the arbitrator shall have full power and authority to compel disclosure or impose sanctions to the full extent of Rule 37 of the Federal Rules of Civil Procedure.

10.5 Indemnification. Executive shall be indemnified and held harmless by the Company on the same terms as other senior executives and to the greatest extent permitted under applicable law as the same now exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification than was permitted prior to such amendment) and the Company's by-laws as such exist on the Agreement Date if Executive was, is, or is threatened to be, made a party to any pending, completed or threatened action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, and whether formal or informal, by reason of the fact that Executive is or was, or had agreed to become, a director, officer, employee, agent, or fiduciary of the Company or any other entity which Executive is or was serving at the request of the Company ("Proceeding"), against all expenses (including all reasonable attorneys' fees) and all claims, damages, liabilities and losses incurred or suffered by Executive or to which Executive may become subject for any reason. A Proceeding shall not include any proceeding to the extent it concerns or relates to a matter described in Section 10.1 (concerning reimbursement of certain costs and expenses). Upon receipt from Executive of (i) a written request for an advancement of expenses, which Executive reasonably believes will be subject to indemnification hereunder and (ii) a written undertaking by Executive to repay any such amounts if it shall ultimately be determined that Executive is not entitled to indemnification under this Agreement or otherwise, the Company shall advance such expenses to Executive or pay such expenses for Executive, all in advance of the final disposition of any such matter.

10.6 Directors' and Officers' Liability Insurance. For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Company shall provide Executive with coverage under a directors' and officers' liability insurance policy in an amount no less than, and on the same terms as those provided to senior executive officers and directors of the Company.

ARTICLE XI
NO SET-OFF OR MITIGATION

11.1 No Set-off by Company.

(a) Executive's right to receive when due the payments and other benefits provided for under this Agreement is absolute, unconditional and subject to no setoff, counterclaim or legal or equitable defense. Time is of the essence in the performance by the Company of its obligations under this Agreement.

(b) Any claim which the Company may have against Executive, whether for a breach of this Agreement or otherwise, shall be brought in a separate action or proceeding and not as part of any action or proceeding brought by Executive to enforce any rights against the Company under this Agreement.

11.2 No Mitigation.

(a) Executive shall not have any duty to mitigate the amounts payable by the Company under this Agreement by seeking new employment or self-employment following termination.

(b) Except as specifically otherwise provided in this Agreement, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts which may be paid or payable to Executive as the result of Executive's employment by another employer or self-employment.

ARTICLE XII
RESTRICTIVE COVENANTS

12.1 Confidential Information. Executive acknowledges that in the course of performing services for the Companies and Affiliates, he may create (alone or with others), learn of, have access to and receive Confidential Information. Confidential Information shall not include: (i) information that is or becomes generally known to the public or within the relevant trade or industry through no fault of Executive; (ii) information received from a third party outside of the Company that was disclosed without a breach of any confidentiality obligation that Executive knew, or should have known about at the time of such disclosure; or (iii) information approved for release by written authorization of the Company. Executive recognizes that all such Confidential Information is the sole and exclusive property of the Company and its Affiliates or of third parties which the Company or Affiliate is obligated to keep confidential,

that it is the Company's policy to keep all such Confidential Information confidential, and that disclosure of Confidential Information would cause damage to the Company and its Affiliates. Executive agrees that, (a) except as required by the duties of Executive's employment with the Company or any of its Affiliates (including pursuant to this Agreement), (b) except in connection with enforcing Executive's rights under this Agreement, and/or (c) except if compelled by a court or governmental agency, provided in each case of (b) and (c) above that prior written notice is given to Company, Executive will not, without the written consent of Company, willfully disseminate or otherwise disclose, directly or indirectly, any Confidential Information obtained during his employment with the Company or its Affiliates, and will take all necessary precautions to prevent disclosure, to any unauthorized individual or entity inside or outside the Company, and will not use the Confidential Information or permit its use for the benefit of Executive or any other person or entity other than the Company or its Affiliates. These obligations shall continue during and after the termination of Executive's employment (whether or not after a Change in Control, Imminent Control Change, Significant Acquisition or Disaggregation). Nothing in this Section 12.1 prohibits Executive from reporting any suspected instance of a nuclear safety concern or any safety concern of any nature related to the operation of a nuclear power station to the United States Nuclear Regulatory Commission ("NRC"), the United States Department of Labor, or any other state or federal government agency; nor does this Section 12.1 prohibit or discourage Executive from providing information to the NRC, or to any state or federal agency or from testifying in any civil or criminal proceeding.

12.2 Non-Competition. During the period beginning on the Agreement Date and ending on the second anniversary of the Termination Date, whether or not after a Change in Control, Imminent Control Change, Significant Acquisition or Disaggregation, Executive hereby agrees that without the written consent of the Company Executive shall not at any time, directly or indirectly, in any capacity:

(a) engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business; provided, however, that after the Termination Date this Section 12.2 shall not preclude Executive from (i) being an employee of, or consultant to, any business unit of a Competitive Business if (A) such business unit does not qualify as a Competitive Business in its own right and (B) Executive does not have any direct or indirect involvement in, or responsibility for, any operations of such Competitive Business that cause it to qualify as a Competitive Business, (ii) being a consultant to, an advisor to, or an employee of a governmental regulatory agency, (iii)serving on the boards of colleges, universities or professional societies (e.g., the American Nuclear Society) (and related committees or organizations thereof), (iv) serving on the following industry boards (or related committees or organizations thereof): WANO (World Association of Nuclear Operators), INPO (Institute of Nuclear Professional Operators), NEI (Nuclear Energy Institute), EEI (Edison Electric Institute) and EPRI (Electric Power Research Institute) or (v) with the approval of the Chief Executive Officer of the Company, serving as a non-employee director of a Competitive Business.

(b) make or retain any financial investment, whether in the form of equity or debt, or own any interest, in any Competitive Business. Nothing in this subsection shall, however, restrict Executive from making an investment in any Competitive Business if

such investment does not (i) represent more than 1% of the aggregate market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions or management of such Competitive Business, and (iii) create a conflict of interest between Executive's duties under this Agreement and his interest in such investment.

12.3 Non-Solicitation. During the period beginning on the Agreement Date and ending on the second anniversary of any Termination Date, whether or not after a Change in Control, Imminent Control Change, Significant Acquisition or Disaggregation, Executive shall not, directly or indirectly:

(a) other than in connection with the good-faith performance of his duties as an officer of the Company, cause or attempt to cause any employee or agent of the Company to terminate his or her relationship with the Company;

(b) employ, engage as a consultant or adviser, or solicit the employment or engagement as a consultant or adviser, of any employee or agent of the Company (other than by the Company or its Affiliates), or cause or attempt to cause any Person to do any of the foregoing;

(c) establish (or take preliminary steps to establish) a business with, or cause or attempt to cause others to establish (or take preliminary steps to establish) a business with, any employee or agent of the Company, if such business is or will be a Competitive Business; or

(d) interfere with the relationship of the Company with, or endeavor to entice away from the Company, any Person who or which at any time during the period commencing one year prior to the Termination Date was or is, to Executive's knowledge, a material customer or material supplier of, or maintained a material business relationship with, the Company.

Notwithstanding anything herein to the contrary, Executive may respond to an unsolicited request for an employment reference regarding any employee or agent of the Company (or Affiliate) from a third party by providing a reference setting forth Executive's personal views about such employee or agent.

12.4 Intellectual Property. During the period of Executive's employment with the Company and any Affiliate, and thereafter upon the Company's request, whether or not after a Change in Control, Imminent Control Change, Significant Acquisition or Disaggregation, Executive shall disclose immediately to the Company all ideas, inventions and business plans that he makes, conceives, discovers or develops alone or with others during the course of his employment with the Company or during the one year period following Executive's Termination Date, including any inventions, modifications, discoveries, developments, improvements, computer programs, processes, products or procedures (whether or not protectable upon application by copyright, patent, trademark, trade secret or other proprietary rights) ("Work Product") that: (i) relate to the business of the Company or any customer or supplier to the

Company or any of the products or services being developed, manufactured, sold or otherwise provided by the Company or that may be used in relation therewith; or (ii) result from tasks assigned to Executive by the Company; or (iii) result from the use of the premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company. Executive agrees that any Work Product shall be the property of the Company and, if subject to copyright, shall be considered a "work made for hire" within the meaning of the Copyright Act of 1976, as amended (the "Act"). If and to the extent that any such Work Product is not a "work made for hire" within the meaning of the Act, Executive hereby assigns to the Company all right, title and interest in and to the Work Product, and all copies thereof, and the copyright, patent, trademark, trade secret and all proprietary rights in the Work Product, without further consideration, free from any claim, lien for balance due or rights of retention thereto on the part of Executive.

(a) The Company hereby notifies Executive that the preceding paragraph does not apply to any inventions for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Executive's own time, unless: (i) the invention relates (a) to the Company's business, or (b) to the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

(b) Executive agrees that upon disclosure of Work Product to the Company, Executive will, during his employment and at any time thereafter, at the request and cost of the Company, execute all such documents and perform all such acts as the Company or its duly authorized agents may reasonably require: (i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world, and when so obtained or vested to renew and restore the same; and (ii) to prosecute or defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection, or otherwise in respect of the Work Product.

(c) In the event that the Company is unable, after reasonable effort, to secure Executive's execution as provided in subsection (b) above, whether because of Executive's physical or mental incapacity or for any other reason whatsoever, Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and on his behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution, issuance and protection of letters patent, copyright and other intellectual property protection with the same legal force and effect as if personally executed by Executive.

(d) If Executive is required to execute documents or perform acts after the Termination Date pursuant to this Section 12.4, Executive shall be entitled to receive prompt reimbursement for all reasonable out-of-pocket costs and expenses necessitated by compliance with this Section 12.4, including travel expenses but not attorneys' fees.

12.5 Non-Disparagement. During the period beginning on the Termination Date and ending on the second anniversary of the Termination Date, Executive shall not (a) make any written or oral statement that brings the Company or any of its Affiliates or the employees, officers or agents of the Company or any of its Affiliates into disrepute, or tarnishes any of their images or reputations or (b) publish, comment upon or disseminate any statements suggesting or accusing the Company or any of its Affiliates or any agents, employees or officers of the Company or any of its Affiliates of any misconduct or unlawful behavior. This Section 12.5 shall not be deemed to be breached by testimony of Executive given in any judicial or governmental proceeding which Executive reasonably believes to be truthful at the time given or by any other action of Executive which he reasonably believes is taken in accordance with the requirements of applicable law or administrative regulation. Nothing in this Section 12.5 prohibits Executive from reporting any suspected instance of a nuclear safety concern or any safety concern of any nature related to the operation of a nuclear power station to the United States Nuclear Regulatory Commission ("NRC"), the United States Department of Labor, or any other state or federal government agency; nor does this Section 12.5 prohibit or discourage Executive from providing information to the NRC, or to any state or federal agency or from testifying in any civil or criminal proceeding.

12.6 Reasonableness of Restrictive Covenants.

(a) Executive acknowledges that the covenants contained in Sections 12.1, 12.2, 12.3, 12.4 and 12.5 are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect the Company's legitimate interests in its Confidential Information and in its relationships with its employees, customers and suppliers. Executive further acknowledges such covenants are essential elements of this Agreement and that, but for such covenants, the Company would not have entered into this Agreement.

(b) The Company and Executive have each consulted with their respective legal counsel and have been advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained in Sections 12.1, 12.2, 12.3, 12.4 and 12.5 will not deprive Executive of the ability to earn a livelihood or to support his dependents.

12.7 Right to Injunction; Survival of Undertakings.

(a) In recognition of the confidential nature of the Confidential Information, and in recognition of the necessity of the limited restrictions imposed by Sections 12.1, 12.2, 12.3 and 12.4 the parties agree that it would be impossible to measure solely in money the damages which the Company would suffer if Executive were to breach any of his obligations under such Sections. Executive acknowledges that any breach of any provision of such Sections would irreparably injure the Company. Accordingly, Executive agrees that if he breaches any of the provisions of such Sections, the Company shall be entitled, in addition to any other remedies to which the Company may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of such provisions, and

Executive hereby waives any right to assert any claim or defense that the Company has an adequate remedy at law for any such breach.

(b) If a court determines that any of the covenants included in this Article XII is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to modify the duration or scope of such provision, as the case may be, so as to cause such covenant as so modified to be enforceable.

(c) All of the provisions of this Article XII shall survive any Termination of Employment without regard to (i) the reasons for such termination or (ii) the expiration of the Employment Period.

12.8 Breach of Covenants.

(a) In the event Executive breaches a Restrictive Covenant, the Company shall be entitled to require a Forfeiture (as defined below) if and only if a Forfeiture Event (as defined below) has occurred.

(b) A "Forfeiture Event" means that both of the following have occurred:

> (i) Executive shall have committed a willful and material breach of any of the covenants contained in this Article XII, or Executive shall have failed to cure (to the fullest extent curable) a non-willful breach of any of such covenants within 10 days after his receipt of a written notice thereof from the Company; provided no act or failure to act (including simple negligence or an error in judgment) shall be deemed a willful breach of a Restrictive Covenant if such act or failure to act was done in good faith, with a reasonable belief that the act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulations, and was not done primarily to benefit Executive.
>
> (ii) In an action brought at any time but no later than three years after the Termination Date, the Company shall have obtained a final judicial determination (or, if the Company reasonably determines, based upon the advice of counsel, that it is more likely than not that each of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois will decline to adjudicate the issue, a final decree in an arbitration proceeding conducted in accordance with the rules of the American Arbitration Association, with such arbitration proceeding to be conducted in Chicago, Illinois before a panel of three arbitrators) to the effect that a Forfeiture Event has occurred and that the occurrence of a Forfeiture is appropriate and consistent with the requirements and procedures set forth in this Agreement.

(c) A Forfeiture means any or all of the following, in the discretion of the Company:

(i) Discontinuance of any and all payments and benefits provided to Executive pursuant to Articles VIII, Article IX, and any other provision of this Agreement;

(ii) Termination of any Stock Options then held by Executive, whether or not then exercisable;

(iii) Requiring Executive to:

(1) Repay to the Company all amounts (if any) previously received by Executive pursuant to any provision of Articles VIII and/or IX on or after the first date on which the Executive breached any of the covenants contained in this Article XII ("Breach Date");

(2) Repay to the Company all amounts (if any) previously received by Executive pursuant to the Enhanced SERP at any time on or after the Termination Date;

(3) Pay to the Company an amount equal to the aggregate "spread" on all Stock Options exercised on or after the Breach Date (for this purpose "spread" in respect of any Stock Option shall mean the product of the number of shares as to which such Stock Option has been exercised on or after the Breach Date multiplied by the difference between the closing price of the common stock on the exercise date (or if the common stock did not trade on the New York Stock Exchange on the exercise date, the most recent date on which the common stock did so trade) and the exercise price of the Stock Option); and

(4) Repay to the Company any other amount that it paid to Executive on or after the Breach Date which Executive would not have been entitled to receive if the Company had terminated the employment of Executive for Cause as of the Breach Date.

ARTICLE XIII
NON-EXCLUSIVITY OF RIGHTS

13.1 Other Rights. Except as expressly provided in Section 8.11 or 12.8 or elsewhere in this Agreement, this Agreement shall not prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other Plans provided by the Company and for which Executive may qualify, nor shall this Agreement limit or otherwise affect such rights as Executive may have under any other agreements with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any Plan and any other payment or benefit required by law at or after the Termination Date shall be payable in accordance with such Plan or applicable law except as expressly modified by this Agreement.

13.2 No Right to Continued Employment. Nothing in this Agreement shall guarantee the right of Executive to continue in employment, and the Company retains the right to terminate Executive's employment at any time for any reason or for no reason.

ARTICLE XIV
MISCELLANEOUS

14.1 No Assignability. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

14.2 Successors. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Any successor to the business or assets of the Company which assumes or agrees to perform this Agreement by operation of law, contract, or otherwise shall be jointly and severally liable with the Company under this Agreement as if such successor were the Company.

14.3 Affiliates. To the extent that immediately prior to the Applicable Trigger Date, Executive has been on the payroll of, and participated in the incentive or employee benefit plans of, an Affiliate of the Company, the references to the Company contained in Sections 6.8(a), (a)(i) and (a)(ii) and the other Sections of this Agreement referring to benefits to which Executive may be entitled shall be read to refer to such Affiliate.

14.4 No Double Payment. Notwithstanding any other provision of this Agreement, Executive shall not be entitled to payment under both this Agreement and the Key Management Severance Plan for the same type of benefit or payment. Amounts paid hereunder shall be reduced by amounts paid under the Key Management Severance Plan for the same type of benefit or payment.

14.5 Payments to Beneficiary. If Executive dies before receiving amounts to which Executive is entitled under this Agreement, such amounts shall be paid in a lump sum to one or more beneficiaries designated in writing by Executive (each, a "Beneficiary"). Executive, without the consent of any prior Beneficiary, may change his designation of Beneficiary or Beneficiaries at any time or from time to time by submitting to the Company a new designation in writing. If none is so designated, Executive's estate shall be his or her Beneficiary.

14.6 Non-Alienation of Benefits. Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by Executive, and any such attempt to dispose of any right to benefits payable under this Agreement shall be void.

14.7 Severability. If any one or more Articles, Sections or other portions of this Agreement are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

14.8 Amendments. This Agreement shall not be amended or modified except by written instrument executed by the Company and Executive.

14.9 Notices. All notices and other communications under this Agreement shall be in writing and delivered by hand, by nationally-recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive, to Executive at his most recent home address on file with the Company.

If to the Company:

Exelon Corporation
37th Floor
10 S. Dearborn Street
Chicago, Illinois 60690
Attention: S. Gary Snodgrass, Senior Vice President and Chief Human Resources Officer
Facsimile No.: (312) 394-5440

With copy to:

Pamela Baker, Esq.
Sonnenschein Nath & Rosenthal
8000 Sears Tower
Chicago, Illinois 60606
Facsimile No.: (312) 876-7934

or to such other address as either party shall have furnished to the other in writing in accordance with the provisions of this Section 14.9. Notice and communications shall be effective when actually received by the addressee.

14.10 Joint and Several Liability, Continuing Enhanced SERP Obligations of ComEd. The Company and Genco shall be jointly and severally liable for the obligations of the Company or Genco hereunder. ComEd has acknowledged its continuing obligation to provide the Enhanced SERP benefits, to the extent not paid by the Company or Genco.

14.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

14.12 Governing Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Illinois, without regard to its choice of law principles.

14.13 Captions. The captions of this Agreement are not a part of the provisions hereof and shall have no force or effect.

14.14 Number and Gender. Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

14.15 Tax Withholding. The Company may withhold from any amounts payable under this Agreement or otherwise payable to Executive any Taxes the Company determines to be appropriate under applicable law and may report all such amounts payable to such authority as is required by any applicable law or regulation.

14.16 No Waiver. Executive's failure to insist upon strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision of this Agreement. A waiver of any provision of this Agreement shall not be deemed a waiver of any other provision, and any waiver of any default in any such provision shall not be deemed a waiver of any later default thereof or of any other provision.

14.17 Entire Agreement. This Agreement, together with its attachments, contains the entire understanding of Company and Executive with respect to its subject matter and shall supersede all prior agreements, promises and representations regarding employment, compensation, severance or other payments contingent upon termination of employment, whether in writing or otherwise; provided, however that with respect to obligations relating to the SERP, ComEd shall remain joint and severally liable with the Company. Notwithstanding anything herein to the contrary, the agreement dated as of February 1, 2002 among Executive and the Acknowledging Companies (as defined therein) shall survive and not be superceded by this Agreement to the extent such agreement provides that the Acknowledging Companies remain obligated to provide the Enhanced SERP.

14.18 Approvals. The Company represents and warrants to Executive it has taken all corporate action necessary to authorize this Agreement. Executive represents and warrants to the Company that there are no agreements or arrangements, whether written or oral, in effect which would prevent him from performing the services provided for in this Agreement, and that he has not made and will not make any commitment, agreement or arrangement, or do any act in conflict with this Agreement.

14.19 Survival of Executive's Rights. All of Executive's rights hereunder, including his rights to compensation and benefits, and his obligations under Article XII hereof, shall survive the termination of Executive's employment or the termination of this Agreement.

IN WITNESS WHEREOF, Executive, Exelon Corporation and Exelon Generation Company, LLC have executed this Employment Agreement as of the Agreement Date.

OLIVER D. KINGSLEY, JR.

/s/ Oliver D. Kingsley, Jr.

EXELON CORPORATION

By: /s/ John W. Rowe

Title: President and CEO

EXELON GENERATION COMPANY, LLC

By: /s/ Barry J. Mitchell

Title: Senior Vice President and Treasurer

Attachment A

EXELON CORPORATION

Special Restricted Stock Award Agreement

Exelon Corporation, a Pennsylvania corporation (the "Company"), hereby grants to Oliver D. Kingsley, Jr.,(the "Holder") pursuant to the provisions of the Exelon Corporation Long-Term Incentive Plan, as amended and restated effective October 20, 2000 (the "Plan"), a restricted stock award (the "Award") of thirty-five thousand (35,000) restricted shares of the Company's Common Stock, without par value ("Common Stock"), upon and subject to the terms and conditions set forth below. Unless otherwise noted, capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Employment Agreement.

The Award shall be subject to all the terms of this Agreement, the Plan, and that certain Employment Agreement dated as of September 5, 2002 among the Company, Exelon Generation Company, LLC and the Holder (the "Employment Agreement") to which this Award is attached as Attachment A.

2. Rights as a Stockholder.

The Holder shall have the right to vote the shares of Common Stock subject to the Award and to receive dividends and other distributions thereon unless and until, and only to the extent, such shares are forfeited pursuant to Section 3.2 hereof; provided, however, that a dividend or distribution with respect to shares (including, without limitation, a stock dividend or stock split), other than a regular cash dividend, shall be delivered to the Company (and the Holder shall, if requested by the Company, execute and return one or more irrevocable stock powers related thereto) and shall be subject to the same restrictions as the shares of Common Stock with respect to which such dividend or other distribution was made.

3. Restriction Period -- Vesting Dates and Vesting.

3.1 Vesting Dates.

Subject to Section 3.2 hereof, twenty percent (20%) of the total shares of Common Stock subject to the Award shall vest on January 1, 2003, and an additional twenty percent (20%) shall vest on each of the next four anniversaries of January 1, 2003, provided Executive is employed by the Company or an Affiliate on such anniversary. Upon Holder's Termination of Employment (as such term is defined in the Employment Agreement) by Holder for Good Reason (as such term is defined in the Employment Agreement), death or Disability (as such term is defined in the Employment Agreement) or by the Company other than for Cause (as such term is defined in the Employment Agreement), any non-vested shares then subject to the Award shall immediately become fully vested and nonforfeitable.

3.2 Forfeiture of Non-Vested Shares.

If, prior to the date on which all of the shares of Common Stock subject to the Award become vested, the Holder's employment is terminated by the Company for Cause (as such term is defined in the Employment Agreement), the non-vested shares shall be forfeited by the Holder if not vested by the Date of Termination (as such term is defined in the Employment Agreement).

4. Termination of Award.

In the event that Holder shall forfeit any shares of Common Stock subject to the Award pursuant to Section 3.2, this Award shall immediately terminate. The Holder shall, upon the Company's request, promptly return this Agreement to the Company for cancellation. Such cancellation shall, however, be effective regardless of whether the Holder returns this Agreement. Cancellation of this Agreement shall not effect the Holder's right hereunder with respect to any vested shares.

5. Additional Terms and Conditions of Award.

5.1 Nontransferability of Award.

This Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to sell, transfer, assign, pledge, hypothecate or encumber, or otherwise dispose of this Award or any shares of Common Stock subject hereto that haven not vested and been issued pursuant to Section 5.5, this Award and any obligation of the Company with respect to the shares subject hereto shall immediately become null and void.

5.2 Withholding Taxes.

(a) As a condition precedent to the delivery to the Holder of any shares of Common Stock subject to the Award, the Holder shall, upon request by the Company, pay to the Company (or shall cause a broker-dealer on behalf of the Holder to pay to the Company) such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Company pursuant to Section 5.2(a), (2) delivery to the Company of previously owned whole shares of Common Stock (which the Holder has held for at least six months prior to the delivery of such shares or which the Holder purchased on the open market and for which the Holder has good title, free and clear of all liens and encumbrances) having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the "Tax Date"), equal to the Required Tax Payments, (3) authorizing

the Company to withhold from the shares of Common Stock otherwise to be delivered to the Holder pursuant to the Award a number of whole shares of Common Stock having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) a cash payment by a broker-dealer acceptable to the Company through whom the Holder has sold the shares with respect to which the Required Tax Payments have arisen or (5) any combination of (1), (2) and (3). The Committee shall have sole discretion to disapprove of an election pursuant to any of clauses (2)-(5). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full.

5.3 Adjustment.

In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities subject to the Award shall be adjusted as determined by the Committee. If any adjustment would result in a fractional security being subject to the Award, the Company shall pay the Holder, in connection with the vesting, if any, of such fractional security, an amount in cash determined by multiplying (i) such fraction (rounded to the nearest hundredth) by (ii) the Fair Market Value on the relevant vesting date. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

5.4 Compliance with Applicable Law.

The Award is subject to the condition that if the listing, registration or qualification of the shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of shares hereunder, the shares of Common Stock subject to the Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

5.5 Custody and Delivery of Shares.

The Company shall hold the certificate or certificates representing the shares of Common Stock subject to the Award until such Award shall have vested pursuant to Section 3.1 hereof. Subject to Section 5.2, as soon as practicable after the shares of Common Stock subject to the Award become vested, the Company shall deliver or cause to be delivered one or more certificates issued in the Holder's name representing the number of vested shares and destroy the stock power or powers relating to the vested shares. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in Section 5.2.

5.6 Award Confers no Rights to Continued Employment.

In no event shall the granting of the Award or its acceptance by the holder give or be deemed to give the Holder any right to continued employment by the Company or any affiliate of the Company.

5.7 Decisions of Committee.

The Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

5.8 Agreement Subject to the Plan.

This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith.

5.9 Investment Representation.

The Holder hereby represents and covenants that (a) any share of Common Stock acquired upon the vesting of the Award will b acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exception from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Holder shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of acquisition of any shares hereunder or (y) is true and correct as of the date of any sale of any such shares, as applicable.

6. Miscellaneous Provisions.

6.1 Meaning of Certain Terms.

As used herein, the following terms shall have the respective meanings set forth below:

"Fair Market Value" means the closing transaction price of a share of Common Stock, as reported on the New York Stock Exchange Composite Transactions on the date in question or, if there shall be no reported transaction for such date, on the next preceding date for which a transaction was reported.

As used herein, "employment by the Company" shall include employment by a corporation which is a "subsidiary corporation" of the Company, as such term is defined in Section 424 of the Code. References in this Agreement to sections of the Code shall be deemed to refer to any successor section of the Code or any successor internal revenue law.

6.2 Successors.

This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement, the Employment Agreement or the Plan.

6.3 Notices.

All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Exelon Corporation, 10 South Dearborn Street -- 37th Floor, Chicago, Illinois 60603, Attention: Corporate Secretary, and if to the Holder, at his then current work location. All notices, requests or other communications provided for in this Agreement shall be made in writing (a) by personal delivery to the party entitled thereto, (b) by facsimile transmission with confirmation of receipt, (c) by mailing in the United States mails to the last known address of the party entitled thereto or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile transmission, or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.4 Governing Law.

This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the Commonwealth of Pennsylvania and construed in accordance therewith without giving effect to conflicts of laws principles.

EXELON CORPORATION

By: /s/ Katherine Combs

Title: Secretary

Attachment B

Exelon Corporation Supplemental Management Retirement Plan Credits:

Enhanced SERP Years of Credited Service

For purposes of determining the Executive's Credited Service Executive would have under the Exelon Corporation Supplemental Management Retirement Plan (the "Plan") for purposes of calculating the Enhanced SERP benefit under Section 6.2 of this Agreement, Executive shall be credited with years of service in accordance with the following schedule:

Years of Employment 1	Years of additional Credited Service	Total Years of Credited Service
Less than 2	0	Actual Service
2 but less than 3	15	15
3 but less than 4	20	20
4 but less than 5	25	25
5	25	30
More than 5	25	30, plus actual service for any service after 5 years

Executive's Enhanced SERP is fully vested, subject to the provisions of Article XII of the Agreement.

If, prior to the date Executive would be eligible to receive an annuity under the Commonwealth Edison Service Annuity System (the "Service Annuity System") Executive (a) becomes entitled to payment under the Enhanced SERP or (b) dies while employed, then, as applicable, Executive shall be entitled to elect payment in the form of a service annuity or a Marital Annuity2, or if Section 8.2 applies, a lump sum in accordance with Section 8.2, or his surviving spouse shall be immediately entitled to a surviving spouse benefit. Any annuity payment shall be determined as though he (or his surviving spouse) were entitled to such annuity under the Service Annuity System, taking into account Executive's service as credited above, and under Section 8.2(a)(iv), if applicable.

____

1 A "Year of Employment" is a 12-month period beginning November 1 and ending October 31 of the following year, throughout which Executive has been continuously employed by the Company or an Affiliate.

2 The Marital Annuity, which is an automatic election under the SERP, provides a pension benefit to Executive during his lifetime and if he dies after he retires and his spouse to whom he was married when the pension benefits commenced survives him, such surviving spouse will be paid a reduced benefit (generally 50% of the pension benefit payable while both Executive and his surviving spouse were living) for the remainder of her lifetime. Generally, the Marital Annuity will be equal to 50% of Executive's regular pension benefit. The actual amount payable to Executive and Executive's spouse will be affected by his age, his spouse's age and the amount of the Enhanced SERP. Unless Executive is entitled to choose and does choose a lump sum Enhanced SERP payment under this Agreement (in which case no spousal consent is required), if Executive does not choose the Marital Annuity, he must obtain his spouse's written consent and complete the appropriate documents during the 90 day period before his Enhanced SERP payments begin.

Attachment C
Waiver and Release

WAIVER AND RELEASE
EMPLOYMENT AGREEMENT

This agreement, release and waiver (the "Agreement"), made as of the ___ day of ________________, _____ (the "Effective Date"), is made by and among Exelon Corporation, a Delaware corporation (together with all successors thereto, "Company"), Exelon Generation Company, LLC, and Oliver D. Kingsley, Jr.("Executive").

WHEREAS, the Company and Executive have previously entered into the Employment Agreement , dated as of ________________, 2002 ("Employment Agreement");

NOW THEREFORE, in consideration for receiving benefits and severance under the Change in Control Agreement and in consideration of the representations, covenants and mutual promises set forth in this Agreement, the parties agree as follows:

1. Release. Except with respect to the Company's obligations under the Employment Agreement, Executive, and Executive's heirs, executors, assigns, agents, legal representatives, and personal representatives, hereby releases, acquits and forever discharges the Company, its agents, subsidiaries, affiliates, and their respective officers, directors, agents, servants, employees, attorneys, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to the day prior to execution of this Agreement, including but not limited to any and all such claims and demands directly or indirectly arising out of or in any way connected with Executive's employment with the Company; Executive's termination of employment with the Company; claims or demands related to salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, sabbatical benefits, severance benefits, or any other form of compensation or equity; claims pursuant to any federal, state, local law, statute, ordinance or cause of action including, but not limited to, the federal Civil Rights Act of 1964, as amended; the federal Age Discrimination in Employment Act of 1967, as amended; the federal Americans with Disabilities Act of 1990; tort law; contract law; wrongful discharge; discrimination; fraud; defamation; harassment; emotional distress; or breach of the implied covenant of good faith and fair dealing. This Release does not apply to the payment of any benefits to which Executive may be entitled under a Company sponsored tax qualified retirement or savings plan or any right Executive may have to obtain contribution as permitted by law in the event of entry of judgment against him as a result of any act or failure to act for which Executive and the Company (including any affiliate) are jointly liable.

2. Release by Company. Except with respect to Executive's obligations under the Employment Agreement, including but not limited to the covenants set forth in

Article XII of the Employment Agreement, the Company, and its agents, subsidiaries, attorneys, representatives, successors, and assigns, hereby release, acquit and forever discharge Executive, and Executive's heirs, executors, assigns, representatives, agents, legal representatives, and personal representatives, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to the day prior to execution of this Agreement including but not limited to any and all claims and demands directly or indirectly arising out of or in any way connected with Executive's employment with the Company. This Release does not apply to or any right the Company (including any affiliate) may have to obtain contribution as permitted by law in the event of entry of judgment against it as a result of any act or failure to act for which Executive and the Company (including any affiliate) are jointly liable.

3. No Inducement. Executive agrees that no promise or inducement to enter into this Agreement has been offered or made except as set forth in this Agreement, that Executive is entering into this Agreement without any threat or coercion and without reliance or any statement or representation made on behalf of the Company or by any person employed by or representing the Company, except for the written provisions and promises contained in this Agreement.

4. Damages. The parties agree that damages incurred as a result of a breach of this Agreement will be difficult to measure. It is, therefore, further agreed that, in addition to any other remedies, equitable relief will be available in the case of a breach of this Agreement. It is also agreed that, in the event Executive files a claim against the Company with respect to a claim released by Executive herein (other than a proceeding before the EEOC), the Company may withhold or retain all or any portion of the benefits and severance payments under the Employment Agreement until such claim is withdrawn by Executive.

5. Advice of Counsel; Time to Consider; Revocation. Executive acknowledges the following:

(a) Executive has read this Agreement, and understands its legal and binding effect. Executive is acting voluntarily and of Executive's own free will in executing this Agreement.

(b) Executive has been advised to seek and has had the opportunity to seek legal counsel in connection with this Agreement.

(c) Executive was given at least 21 days to consider the terms of this Agreement before signing it.

Executive understands that, if Executive signs the Agreement, Executive may revoke it within seven days after signing it. Executive understands that this Agreement will not be effective until after the seven-day period has expired.

6. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

7. Amendment. This Agreement shall not be altered, amended, or modified except by written instrument executed by the Company and Executive. A waiver of any portion of this Agreement shall not be deemed a waiver of any other portion of this Agreement.

8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

9. Headings. The headings of this Agreement are not part of the provisions hereof and shall not have any force or effect.

10. Applicable Law. The provisions of this Agreement shall be interpreted and construed in accordance with the laws of the State of Illinois without regard to its choice of law principles.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates specified below.

OLIVER D. KINGSLEY, JR.

DATE: ---------------------------------------

EXELON CORPORATION

BY: --------------------------------------

TITLE: --------------------------------------

DATE: --------------------------------------

Exhibit 99.1

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Corporation.

Date: October 31, 2002

/s/ John W. Rowe

John W. Rowe
Chairman of the Board and
Chief Executive Officer
Exelon Corporation

Exhibit 99.2

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Corporation.

Date: October 31, 2002

/s/ Ruth Ann M. Gillis

Ruth Ann M. Gillis
Senior Vice President and Chief Financial Officer
Exelon Corporation

Exhibit 99.3

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Commonwealth Edison Company.

Date: October 31, 2002

/s/ Frank M. Clark

Frank M. Clark
President
Commonwealth Edison Company

Exhibit 99.4

Certificate Pursuant to Section 1350 of Chapter 63 of
Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Commonwealth Edison Company.

Date: October 31, 2002

/s/ Robert E. Berdelle

Robert E. Berdelle
Vice President, Finance and Chief Financial Officer
Commonwealth Edison Company

Exhibit 99.5

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of PECO Energy Company for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of PECO Energy Company.

Date: October 31, 2002

/s/ Kenneth G. Lawrence

Kenneth G. Lawrence
President
PECO Energy Company

Exhibit 99.6

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of PECO Energy Company for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of PECO Energy Company.

Date: October 31, 2002

/s/ Frank F. Frankowski

Frank F. Frankowski
Vice President, Finance and
Chief Financial Officer
PECO Energy Company

Exhibit 99.7

Certificate Pursuant to Section 1350 of Chapter 63 of
Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Generation Company, LLC.

Date: October 31, 2002

/s/ Oliver D. Kingsley, Jr.

Oliver D. Kingsley, Jr.
Chief Executive Officer and President
Exelon Generation Company, LLC

Exhibit 99.8

Certificate Pursuant to Section 1350 of Chapter 63 of
Title 18 United States Code

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended September 30, 2002, that (i) the report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Exelon Generation Company, LLC.

Date: October 31, 2002

/s/ Ruth Ann M. Gillis

Ruth Ann M. Gillis
Senior Vice President and
Chief Financial Officer
Exelon Corporation

Exhibit 99.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net Income. Our net income increased $264 million, or 102%, for 2001. Income before cumulative effect of changes in accounting principles increased $252 million, or 97%, for 2001.

Earnings Before Interest and Income Taxes. We and our parent Exelon evaluate our performance based on earnings before interest and income taxes (EBIT). In addition to components of operating income as shown on the consolidated statements of income, EBIT includes equity in earnings of unconsolidated affiliates, and other income and expense recorded in other, net, with the exception of investment income.

The October 20, 2000 merger of PECO and Unicom, and the January 1, 2001 corporate restructuring, significantly impacted our results of operations. To provide a more meaningful analysis of results of operations, the EBIT analyses below identifies the portion of the EBIT variance that is attributable to the former ComEd generation business unit results of operations and the portion of the variance that results from normal operations attributable to changes in components of our underlying operations. The merger variance represents the former ComEd generation business unit results for the year ended December 31, 2000 prior to the October 20, 2000 acquisition date as well as the effect of merger-related costs incurred in 2000. The 2000 effects of the merger and restructuring were developed using estimates of various items, including allocation of corporate overheads and intercompany transactions.

				Components of Variance	
	2001	2000	Variance	Merger Variance	Normal Operations
			(in millions)		
Operating Revenue	$ 7,048	$ 3,274	$ 3,774	$ 2,772	$ 1,002
Fuel & Purchased Power	4,218	1,846	2,372	1,689	683
Operating & Maintenance and Other	1,586	858	728	978	(250)
Depreciation & Decommissioning	282	123	159	83	76
EBIT	$ 962	$ 447	$ 515	$ 22	$ 493

Our EBIT increased $515 million for 2001 compared to 2000. This increase was primarily attributable to higher margins on increased market and affiliate wholesale energy sales, coupled with reduced operating expenses at the nuclear plants, partially offset by additional depreciation and decommissioning expense. During the first five months of 2001, we benefited from increases in wholesale market prices, particularly in the Pennsylvania-New Jersey-Maryland control area and Mid-America Interconnected Network regions. The increase in wholesale market prices was primarily driven by significant increases in fossil fuel prices. The large concentration of nuclear generation in our portfolio allowed us to capture the higher prices in the wholesale market for sales to non-affiliates with minimal increase in fuel prices. Our revenues for 2001 include charges to affiliates for line losses. Line loss charges were not included in 2000 revenue. We also benefited from higher nuclear plant output due to increased capacity factors during 2001. Energy marketing activities positively impacted 2001 results. Mark-to-market gains were $16 million and $14 million on non-trading and trading energy contracts, respectively, offset by realized trading losses of $6 million.

Our sales were 201,879 GWhs in 2001 compared to 200,072 GWhs in 2000, approximately 60% of which were to affiliates. Supply sources for 2001 and 2000 were as follows:

	2001	2000
Operated nuclear units	54%	54%
Purchases	37%	37%
Fossil and hydro units	3%	3%
Generation investments	6%	6%
Total	100%	100%

Our nuclear fleet, including AmerGen, performed at a weighted average capacity factor of 94.4% for 2001 compared to 93.8% in 2000. Our nuclear fleet's production costs, including AmerGen, were $12.79 per MWh for 2001, compared to $14.65 per MWh for 2000. Our purchased power costs were $42.26 MWh for 2001, compared to $38.05 per MWh for 2000. The increase resulted in purchase power costs from the increase in fuel prices in the first quarter of 2001 as well as the increase in volumes sold during peak demand in 2001 compared to 2000.

Operating expenses were favorably affected by reductions in labor costs due to a decline in the number of employees and fewer nuclear outages in 2001 than in 2000, which offset the effect of increases in litigation-related expenses of $30 million. In addition, our EBIT benefited from an increase in equity in earnings of AmerGen and Sithe of $86 million in 2001 compared to the prior-year period reflecting a full year of operations for Sithe and AmerGen's Oyster Creek plant in 2001.

The increase in depreciation and decommissioning expense is primarily due to an increase in decommissioning expense of $140 million resulting from the discontinuance of regulatory accounting practices associated with decommissioning costs for the former ComEd nuclear generating stations that are in active generation, partially offset by a $90 million reduction in depreciation and decommissioning expense attributable to the extension of estimated service lives of our generating plants.

Other Components of Net Income

Interest Expense. Interest expense increased $74 million in 2001, from $41 million, in 2000. This increase was primarily attributable to increased interest charge on the note payable to Exelon of $23 million, interest charges of $26 million due to the issuance of $700 million of 6.95% senior unsecured notes in a 144A offering in June 2001, $23 million of additional interest due to a full year of interest charges on the spent fuel obligation compared to only two months in 2000 for the former ComEd generating stations and $15 million of interest charges from affiliates. These increases were partially offset by capitalized interest of approximately $17 million.

Investment Income. Investment income is recorded in Other, Net on the Consolidated Statements of Income, but is excluded from EBIT. Investment income decreased by $29 million due to net realized losses of $127 million offset by interest and dividend income of $67 million on the nuclear decommissioning trust funds reflecting the discontinuance of regulatory accounting practices associated with nuclear decommissioning costs for the nuclear stations formerly owned by ComEd, primarily offset by increased income of $31 million of money market interest and interest on the loan to Sithe recorded in 2001.

Income Taxes. The effective income tax rate was 39.0% for 2001 as compared to 38.1% for 2000. The increase in the effective income tax rate was primarily attributable to a higher effective state income rate due to operations in Illinois subsequent to the merger and a reduction in the investment tax credit. Income taxes increased by $167 million in 2001 as compared to 2000, $160 million of which is due to higher pretax income and $7 million due to a higher effective income tax rate.

Cumulative Effect of Changes in Accounting Principles

On January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended, resulting in a benefit of $12 million, net of income taxes.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net Income. Our net income increased $56 million, or 27%, in 2000.

Earnings Before Interest and Income Taxes. To provide a more meaningful analysis of our results of operations, the EBIT analysis below identifies the portion of the EBIT variance that is attributable to the former ComEd generation business unit results of operations and the portion of the variance that results from normal operations attributable to changes in components of our underlying operations. The merger variance represents the former ComEd generation business unit results for the period after October 20, 2000 as well as the effect of merger-related costs incurred in 2000. The 2000 and 1999 results also reflect the corporate restructuring as if it had occurred on January 1, 1999. The 2000 effects of the merger and restructuring were developed using estimates of various items, including allocation of corporate overheads and intercompany transactions.

				Components of Variance	
	2000	1999	Variance	Merger Variance	Normal Operations
			(in millions)		
Operating Revenue	$ 3,274	$ 2,425	$ 849	$ 561	$ 288
Fuel & Purchased Power	1,846	1,205	641	279	362
Operating Expense and Other	858	765	93	180	(87)
Depreciation & Decommissioning	123	125	(2)	31	(33)
EBIT	$ 447	$ 330	$ 117	$ 71	$ 46

Our EBIT increased $117 million for 2000 compared to 1999. The merger accounted for $71 million of the variance. The remaining $46 million increase resulted primarily from higher margins on market and affiliate wholesale energy sales, a charge against earnings of $15 million related to the abandonment of two information systems implementations in 1999 and a $15 million write-off in 1999 of the investment in a cogeneration facility in connection with the settlement of litigation. Our EBIT benefited from an increase in equity in earnings of AmerGen of $4 million in 2000 compared to the prior-year period. Effective with the acquisition of Clinton Nuclear Power Station by AmerGen, our agreement to manage Clinton was terminated, resulting in lower revenues of $99 million and lower operating and maintenance expense of $70 million.

Our nuclear fleet, including AmerGen, performed at a weighted average capacity factor of 93.8% for 2000. Our nuclear fleet production costs for 2000, including AmerGen, were $14.65 per MWh. Our purchased power costs for 2000 were $38.05 per MWh.

Other Components of Net Income

Interest Expense. Interest expense increased $29 million, or 242%, to $41 million in 2000. The increase was primarily attributable to interest related to the spent fuel obligation of the former ComEd nuclear plants, which was assumed in connection with the merger, and interest expense related to the $696 million note payable to Exelon used to finance our investment in Sithe.

Income Taxes. The effective tax rate was 38.1% in 2000 as compared to 38.0% in 1999.

Liquidity and Capital Resources

Our capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financings and borrowings or capital contributions from Exelon. Our access to external financing at reasonable terms is dependent on our credit ratings and our general business condition, as well as the general business conditions of the industry. Our business is capital intensive. Capital resources are used primarily to fund our capital requirements, including construction, investments in new and existing ventures, and repayments of maturing debt. Any potential future acquisitions could require external financing or borrowings or capital contributions for Exelon.

Cash Flows from Operating Activities. Cash flows provided by operations for 2001 were $1.3 billion. Our cash flows from operating activities primarily result from the sale of electric energy to wholesale customers, including our affiliated companies. Our future cash flow from operating activities will depend upon future demand and market prices for energy and the ability to continue to produce and supply power at competitive costs.

Cash Flows from Investing Activities. Cash flows used in investing activities for 2001 were $1.1 billion, primarily for capital expenditures of $515 million, investment in nuclear fuel of $336 million and $239 million related to our investment in the nuclear decommissioning funds. We project capital expenditures of approximately $1.1 billion in 2002, approximately 75% of which are for additions to and upgrades of existing facilities, nuclear fuel and increases in capacity at existing plants. Capital expenditures are projected to increase in 2002 as compared to 2001 due to higher nuclear fuel expenditures, growth and an increase in the number of planned refueling outages, during which significant maintenance work is performed. Eleven nuclear refueling outages, including AmerGen, are planned for 2002, compared to six during 2001. Total capital expenditures during nuclear refueling outages are expected to increase in 2002 over 2001 by $24 million. We anticipate that our capital expenditures will be funded by internally generated funds, external borrowings, and borrowings or capital contributions from Exelon. Our proposed capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

In addition to the 2002 capital expenditures of $1.1 billion, we expect to close the purchase of two natural-gas and oil-fired plants from TXU Corp. (TXU) in the second quarter of 2002. The $443 million purchase is expected to be funded with available cash and borrowings from Exelon.

During 2001, we loaned Sithe $150 million, which was repaid by Sithe in December of 2001. During 2001, Sithe paid us $2 million in interest on the loan.

Cash Flows from Financing Activities. Cash flows used in financing activities were $1 million in 2001 primarily attributable to the issuance of $700 million of senior unsecured notes with a maturity of June 2011 The majority of the proceeds of this issuance were used to repay Exelon for amounts borrowed to finance our investment in Sithe. We also issued $121 million of pollution control bonds to refinance an equivalent amount originally issued by PECO.

Credit Issues. We meet short-term liquidity requirements primarily through internally generated cash or borrowings from Exelon. We, along with ComEd, PECO and Exelon, entered into a $1.5 billion unsecured revolving credit facility with a group of banks. We currently cannot borrow under the credit agreement until we deliver audited financial statements to the banks, which is expected to occur in the second quarter of 2002. At December 31, 2001, we had outstanding $700 million of 6.95% senior unsecured debt, $317 million of variable rate pollution control notes and other long-term notes payable of $9 million. For 2001, the average interest rate on these pollution control notes was approximately 2.62% Certain of the credit agreements to which we are party require us to maintain a debt to total capitalization ratio of 65% or less. At December 31, 2001, our debt to total capitalization ratio on that basis was 35%.

Our access to the capital markets and financing costs in those markets is dependent on our securities ratings. None of our borrowings are subject to default or prepayment as a result of a downgrading of securities ratings, although such a downgrading could increase interest charges under the bank credit facility. We enter agreements to purchase energy and capacity, including obligations that are treated as derivatives, which require us to maintain investment grade ratings. Failure to maintain investment grade ratings would allow a counterparty to terminate its contract and settle the transaction on a net present value basis. Exelon has provided guarantees to support certain of our lines of credit, surety bonds, nuclear insurance and energy marketing contracts.

Exelon has obtained an order from the SEC under PUHCA authorizing financing transactions, including the issuance of common stock, preferred securities, long-term debt and short-term debt in an aggregate amount not to exceed $4 billion. The order applies to our issuances as well. As of December 31, 2001, $3.0 billion of financing authority was available under the SEC order. Exelon requested, and the SEC reserved jurisdiction over, an additional $4 billion in financing authorization. Exelon agreed to limit its short-term debt outstanding to $3 billion of the $4 billion total financing authority. Exelon has asked the SEC to eliminate the short-term debt restriction. The SEC order also authorized Exelon to issue guarantees of up to $4.5 billion outstanding at any one time. At December 31, 2001, Exelon had provided $1.4 billion of guarantees. Under PUHCA and the Federal Power Act, we can pay dividends only from retained or current earnings. At December 31, 2001, we had retained earnings of $524 million. Exelon is also limited by order of the SEC under PUHCA to an aggregate investment of $4 billion in exempt wholesale generators (EWGs) and foreign utility companies (FUCOs). Exelon requested, and the SEC reserved jurisdiction over, an additional $1.5 billion investment in EWGs and FUCOs.

Contractual Obligations and Commercial Commitments. Our contractual obligations and commercial commitments as of December 31, 2001 are as follows:

Obligations/Commitments	Total	Payment Due Within 1 Year	2-3 Years	4-5 Years	Due After 5 Years
			($ in millions)		
Long-Term Debt(a)	$ 1,025	$ 4	$ 5	$ —	$ 1,016
Operating Leases(b)	682	28	63	64	527
Purchase Power Obligations(c)	12,192	1,695	3,173	1,346	5,978
Acquisition of TXU Generating Stations(d)	443	443	—	—	—
Spent fuel obligation(e)	843	—	—	—	843

(a) Comprised primarily of senior unsecured debt and pollution control notes. In connection with the variable rate debt, we maintain direct pay letters of credit in order to provide liquidity in the event that it is not possible to remarket all of the debt as required following specific events, including changes in the basis of determining the interest rate of debt. Letters of credit as of December 31, 2001 amounted to $317 million, of which $121 million expire in 2002 and the remaining $196 million expire in 2003 to 2004. Total includes the current portion of long-term debt.

(b) Company leases equipment and certain office facilities.

(c) Commitments relating to the purchase of energy, capacity and transmission rights. Included in amounts are $3,485 million of power purchases from our affiliate AmerGen.

(d) Commitment to purchase generating stations in spring of 2002.

(e) One-time fee of $277 million with interest to date payable to the DOE for Spent Nuclear Fuel.

We have an obligation to decommission our nuclear power plants. Our current estimate of decommissioning costs for our owned nuclear plants is $7.2 billion in current-year (2002) dollars.

Nuclear decommissioning activity occurs primarily after a plant's retirement and is currently estimated to begin in 2029, except for the retired Zion station, which is currently estimated to begin decommissioning in 2013. Decommissioning costs are recoverable by ComEd and PECO through regulated rates and are remitted to us for deposit in the decommissioning trust funds. In 2001, ComEd and PECO collected from customers and remitted to us approximately $102 million in decommissioning costs. At December 31, 2001, the decommissioning liability, which is recorded over the life of the plant, recorded in Property, Plant and Equipment, Net as well as Deferred Credits and Other Liabilities on our balance sheet was $2.7 billion and $1.3 billion, respectively. In order to fund future decommissioning costs, we held $3.2 billion of investments in nuclear decommissioning trust funds, which are included as Deferred Debits and Other Assets on our balance sheet and which include net unrealized and realized gains. Due to the performance of the United States debt and equity markets in 2001, the value of assets held in trusts to satisfy the obligations of the nuclear generating stations eventual decommissioning has decreased. Contributions to the nuclear decommissioning trust funds of $112 million offset net losses of $109 million, resulting in a 2% increase in the decommissioning trust funds balance at December 31, 2001 compared to December 31, 2000. We believe that the amounts being remitted to us by ComEd and PECO and the earnings on nuclear decommissioning trust funds will be sufficient to fully fund our decommissioning obligations.

Off Balance Sheet Obligations. Beginning December 18, 2002, we will have the right to purchase all (but not less than all) of the remaining outstanding shares of the Sithe common stock. The option expires on December 18, 2005. In addition, each of Sithe's other stockholder groups will have the right to require us to purchase all (but not less than all) of its shares during the same period in which we can exercise our option. At the end of that period, if no stockholder has exercised its option, we will have a one-time option to purchase shares from the other stockholders to bring our holdings to 50.1% of the total outstanding shares. If we exercise our option or if all the stockholder groups exercise their put rights, the purchase price for 70% of the remaining 50.1% of the Sithe stock will be set at a fair market value plus a 10% premium in the case of a call or 10% discount in the case of a put, subject to a floor of $430 million and a ceiling of $650 million, and the remaining portion will be valued at fair market value subject to floor price of $141 million and a ceiling price of $330 million, plus, in each case, interest accrued from the beginning of the exercise period.

If we increase our ownership in Sithe to 50.1% or more, Sithe will become a consolidated subsidiary and our financial results will include Sithe's financial results from the date of purchase. At December 31, 2001, Sithe had total assets of $4.2 billion and long-term debt of $2.3 billion, including $2.1 billion of non-recourse project debt and excluding $107 million of non-recourse project debt associated with Sithe's equity investments. For the year ended December 31, 2001 Sithe had revenues of $1 billion. As of December 31, 2001, we had a $725 million equity investment in Sithe.

Additionally, the debt on the books of our unconsolidated equity investments and joint ventures is not reflected on our Consolidated Balance Sheets. Total investee debt, including the debt of Sithe described in the preceding paragraph, is currently estimated to be $2.4 billion ($1.2 billion based on Exelon Generation's ownership interest of the investments).

We and British Energy, our joint venture partner in AmerGen, have each agreed to provide up to $100 million to AmerGen at any time for operating expenses. We have committed to provide AmerGen with capital contributions equivalent to 50% of the purchase price of any acquisitions AmerGen makes in 2002.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks associated with commodity price, credit, interest rates and equity prices. The inherent risk in market sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices, counterparty credit, interest rates and equity security prices.

Exelon's corporate Risk Management Committee (RMC) sets forth risk management philosophy and objectives through a corporate policy, and establishes procedures for risk assessment, control and valuation, counterparty credit approval, and the monitoring and reporting of derivative activity and risk exposures. The RMC is chaired by Exelon's chief risk officer and includes the chief financial officer, general counsel, treasurer, vice president of corporate planning and officers from each of the Exelon business units. The RMC reports to the Exelon Board of Directors on the scope of our derivative and risk management activities.

Commodity Price Risk. Commodity price risk is associated with market price movements resulting from excess or insufficient generation, changes in fuel costs, market liquidity and locational price commodity differences. Trading activities and non-trading marketing activities include the purchase and sale of electric capacity and energy and fossil fuels, including oil, gas and coal. The availability and prices of energy and energy-related commodities are subject to fluctuations due to factors such as weather, environmental policies, changes in supply and demand, state and federal regulatory policies and other events.

Marketing (non-trading) activities. To the extent that our generation supply (either owned or contracted) is in excess of our obligations to customers, including ComEd's and PECO's retail load, the available electricity is sold in the wholesale markets. To reduce price risk caused by market fluctuations, we enter into derivative contracts, including forwards, futures, swaps, and options with approved counterparties, to hedge our anticipated exposures. Market price risk exposure is the risk of a change in the value of unhedged positions. We expect to maintain a minimum 80% hedge ratio in 2002 for our energy marketing portfolio. This hedge ratio represents the percentage of our forecasted aggregate annual generation supply that is committed to firm sales, including sales to our affiliated entities. The hedge ratio is not fixed and will vary from time to time depending upon market conditions, demand and volatility. Absent any opportunistic efforts to mitigate market price exposure, the estimated market price exposure for the non-trading portfolio associated with a 10% reduction in the average around-the-clock market price of electricity is an approximate $100 million decrease in net income. This sensitivity assumes an 80% hedge ratio and that price changes occur evenly throughout the year and across all markets. The sensitivity also assumes a static portfolio. We expect to actively manage our portfolio to mitigate the market price exposure. Actual results could differ depending on the specific timing of, and markets affected by, the price changes, as well as future changes in our portfolio.

Trading activities. We began to use financial contracts for trading purposes in the second quarter of 2001. The trading activities were entered into as a complement to our energy marketing portfolio and represent a very limited portion of our overall energy marketing activities. For example, the limit on open positions in electricity for any forward month represents less than 5% of the owned and contracted supply of electricity. The trading portfolio is planned to grow modestly in 2002, subject to stringent risk management limits and policies, including volume, stop-loss and value-at-risk limits to manage exposure to market risk. A value-at-risk (VAR) model is used to assess the market risk associated with financial derivative instruments entered into for trading purposes. VAR represents the potential gains or losses for instruments or portfolios due to changes in market factors, for a specified time period and confidence level. The measured VAR as of December 31, 2001, using a Monte Carlo model with a 95% confidence level and assuming a one-day time horizon was approximately $800,000. The measured VAR represents an estimate of the potential change in value of our portfolio of trading related financial derivative instruments. These estimates, however, are not necessarily indicative of actual results, which may differ due to the fact that actual market rate fluctuations may differ from forecasted fluctuations and due to the fact that the portfolio may change over the holding period.

Our energy contracts are accounted for under SFAS No. 133. Most non-trading contracts qualify for a normal purchases and normal sales exception under that accounting pronouncement and therefore are not recorded on the balance sheet and marked to market. Contracts that do not qualify for the

exception are recorded as assets or liabilities on the balance sheet at fair value. Changes in the fair value of qualifying hedge contracts are recorded in Other Comprehensive Income, and gains and losses are recognized in earnings when the underlying transaction occurs. Changes in the fair value of derivative contracts that do not meet hedge criteria under SFAS No. 133 or the ineffective portion of hedge contracts is recognized in earnings on a current basis. Outlined below is a summary of the changes in fair value for those contracts included as assets and liabilities in our balance sheet for the year ended December 31, 2001:

	Non-trading	Trading
	(in millions)	
Fair value of contracts outstanding as of January 1, 2001 (Reflects the adoption of SFAS No. 133)	$ (7)	$ —
Change in fair value during 2001:		
Contracts settled during year	87	7
Mark-to-market unrealized gain (loss)	(2)	7
Total change in Fair Value	85	14
Fair value of contracts outstanding at December 31, 2001	$ 78	$ 14

The total change in fair value during 2001 is reflected in the 2001 consolidated financial statements as follows:

	Non-trading	Trading
Mark-to-market gain on non-qualifying hedge contracts or hedge ineffectiveness reflected in earnings	$ 16	$ 14
Mark-to market hedge contracts reflected in Other Comprehensive Income	69	—
Total change in fair value	$ 85	$ 14

The majority of our contracts are non-exchange traded contracts valued using prices provided by external sources, which primarily represent price quotations available through brokers or over-the-counter, on-line exchanges. Prices reflect the average of the bid-ask midpoint prices obtained from all sources that we believe provide the most liquid market for the commodity. The terms for which such price information is available varies by commodity, by region and by product. The remainder of the assets represents contracts for which external valuations are not available, primarily option contracts. These contracts are valued using the Black model, an industry standard option valuation model and other valuation techniques. The fair values in each category reflect the level of forward prices and volatility factors as of December 31, 2001 and may change as a result of future

changes in these factors. The maturities of the net energy trading and non-trading assets and sources of fair value as of December 31, 2001 are as follows:

	Less than One Year	One - Three Years	Three - Five Years	Total Fair Value
		(in millions)		
Non-trading:				
Actively quoted prices	$ —	$ —	$ —	$ —
Prices provided by other external sources	36	50	—	86
Prices based on model or other valuation methods	(4)	2	(6)	(8)
Total	$ 32	$ 52	$ (6)	$ 78
Trading:				
Actively quoted prices	$ —	$ —	$ —	$ —
Prices provided by other external sources	10	4	—	14
Prices based on model or other valuation methods	—	—	—	—
Total	$ 10	$ 4	$ —	$ 14

Management uses its best estimates to determine the fair value of commodity and derivative contracts it holds and sells. These estimates consider various factors, including closing exchange and over-the-counter price quotations, time value, volatility factors, and credit exposure. However, it is possible that future market prices could vary from those used in recording assets and liabilities from energy marketing and trading activities, and such variations could be material.

Credit Risk. We have credit risk associated with counterparty performance, which includes, but is not limited to, the risk of financial default or slow payment. Counterparty credit risk is managed through established policies, including establishing counterparty credit limits, and in some cases requiring deposits or letters of credit to be posted by certain counterparties. Our counterparty credit limits are based on a scoring model that considers a variety of factors, including leverage, liquidity, profitability, credit ratings and risk management capabilities. We have entered into master netting agreements with the majority of our large counterparties, which reduce exposure to risk by providing for the offset of amounts payable to the counterparty against the counterparty receivables.

We participate in the five established, real-time energy markets, which are administered by independent system operators (ISOs): Pennsylvania, New Jersey, Maryland, LLC (PJM), which is in the Mid-Atlantic Area Council region; New England and New York, which are both in the Northeast Power Coordinating Council region; California, which is in the Western Systems Coordinating Council region; and Texas, which is administered by the Electric Reliability Council of Texas. In 2001, approximately one-half of our transactions, on a megawatthour basis, were made in these markets. In these areas, power is traded through bilateral agreements between buyers and sellers and on the spot markets which are operated by the ISOs For sales into the spot markets administered by an ISO, the ISO maintains financial assurance policies that are established and enforced by those administrators. The credit policies of the ISOs may under certain circumstances require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. Non-performance or non-payment by a major counterparty, could result in a material adverse impact on our financial condition, results of operations or net cash flows.

In areas where there is no spot market, electricity is purchased and sold solely through bilateral agreements.

Interest Rate Risk. We use a combination of fixed-rate and variable-rate debt to reduce interest rate exposure. Interest rate swaps may be used to adjust exposure when deemed appropriate based

upon market conditions. We also use forward-starting interest rate swaps and treasury rate locks to lock in interest rate levels in anticipation of future financings. These strategies are employed to maintain the lowest cost of capital. As of December 31, 2001, a hypothetical 10% increase in the interest rates associated with pollution control bonds would result in an approximately $1 million decrease in pre-tax earnings for 2002.

Equity Price Risk. We maintain trust funds, as required by the NRC, to fund certain costs of decommissioning our nuclear plants. As of December 31, 2001, these funds are reflected at fair value on our balance sheet. The mix of securities is designed to provide returns to be used to fund decommissioning and to compensate, including inflationary increases in decommissioning costs. However, the equity securities in the trusts are exposed to price fluctuations in equity markets, and the value of fixed rate, fixed income securities are exposed to changes in interest rates. We actively monitor the investment performance and periodically review asset allocation in accordance with our nuclear decommissioning trust fund investment guidelines. A hypothetical 10% increase in interest rates and decrease in equity prices would result in a $204 million reduction in the fair value of the trust assets.

Critical Accounting Policies

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the reported amounts of assets and liabilities in the financial statements. The following areas represent those that management believes are particularly important to the financial statements and that require the use of estimates and assumptions to describe matters that are inherently uncertain.

Accounting for Derivative Instruments. We use derivative financial instruments primarily to manage our commodity price and interest rate risks. Derivative financial instruments are accounted for under SFAS No. 133. Accounting for derivatives continues to evolve through guidance issued by the Derivatives Implementation Group (DIG) of the Financial Accounting Standards Board. To the extent that changes by the DIG modify current guidance, including the normal purchases and normal sales determination, the accounting treatment for derivatives may change.

Energy Contracts. To manage our use of generation supply (including owned and contracted assets), we enter into contracts to purchase or sell electricity, fossil fuels, and ancillary products such as transmission rights and congestion credits, and emission allowances. These energy marketing contracts are considered derivatives under SFAS 133 unless a determination is made that they qualify for a SFAS No. 133 normal purchases and normal sales exclusion. If the exclusion applies, those contracts are not marked-to-market and are not reflected in the financial statements until delivery occurs.

The availability of the normal purchases and normal sales exclusion to specific contracts is based on a determination that excess generation is available for a forward sale and similarly a determination that at certain times generation supply will be insufficient to serve load. This determination is based on internal models that forecast customer demand and generation supply. The models include assumptions regarding customer load growth rates, which are influenced by the economy, weather and the impact of customer choice, and generating unit availability, particularly nuclear generating unit capability factors. The critical assumptions used in the determination of normal purchases and normal sales are consistent with assumptions used in the general corporate planning process.

Energy contracts that are considered derivatives may be eligible for designation as hedges. If a contract is designated as a hedge, the change in its market value is generally deferred as a component of other comprehensive income until the transaction it is hedging occurs. Conversely, the change in the market value of derivatives not designated as hedges is recorded in current period earnings. To qualify as a cash flow hedge, the fair value changes in the derivative must be expected to offset 80%-120% of

the change in fair value or cash flows of the hedged item. The effectiveness of an energy contract designated as a hedge is determined by internal models that measure the statistical correlation between the derivative and the associated hedged item.

When external quoted market prices are not available, we use the Black model, a standard industry valuation model to determine the fair value of energy derivative contracts. The valuation model uses volatility assumptions relating to future energy prices based on specific energy markets and utilizes externally available forward market price curves.

Interest Rate Derivatives. We use derivatives to manage our exposure to fluctuation in interest rates and planned future debt issuances. Hedge accounting has been used for all interest rate derivatives to date based on the probability of the transaction and the expected highly effective nature of the hedging relationship between the interest rate swap contract and the interest payment or changes in fair value of the hedged debt. Dealer quotes are available for all of our interest rate swap agreement derivatives.

Nuclear Decommissioning. Our current estimate of our nuclear facilities' decommissioning cost is $7.2 billion in current year dollars. Calculating this estimate involves significant assumptions with respect to the expected increases in decommissioning costs relative to general inflation rates, changes in the regulatory environment or regulatory requirements, and the timing of decommissioning. The estimated service life of a nuclear station is also a significant assumption because decommissioning costs are generally recognized over the life of the generating station. Cost estimates for decommissioning our nuclear facilities have been prepared by an independent engineering firm and reflect currently existing regulatory requirements and available technology. Nuclear station service lives, over which the decommissioning costs are recognized, were extended by 20 years in 2001. The life extension is subject to NRC approval of an extension of existing NRC operating licenses, which generally are 40 years. As discussed in New Accounting Pronouncements, this accounting will be affected by the adoption of SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143) effective January 1, 2003.

Estimated Service Lives of Property, Plant and Equipment. We depreciate our generation facilities and other property plant and equipment over estimated useful service lives. These estimated useful service lives are determined using three criteria: (1) economic feasibility, (2) physical feasibility and (3) functional feasibility. Economic feasibility is demonstrated through a cost/benefit analysis that an asset is economically viable and that the asset is providing an overall financial benefit. Physical feasibility represents the fact that the actual plant and equipment can operate during the defined period. Changes in physical feasibility may result from changes in the regulatory environment or environmental restrictions. Functional feasibility evaluates the impact of technology changes on the estimated service lives. In addition, nuclear power stations operate under licenses granted by the NRC. Operating licenses for our operating plants are for 40 years. We have or intend to request 20-year life extensions of these operating licenses. If not extended, nuclear plant service lives would be limited by the expiration of licenses. During 2001, we increased the estimated service lives for our operating nuclear stations, certain fossil stations and our pumped storage station. As a result of the change in service lives, depreciation and decommissioning expense decreased $90 million ($54 million, net of income taxes). Annualized savings resulting from the change will be $132 million ($79 million, net of income taxes).

Outlook

Changes in the Utility Industry. The electric utility industry in the United States remains in transition. It is moving from a fully regulated industry, consisting primarily of integrated companies combining generation, transmission and distribution, to competitive wholesale generation markets with continuing regulation of transmission and distribution. The transition has resulted in substantial

disposition of generating assets by formerly integrated companies, the creation of separate and, in some cases, stand-alone generating companies and consolidation. During 2001, however, the pace of transition slowed. This slowdown was due primarily to public and governmental reactions to issues associated with deregulation efforts in California and the collapse of the wholesale electricity market in California.

At the Federal level, FERC remains committed to the development of wholesale generation markets. Although its proposal for the development of large regional transmission organizations to facilitate markets has been delayed, it is planning an initiative to standardize wholesale markets in the United States. At the state level, concerns raised by the California experiences have stalled new retail competition initiatives and slowed the separation of generation from regulated transmission and distribution assets.

We believe that the transition in the electric utility industry will continue, albeit at a slower pace than previously, particularly at the state level. This slower transition may be reflected in reduced industry consolidation in the near term and reduced disaggregation of regulated to unregulated services. These uncertainties may limit opportunities for us to pursue our plans to expand our generation portfolio.

We also believe that competition for electric generation services has created new risks and uncertainties in the industry. Some of these risks were clearly illustrated in California—the risks of inadequate sources of generation, having load obligations without owning generation, and price volatility. The situation in California also illustrated the need for additional infrastructure to support competitive markets. The uncertainties include future prices of generation services in both the wholesale and retail markets, supply and demand volatility, and changes in customer profiles that may impact margins on various electric service offerings. These uncertainties create additional risk for participants in the industry, including us, and may result in increased volatility in operating results from year to year.

Competitive Position. We compete nationally in the wholesale electric generation markets on the basis of price and service offerings, using our generation portfolio to assure customers of energy deliverability. We have agreed to supply ComEd and PECO with their load requirements for customers through 2006 and 2010, respectively. We have contracted with Exelon Energy, the competitive retail energy services subsidiary of Exelon, to meet its load requirements pursuant to its competitive retail generation sales agreements and, in addition, we have contracts to sell energy and capacity to third parties. To the extent that our resources exceed our contractual commitments, we market these resources on a short-term basis or sell them in the spot market.

Our supply agreements with ComEd and PECO are expected to provide us with a stable source of revenue; they do not, however, provide us with any guaranteed level of revenue. As long as we have commitments to ComEd and PECO, our revenues will largely be a function of the cost of fulfilling these obligations and how much electricity is available to sell in wholesale markets after fulfilling those contracts. Generally, to the extent market prices decrease, customers may have an incentive to obtain electricity from alternative energy suppliers. To the extent that customers choose alternative energy suppliers, our revenues from contracts with ComEd and PECO will be reduced and our revenues will depend more on prices in the wholesale markets. If market prices increase substantially and our load requirements exceed our generation capacity, we may be required to purchase expensive power in the wholesale markets. Thus, any dramatic change in electricity prices combined with switching by ComEd's and PECO's customers could have an adverse effect on our results of operations or financial condition. Further, while our contracts with ComEd and PECO are currently a substantial portion of our business, we cannot predict whether they will be renewed at the end of their respective terms or, if renewed, what the terms of such renewal would be.

Our future results of operations also depend upon our ability to operate our generating facilities efficiently to meet our contractual commitments and to sell energy services in the wholesale markets. A substantial portion of our generating capacity, including all of the nuclear capacity, is base-load generation designed to operate for extended periods of time at low variable costs. Nuclear generation is currently the most cost-effective way for us to meet our commitments for sales to affiliated entities and other utilities. During 2001, our nuclear generating fleet, including AmerGen, operated at a 94.4% weighted average capacity factor. The number of refueling outages, including AmerGen, is expected to increase to eleven in 2002 from six in 2001 and, accordingly, our planned nuclear capacity factor for 2002 is 91%. Failure to achieve these capacity levels may require us to contract or purchase more expensive energy in the spot market to meet these commitments. Maintenance and capital expenditures during nuclear refueling outages are expected to increase by $80 million and $24 million, respectively, in 2002 compared to 2001 as a result of the additional nuclear refueling outages. Because of our reliance on nuclear facilities, any changes in regulations by the NRC requiring additional investments or resulting in increased operating or decommissioning costs of nuclear generating units could adversely affect our results of operations.

After we have met our contractual commitments, we sell energy in the wholesale markets. These sales expose us to the risks of rising and falling prices in those markets, and cash flows may vary accordingly. After our contracts with ComEd and PECO expire, our cash flows will largely be determined by our ability to successfully market energy, capacity and ancillary services and by wholesale prices of electricity.

We currently intend to grow our generation portfolio through investments, acquisitions and the development of new energy projects, the completion of any of which is subject to substantial risk. The competitive energy market is still evolving following deregulation and we may not be successful in anticipating appropriate market opportunities. It is possible that, due to a variety of factors, including purchase price, operating performance and future market conditions, we would be unable to achieve our goals.

Our wholesale marketing division, Power Team, uses our generation portfolio, transmission rights and expertise to ensure delivery of generation to wholesale customers under long-term and short-term contracts. Power Team is responsible for supplying the load requirements of ComEd and PECO and markets the remaining energy in the wholesale markets. Power Team also buys and sells power in the wholesale markets. Trading activities were initiated in 2001 and represent a small portion of Power Team's activity. As of December 31, 2001, trading activities accounted for less than 1% of our EBIT. Trading activities are expected to increase modestly in 2002; trading activity growth will be dependent on the continued development of the wholesale energy markets and Power Team's ability to manage trading and credit risks in those markets. The spot markets also involve the credit risks of market participants purchasing energy, which we may not be able to manage or hedge. We use financial trading primarily to complement the marketing of our generation portfolio. We intend to manage the risk of these activities through a mix of long-term and short-term supply obligations and through the use of established policies, procedures and trading limits. Financial trading, together with the effects of SFAS No. 133, may cause volatility in our future results of operations.

Other Factors

Environmental. Our operations have in the past and may in the future require substantial capital expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, we are generally liable for the costs of remediating environmental contamination of property now owned by us or formerly owned by ComEd or PECO and of property contaminated by hazardous substances generated by us, ComEd or PECO.

As of December 31, 2001 and 2000, we had accrued $14 million and $16 million, respectively, for environmental investigation and remediation costs, other than decommissioning. We expect to spend $5 million for environmental remediation activities in 2002. We cannot predict whether we will incur other significant liabilities for any additional investigation and remediation costs at these or additional sites identified by us, environmental agencies or others, or whether such costs will be recoverable from third parties.

Security Issues and Other Impacts of Terrorist Actions. The events of September 11, 2001 have affected our operating procedures and costs and are expected to affect the cost and availability of the insurance coverages that we carry. The NRC has issued Safeguards and Threat Advisories to all nuclear power plant licensees, including us, requesting that they place their facilities on highest alert security status. In response to the NRC Advisories and on our own initiative, we also implemented enhanced security measures, such as increased guard forces, the erection of additional physical barriers, and heightened communication with authorities at all levels of government. In addition to the Advisories, the NRC began an initiative to perform a "top to bottom" review of its safeguards and security programs and requirements in light of the events of September 11.

On February 25, 2002, the NRC issued immediately effective orders modifying the operating licenses for all nuclear power plants to require all licensees, including us, to implement certain interim security enhancements. The security requirements imposed by the NRC's orders issued to us are currently estimated to increase capital expenditures by approximately $1 million per station for improvements, such as enhanced vehicle barriers, modifications to plant facilities and increased size of guard forces.

Insurance. We carry nuclear liability insurance. The Price-Anderson Act limits the liability of nuclear reactor owners for claims arising from a single incident. The current limit is $9.5 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. We carry the maximum available commercial insurance of $200 million. The remaining $9.3 billion is provided through mandatory participation in a financial protection pool. Price-Anderson is scheduled to expire on August 1, 2002. While there are numerous bills proposing to review Price-Anderson, we cannot predict at this time whether Congress will renew it or the effects on operations resulting from the expiration of the Price-Anderson Act.

In addition to nuclear liability insurance, we carry property damage and liability insurance for our properties and operations. Our property insurance through Nuclear Electric Insurance Limited (NEIL) provides coverage for damages caused by acts of terrorism at any of our nuclear generating stations. The terrorism endorsement to the NEIL policy specifies that the coverage applies to acts of terrorism similar to the September 11, 2001 events. In the event that one or more acts of terrorism cause accidental property damage within a 12-month period from the first accidental property damage under one or more policies for all insureds, the maximum recovery for all losses by all insureds will be an aggregate of $3.24 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity or any other source applicable to such losses. If total property losses exceed available funds under the policy, proportionate recovery is provided to cover a portion of an insured's property losses. The percentage recovery would be equal to the ratio of the insured's property losses and the total of all property losses.

NEIL also provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The policy provides for a waiting period before recovery of costs can commence. The premium for this coverage is subject to assessment for adverse loss experience, with a maximum assessment of $46 million per year. Recovery under this insurance for terrorist acts is subject to the $3.24 billion aggregate limit and is secondary to the property insurance described above.

We are self-insured to the extent that any losses may exceed the amount of insurance maintained. NEIL provides property and business interruption insurance for our nuclear operations. In recent years,

NEIL has made distributions to its members. Our distribution for 2001 was $69 million, which was recorded as a reduction to Operating and Maintenance Expense on our Statements of Income. Due in part to the September 11, 2001 events, we cannot predict the level of future distributions, although they are expected to be lower than historical levels.

In addition, we participate in the American Nuclear Insurers Master Worker Program, which provides coverage for worker tort claims filed for bodily injury caused by a nuclear energy accident. This program was modified, effective January 1, 1998, to provide coverage to all workers whose nuclear-related employment began on or after the commencement date of reactor operations. We will not be liable for a retrospective assessment under this new policy. However, in the event losses incurred under the small number of policies in the old program exceed accumulated reserves, a maximum retrospective assessment of up to $50 million could apply.

We do not carry any business interruption insurance other than NEIL coverage for nuclear operations. We cannot at this time predict the effect on our operations of any changes in any of these insurance policies because of terrorist acts or otherwise.

Benefit Plans. We maintain defined benefit pension plans and post-retirement welfare benefit plans. All of our employees are eligible to participate in these plans. Management employees and electing union employees, hired on or after January 1, 2001, are eligible to participate in newly established Exelon cash balance pension plans. Management employees who were active participants in the former ComEd and PECO pension plans on December 31, 2000 and remain employed by Exelon or a participating subsidiary on January 1, 2002, have the opportunity to continue to participate in the pension plan or to transfer to the cash balance plan. Participants in the cash balance plan, unlike participants in the other defined benefit plans, may request a lump-sum cash payment upon the termination of their employment, which may result in increased cash requirements from pension plan assets. We may be required to increase future funding to the pension plan as a result of these increased cash requirements.

Due to the performance of the United States debt and equity markets in 2001, the value of assets held in trusts to satisfy the obligations of pension and postretirement benefit plans has decreased. Also, as a result of the merger and corporate restructuring, there was a larger number of employees taking advantage of retirement benefits in 2001 than in other years. These factors may also result in additional future funding requirements of the pension and postretirement benefit plans.

New Accounting Pronouncements

In 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations" (SFAS No. 141), SFAS No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142, SFAS No. 143, and SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. In addition, SFAS No. 141 requires that unamortized negative goodwill related to pre-July 1, 2001 purchase be recognized as change in accounting principle concurrent with the adoption of SFAS No. 142. Included on AmerGen's balance sheet is $43 million of negative goodwill, net of accumulated amortization. Upon AmerGen's adoption of SFAS No. 141 on January 1, 2002, we will recognize our appropriate share of approximately $22 million in additional income as a cumulative effect of a change in accounting principle.

SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. We adopted SFAS No. 142 as of January 1, 2002. Under SFAS No. 142, effective January 1,

2002, goodwill is no longer subject to amortization. After January 1, 2002, goodwill will be subject to an assessment for impairment using a two-step fair value based test, the first step of which must be performed at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to the fair value of the goodwill. If the fair value of goodwill is less than the carrying amount, an impairment loss would be reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss would be reflected as a cumulative effect of a change in accounting principle. As of December 31, 2001, we did not have any goodwill recorded on our Consolidated Balance sheets. Accordingly, we do not expect the adoption of SFAS No. 142 to have a material impact on our financial statements.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. We expect to adopt SFAS No. 143 on January 1, 2003. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction under the doctrine of promissory estoppel. Adoption of SFAS No. 143 will change the accounting for the decommissioning of our nuclear generating plants. Currently, we record the obligation for decommissioning ratably over the lives of the plants. The January 1, 2003 adoption of this standard will require a cumulative effect adjustment effective the date of adoption to adjust plant assets and decommissioning liabilities to the values they would have been had SFAS No. 143 been employed from the in-service dates of the plants.

The effect of this cumulative adjustment will be to increase the decommissioning liability to reflect a full decommissioning obligation in current year dollars. Additionally, SFAS No. 143 will require the accrual of an asset related to the full amount of the decommissioning obligation, which will be amortized over the remaining lives of the plants. The difference between the asset recognized and the liability recorded upon adoption of the standard will be charged to earnings and recognized as a cumulative effect, net of expected regulatory recovery. The decommissioning liability to be recorded represents an obligation for the future decommissioning of the plants, and as a result, interest expense will be accrued on this liability until such time as the obligation is satisfied.

We are in the process of evaluating the impact of SFAS No. 143 on our financial statements, and cannot determine the ultimate impact of adoption at this time; however, the cumulative effect could be material to our earnings. Additionally, although over the life of the plant the charges to earnings for the depreciation of the asset and the interest on the liability will be equal to the amounts currently recognized as decommissioning expense, the timing of those charges will change and in the near-term period subsequent to adoption, the depreciation of the asset and the interest on the liability could result in an increase in expense.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001 and provisions of this statement are generally applied prospectively. We are in the process of evaluating the impact of SFAS No. 144 on our financial statements, and we do not expect the impact to be material.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Member and Board of Directorse
of Exelon Generation Company LLC

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of income, cash flows, changes in divisional/member's equity and comprehensive income present fairly, in all material respects, the financial position of Exelon Generation Company, LLC and Subsidiary Companies (Exelon Generation) at December 31, 2001 and December 31, 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Exelon Generation's management; our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, Exelon Generation's parent company, Exelon Corporation, acquired Unicom Corporation on October 20, 2000 in a business combination accounted for under the purchase method of accounting. The results of the acquired generation-related business are included in the consolidated financial statements of Exelon Generation since the acquisition date.

As discussed in Note 1, Exelon Generation changed its method of accounting for derivative instruments and hedging activities effective January 1, 2001.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

March 1, 2002
Philadelphia, PA

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Millions)

	For the Years Ended December 31,		
	2001	2000	1999
Operating revenues:			
Operating revenues	$ 2,946	$ 1,723	$ 1,584
Operating revenues—affiliates	4,102	1,551	841
Total operating revenues	7,048	3,274	2,425
Operating expenses:			
Fuel and purchased power	4,093	1,845	1,205
Purchased power—affiliates	125	1	—
Operating and maintenance	1,338	754	658
Operating and maintenance—affiliates	189	46	100
Depreciation and decommissioning	282	123	125
Taxes other than income	149	64	37
Total operating expenses	6,176	2,833	2,125
Operating income	872	441	300
Other income and deductions:			
Interest expense	(115)	(41)	(12)
Equity in earnings of unconsolidated affiliates	90	4	—
Other, net	(8)	16	41
Total other income and deductions	(33)	(21)	29
Income before income taxes and cumulative effect of a change in accounting principle	839	420	329
Income taxes	327	160	125
Income before cumulative effect of a change in accounting principle	512	260	204

Cumulative effect of a change in accounting principle (net of income taxes of $7)	12	—	—
Net income	$ 524	$ 260	$ 204

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions)

	For the Years Ended December 31,		
	2001	**2000**	**1999**
Cash flows from operating activities:			
Net income	$ 524	$ 260	$ 204
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and decommissioning (including amortization of nuclear fuel)	674	289	270
Provision for uncollectible accounts	15	2	—
Allowance for obsolete inventory	11	1	—
Cumulative effect of a change in accounting principle (net of income taxes)	(12)	—	—
Deferred income taxes	33	(47)	23
Amortization of investment tax credit	(8)	(13)	(12)
Earnings from equity investments	(90)	(4)	—
Net realized losses on decommissioning trust funds	127	—	—
Unrealized gains on derivative financial instruments	(30)	—	—
Interest expense on spent nuclear fuel obligation	33	10	—
Expense in contributions to long term incentive plan	—	44	—
Other operating activities	(6)	(4)	22
Changes in working capital:			
Accounts receivable	127	(158)	(54)
Accounts receivable from affiliates	104	(342)	(66)
Accounts payable to affiliates	(99)	99	—
Inventories	(22)	(58)	(5)
Accounts payable	(101)	91	(70)
Accrued expenses	61	286	114
Other current assets	2	37	(7)
Other current liabilities	(12)	(17)	10
Net cash provided by operating activities	1,331	476	429
Cash flows from investing activities:			
Investment in nuclear fuel	(336)	(112)	(95)
Investment in plant	(515)	(214)	(253)
Investment in AmerGen Energy, LLC	—	—	(39)
Investment in Sithe Energies, Inc.	—	(704)	—
Change in long-term receivable, affiliate	72	1	—
Proceeds from nuclear decommissioning trust funds	1,624	265	69
Investment in nuclear decommissioning trust funds	(1,863)	(380)	(95)
Other investment activity	(92)	(20)	(18)
Net cash used in investing activities	(1,110)	(1,164)	(431)
Cash flows from financing activities:			
Change in note payable, member	(696)	696	—
Issuance of long-term debt, net of issuance costs	820	—	6
Retirement of long-term debt	(4)	(4)	(4)
Distributions to member	(121)	—	—
Net cash (used in) provided by financing activities	(1)	692	2
Increase in cash and cash equivalents	220	4	—
Cash and cash equivalents at beginning of period	4	—	—
Cash and cash equivalents at end of period	$ 224	$ 4	$ —

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Millions)

	December 31,	
	2001	**2000**
Assets		
Current assets:		
Cash and cash equivalents	$ 224	$ 4
Accounts receivable, net		
Customer	316	316
Other	165	198

Affiliates	327	941
Inventories, net, at average cost:		
Fossil fuel	105	93
Materials and supplies	202	203
Other	65	38
Total current assets	1,404	1,793
Property, plant and equipment, net	1,160	831
Nuclear fuel, net	843	896
Deferred debits and other assets:		
Deferred income taxes, net	297	337
Nuclear decommissioning trust funds	3,165	3,127
Investments	859	762
Receivables from affiliate	291	363
Other	223	153
Total deferred debits and other assets	4,835	4,742
Total assets	$ 8,242	$ 8,262
Liabilities and Divisional/Member's Equity		
Current liabilities:		
Note payable to parent	$ —	$ 696
Payable to affiliate	—	99
Long-term debt due within one year	4	4
Accounts payable	588	618
Accrued expenses	303	576
Deferred income taxes	7	—
Other	171	183
Total current liabilities	1,073	2,176
Long-term debt	1,021	205
Deferred credits and other liabilities:		
Unamortized investment tax credits	234	242
Nuclear decommissioning liability for retired plants	1,353	1,301
Pension obligations	118	172
Non-pension postretirement benefits obligation	384	377
Spent nuclear fuel obligation	843	810
Other	280	369
Total deferred credits and other liabilities	3,212	3,271
Commitments and contingencies (See Note 11)	—	—
Divisional equity	—	2,610
Member's equity:		
Membership interest	2,315	
Undistributed earnings	524	
Accumulated other comprehensive income	97	—
Total divisional/member's equity	2,936	2,610
Total liabilities and divisional/member's equity	$ 8,242	$ 8,262

The accompanying notes are an integral part of these consolidated financial statements.

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN DIVISIONAL/MEMBER'S EQUITY

(Dollars in Millions)

	Divisional Equity	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income	Total Divisional/ Member's Equity
Balance, January 1, 1999	$ 746	$ —	$ —	$ —	$ 746
Net income	204				204
Balance, December 31, 1999	950				950
Net income	260				260
Contribution of net assets as a result of merger with Unicom	1,400				1,400
Balance, December 31, 2000	2,610				2,610
Formation of LLC	(2,610)	2,610			—
Non-cash distribution to member		(174)			(174)
Net income			524		524
Distribution to member		(121)			(121)

Reclassified net unrealized losses on marketable securities, net of income taxes of $22				(23)	(23)
Comprehensive income, net of income tax benefit of $171				120	120
Balance, December 31, 2001	$ —	$ 2,315	$ 524	$ 97	$ 2,936

The accompanying notes are an integral part of these consolidated financial statements.

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Millions)

	For the Years Ended December 31		
	2001	**2000**	**1999**
Net income	$ 524	$ 260	$ 204
Other comprehensive income:			
SFAS 133 transitional adjustment, net of income taxes of $3	5		
Net unrealized gains on nuclear decommissioning trust funds, net of income taxes of $138	69		
Cash flow hedge fair value adjustment, net of income taxes of $29	48		
Realized loss on forward starting interest rate swap net of income taxes of $1	(2)		
Total other comprehensive income	120	—	—
Total comprehensive income	$ 644	$ 260	$ 204

The accompanying notes are an integral part of these consolidated financial statements.

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions, unless otherwise noted)

1. Summary of Significant Accounting Policies

Description of Business

Exelon Generation Company, LLC (Exelon Generation) is a limited liability company engaged principally in the production and wholesale marketing of electricity in various regions of the United States. In 2001, the Company also began trading activities. Exelon Generation is wholly owned by Exelon Corporation (Exelon). In connection with the restructuring by Exelon to separate the regulated energy delivery business of its subsidiaries Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO) from its unregulated businesses, including its generation business, Exelon Generation began operations as a separate indirect subsidiary of Exelon effective January 1, 2001. Exelon Generation has numerous wholly owned subsidiaries. These subsidiaries were primarily established to hold certain hydro electric and peaking unit facilities as well as the 49.9% interest in Sithe Energies, Inc. (Sithe) and 20.99% investment in Keystone Fuels, LLC. In addition, Exelon Generation also has a finance company subsidiary, Exelon Generation Finance Company, LLC, which provides certain financing for Exelon Generation's other subsidiaries. Exelon Generation also owns a 50% investment in AmerGen Energy Company, LLC (AmerGen).

Basis of Presentation

The consolidated financial statements include the accounts of all majority-owned subsidiaries of Exelon Generation after the elimination of intercompany accounts and transactions. Exelon Generation consolidates its proportionate interest in jointly owned electric utility plants. Exelon Generation accounts for its investments in 20% to 50% owned entities under the equity method of accounting.

The consolidated financial statements of Exelon Generation as of December 31, 2000 and for the years ended December 31, 2000 and 1999 present the financial position, results of operations and net cash flows of the generation-related business of Exelon prior to its corporate restructuring on January 1, 2001. Exelon Generation operated as a separate business subsequent to electric-industry restructuring in Pennsylvania effective January 1, 1999. Prior to that date, Exelon (and its predecessor, PECO Energy Company) operated as a fully integrated electric and gas utility, and revenues and expenses were not separately identified in the accounting records. The consolidated financial statements are not necessarily indicative of the financial position, results of operations or net cash flows that would have resulted had the generation-related business been a separate entity during the periods presented. For periods prior to the restructuring, references to Exelon Generation mean the generation-related business of Exelon Corporation.

Certain information in these consolidated financial statements relating to the results of operations and financial condition of Exelon Generation for periods prior to Exelon's restructuring was derived from the historical financial statements of Exelon. Various allocation methodologies were employed to separate the results of operations and financial condition of the generation-related portion of Exelon's business from the historical financial statements for the periods presented prior to the restructuring. Revenues include the generation component of revenue from Exelon's operations and any generation-related revenues, such as ancillary services and wholesale energy activity. Expenses including fuel and other energy-related costs, including purchased power, operations and maintenance and depreciation and amortization, as well as assets, such as property, plant and equipment, materials and supplies and fuel, were specifically identified for Exelon Generation's operations. Various allocations were used to

disaggregate other common expenses, assets and liabilities between Exelon Generation and Exelon's other businesses, primarily the regulated transmission and distribution operations.

Management believes that these allocation methodologies are reasonable; however, had Exelon Generation existed as a separate company prior to January 1, 2001, its results could have significantly differed from those presented herein. In addition, future results of operations, financial position and net cash flows could materially differ from the historical results presented.

Segment Information

Exelon Generation operates in one business comprising its generation and marketing of energy and energy-related products in the United States.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates have been made in the accounting for derivatives, nuclear decommissioning liabilities and estimated service lives for plant.

Revenue Recognition

Operating revenues are generally recorded as service is rendered or energy is delivered to customers. At the end of each month, Exelon Generation accrues an estimate for unbilled energy provided to its customers. Premiums received and paid on option contracts and swap arrangements are amortized to revenue and expense over the life of the contracts. Certain of these contracts are considered derivative instruments and are recorded at fair value with subsequent changes in fair value recognized as revenues and expenses unless hedge accounting is applied.

Commodity derivatives used for trading purposes are accounted for using the mark-to-market method. Under this methodology, these derivatives are adjusted to fair value, and the unrealized gains and losses are recognized in current period income.

Nuclear Fuel

The cost of nuclear fuel is capitalized and charged to fuel expense using the units of production method. Estimated costs of nuclear fuel storage and disposal at operating plants are charged to expense as the related fuel is consumed.

Emission Allowances

Emission allowances are included in deferred debits and other assets and are carried at acquisition cost and charged to fuel expense as they are used in operations. Allowances held can be used from years 2002 to 2028.

Depreciation and Decommissioning

Depreciation is provided over the estimated useful service lives of the property, plant and equipment on a straight-line basis. Nuclear power stations operate under licenses granted by the Nuclear Regulatory Commission (NRC.) Operating licenses for Exelon Generation's operating plants are for 40 years. Exelon Generation has or intends to request 20 year extensions of these operating licenses. If not extended, nuclear plant service lives would be limited by the expiration of the licenses.

The average estimated useful service lives currently being applied to determine depreciation and decommissioning expense of property, plant and equipment by type of asset are as follows:

Nuclear	60 years
Fossil	40 years
Hydro	100 years
Other	5-50 years

Exelon Generation's current estimate of the costs for decommissioning its ownership share of its nuclear generation stations is charged to operations over the expected service life of the plant. Exelon Generation's affiliates PECO and ComEd are currently recovering costs for the decommissioning of nuclear generating stations through regulated customer rates. Amounts collected for decommissioning by Exelon Generation's affiliates are remitted to Exelon Generation and are deposited in trust accounts and invested for the funding of future decommissioning costs. Exelon Generation accounts for the current period's cost of decommissioning related to generation plants previously owned by PECO by recording a charge to depreciation and decommissioning expense and a corresponding liability in accumulated depreciation concurrently with decommissioning collections.

For Exelon Generation's active nuclear generating stations previously owned by ComEd, annual decommissioning expense is based on an annual assessment of the difference between the current cost of decommissioning estimate and the decommissioning liability recorded in accumulated depreciation. The difference is amortized to depreciation and decommissioning expense on a straight-line basis over the remaining lives of the operating plants with the corresponding offset to accumulated depreciation. The current decommissioning cost estimate (adjusted annually to reflect inflation), for the former ComEd retired units recorded in deferred credits and other liabilities is accreted to depreciation and decommissioning expense. Exelon Generation believes that the amounts being recovered by ComEd and PECO from their customers through electric rates along with the earnings on the trust funds will be sufficient to fully fund its decommissioning obligations.

Research and Development

Research and development costs are charged to expense as incurred.

Capitalized Interest

Exelon Generation capitalizes the costs during construction of debt funds used to finance its construction projects. Exelon Generation recorded capitalized interest of $17 million, $2 million and $6 million in 2001, 2000 and 1999, respectively.

Income Taxes

As part of Exelon's consolidated group, Exelon Generation files a consolidated Federal income tax return with Exelon. Income taxes are allocated to each of Exelon subsidiaries within the consolidated group, including Exelon Generation, based on the separate return method.

Deferred Federal and state income taxes are provided on all temporary differences between book bases and tax bases of assets and liabilities. Investment tax credits previously used for income tax purposes have been deferred on Exelon Generation's consolidated balance sheet and are recognized in income over the life of the related property.

Cash and Cash Equivalents

Exelon Generation considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Marketable Securities

Marketable securities are classified as available-for-sale securities and are reported at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. The cost of these securities is determined on the basis of specific identification. At December 31, 2001 and 2000, Exelon Generation had no held-to-maturity or trading securities.

Unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds associated with the former PECO plants are reported in accumulated depreciation. Unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds associated with the former ComEd plants are reported in accumulated other comprehensive income.

Inventories

Inventories, which consist primarily of fuel and materials and supplies, are valued at the lower of cost or market and are stated on the average cost method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Exelon Generation evaluates the carrying value of property, plant and equipment and other long-term assets based upon current and anticipated undiscounted cash flows, and recognizes an impairment when it is probable that such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between carrying value and fair value. The cost of maintenance, repairs and minor replacements of property are charged to maintenance expense as incurred. The cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of are removed from the related accounts and included in the determination of the gain or loss on disposition.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to the member. Comprehensive income primarily relates to unrealized

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gains or losses on securities held in nuclear decommissioning trust funds and unrealized gains and losses on cash flow hedge instruments.

Derivative Financial Instruments

Subsequent to January 1, 2001, Exelon Generation accounts for derivative financial instruments under SFAS No. 133 "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). Under the provisions of SFAS No. 133, all derivatives are recognized on the balance sheet at their fair value unless they qualify for a normal purchases or normal sales exception. Derivative financial instruments are recorded as other assets and liabilities in the consolidated balance sheet and classified as current or non-current based on the maturity date. Changes in the fair value of the derivative financial instruments are recognized in earnings unless specific hedge accounting criteria are met. A derivative financial instrument can be designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge).

Changes in the fair value of a derivative that is highly effective as, and is designated and qualifies as, a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective as, and is designated as and qualifies as a cash flow hedge are recorded in other comprehensive income, until earnings are affected by the variability of cash flows being hedged.

Pursuant to Exelon's Risk Management Policy (RMP), Exelon Generation uses derivatives to manage the utilization of its available generating capability and provisions of wholesale energy to its affiliates. Exelon Generation also utilizes energy option contracts and energy financial swap arrangements to limit the market price risk associated with forward energy commodity contracts. Exelon Generation enters into certain energy related derivatives for trading or speculative purposes. Exelon Generation may also enter into derivatives to manage its exposure to fluctuation in interest rates related to its variable rate debt instruments, changes in interest rates related to planned future debt issuances prior to their actual issuance and changes in the fair value of outstanding debt which is planned for early retirement. As part of Exelon Generation's energy marketing business, Exelon Generation enters into contracts to buy and sell energy to meet the requirements of its customers. These contracts include short-term and long-term commitments to purchase and sell energy and energy related products in the retail and wholesale markets with the intent and ability to deliver or take delivery. While these contracts are considered derivative financial instruments under SFAS No. 133, the majority of these transactions have been designated as "normal purchases" and "normal sales" and are not subject to the provisions of SFAS No. 133. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time, and price is not tied to an unrelated underlying derivative. Under these contracts Exelon Generation recognizes gains or losses when the underlying physical transaction occurs. Revenues and expenses associated with market price risk management contracts are amortized over the terms of such contracts. The remainder of these contracts are generally considered cash flow hedges under SFAS No. 133.

Additionally, during 2001, as part of the creation of Exelon Generation's energy trading operation, Exelon Generation began to enter into contracts to buy and sell energy for trading purposes, subject to limits. These contracts are recognized on the balance sheet at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings.

Prior to the adoption of SFAS No. 133, Exelon Generation applied hedge accounting only if the derivative reduced the risk of the underlying hedged item and was designated at the inception of the hedge, with respect to the hedged item. Exelon Generation recognized any gains or losses on these derivatives when the underlying physical transaction affected earnings.

Contracts entered into by Exelon Generation to limit market risk associated with forward energy commodity contracts are reflected in the financial statements at the lower or cost or market using the accrual method of accounting. Under these contracts Exelon Generation recognizes any gains or losses when the underlying physical transaction affects earnings. Revenues and expenses associated with market price risk management contracts were amortized over the terms of such contracts.

Recently Issued Accounting Standards

During 2001, the FASB issued SFAS No. 141, "Business Combinations" (SFAS No. 141), No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), No. 143, "Asset Retirement Obligations" (SFAS No. 143) and No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. SFAS No. 141 is effective for business combinations initiated after June 30, 2001. In addition, SFAS No. 141 requires that unamortized negative goodwill related to pre-July 1, 2001 purchase be allocated as a pro-rata reduction of the amounts that otherwise would have been assigned to the acquired assets. If any excess remains, that remaining excess is to be recognized as an extraordinary gain concurrent with the adoption of SFAS No. 142. Included on AmerGen's balance sheet is $43 million of negative goodwill net of accumulated amortization. Upon AmerGen's adoption of SFAS No. 141 in the first quarter of 2002. Exelon Generation expects to recognize its appropriate share of approximately $22 million, pre-tax, as a cumulative effect of a change in accounting principle.

SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. Exelon Generation adopted SFAS No. 142 as of January 1, 2002. Under SFAS No. 142, goodwill will no longer be subject to amortization. After January 1, 2002, goodwill will be subject to an assessment for impairment using a fair value based test at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. An impairment loss would be reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss would be reflected as a cumulative effect of a change in accounting principle. As of December 31, 2001, Exelon Generation has no goodwill recorded on its consolidated balance sheet.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. Exelon Generation expects to adopt SFAS No. 143 on January 1, 2003. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract

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or by legal construction under the doctrine of promissory estoppel. Adoption of SFAS No. 143 will change the accounting for the decommissioning of Exelon Generation's nuclear generating plants. Currently, Exelon Generation records the obligation for decommissioning ratably over the lives of the plants. The January 1, 2003 adoption of SFAS No. 143 will require a cumulative effect adjustment effective the date of adoption to adjust plant assets and decommissioning liabilities to the values they would have been had this standard been employed from the in-service dates of the plants. The effect of this cumulative adjustment will be to increase the decommissioning liability to reflect a full decommissioning obligation in current year dollars. Additionally, the SFAS No. 143 standard will require the accrual of an asset, to the extent allowable under the standard, related to the full amount of the decommissioning obligation, which will be amortized over the remaining lives of the plants. The net difference between the asset recognized and the liability recorded upon adoption of the standard will be charged to earnings and recognized as a cumulative effect, net of

expected regulatory recovery. The decommissioning liability to be recorded represents an obligation for the future decommissioning of the plants, and as a result interest expense will be accrued on this liability until such time as the obligation is satisfied.

Exelon Generation is in the process of evaluating the impact of SFAS No. 143 on its financial statements, and cannot determine the ultimate impact of adoption at this time, however the cumulative effect could be material to Exelon's earnings. Additionally, although over the life of the plant the charges to earnings for the depreciation of the asset and the interest on the liability will be equal to the amounts currently recognized as decommissioning expense, the timing of those charges will change and in the near-term period subsequent to adoption, the depreciation of the asset and the interest on the liability could result in a significant increase in expense.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001 and provisions of SFAS No. 144 are generally applied prospectively. Exelon Generation is in the process of evaluating the impact of SFAS No. 144 on its financial.

2. Merger

On October 20, 2000 Exelon became the parent corporation for PECO and ComEd as a result of the completion of the transactions contemplated by the Agreement and Plan of Exchange and Merger, as amended (Merger Agreement) among PECO, Unicom Corporation and Exelon. The Merger was accounted for using the purchase method of accounting, with PECO as acquirer.

The fair value of the assets acquired and liabilities assumed in the merger associated with the generation-related business of ComEd are summarized below:

Current assets	$	704
Property, plant and equipment		64
Nuclear fuel		669
Deferred debits and other assets		3,683
		5,120
Current liabilities		634
Deferred credits and other liabilities		3,086
		3,720
Net generation-related assets	$	1,400

Exelon Generation has included the generation-related assets and liabilities of ComEd and the related results of operations in its consolidated financial statements beginning October 20, 2000. Exelon Generation's Statement of Changes in Member's Equity reflects the generation-related impacts of the Merger as a capital contribution from Exelon.

3. Corporate Restructuring

During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses conducted by ComEd and PECO. As part of the restructuring, the generation-related operations, employees, assets, liabilities, and certain commitments of Exelon Corporation were transferred to Exelon Generation.

The assets and liabilities transferred to Exelon Generation as of January 1, 2001 were as follows:

Assets		
Current assets	$	1,285
Property, plant and equipment		831
Nuclear fuel		896
Nuclear decommissioning trust funds		3,127
Investments		762
Deferred income taxes		337
Note receivable from affiliate		363
Other noncurrent assets		153
Total assets transferred		7,754
Liabilities		
Note payable to member		696
Current liabilities		1,146
Long-term debt		205
Decommissioning obligation for retired plants		1,301
Other noncurrent liabilities		1,970
Total liabilities transferred		5,318
Net assets transferred	$	2,436

On January 1, 2001, a non-cash distribution of $174 million was made in connection with the elimination of certain intercompany transactions.

In connection with the restructuring, ComEd and PECO also assigned their respective rights and obligations under various power purchase and fuel supply agreements to Exelon Generation. Additionally, Exelon Generation entered into power purchase agreements (PPAs) to supply the capacity and energy requirements of ComEd and PECO.

4. Equity Investments

Sithe Energies, Inc.

On December 18, 2000, Exelon Generation acquired 49.9% of the outstanding common stock of Sithe for $696 million in cash and $8 million of acquisition costs. Sithe, headquartered in New York, is a leading independent power producer, with ownership interests in 27 facilities in North America. Sithe has net generation capacity of 3,371 MW, primarily in New York and Massachusetts, 2,651 MW under construction and 2,400 MW in advanced development.

Beginning December 18, 2002, Exelon Generation will have the right to purchase all (but not less than all) of the remaining outstanding shares of the Sithe common stock. The option expires on December 18, 2005. In addition, each of Sithe's other stockholder groups will have the right to require us to purchase all (but not less than all) of its shares during the same period in which Exelon

Generation can exercise its option. At the end of that period, if no stockholder has exercised its option,

Exelon Generation will have a one-time option to purchase shares from the other stockholders to bring its holdings to 50.1% of the total outstanding shares. If Exelon Generation exercise its option or if all the stockholder groups exercise their put rights, the purchase price for 70% of the remaining 50.1% of the Sithe stock will be set at a fair market value plus a 10% premium in the case of a call or 10% discount in the case of a put, subject to a floor of $430 million and a ceiling of $650 million, and the remaining portion will be valued at fair market value, subject to a floor price of $141 million and a ceiling price of $330 million, plus, in each case, interest accrued from the beginning of the exercise period.

If Exelon Generation increases its ownership in Sithe to 50.1% or more, Sithe will become a consolidated subsidiary and Exelon Generation's financial results will include Sithe's financial results from the date of purchase. At December 31, 2001, Sithe had total assets of $4.2 billion and long-term debt of $2.3 billion, including $2.1 billion of non-recourse project debt, and excluding any non-recourse project debt associated with Sithe's equity investments. For the year ended December 31, 2001 Sithe had revenues of approximately $1 billion. In December 2001, Sithe entered into a new 18-month corporate credit facility for $500 million expiring in June 2003. As of December 31, 2001 Sithe had drawn approximately $176 million under this facility and extended approximately $161 million in letters of credit.

Exelon Generation's investment in Sithe as of December 31, 2001 and 2000 was $725 million and $704 million, respectively.

AmerGen Energy Company, LLC

Exelon Generation and British Energy, Inc, a wholly owned subsidiary of British Energy, plc, each own a 50% equity interest in AmerGen Energy Company, LLC (AmerGen). Established in 1997, AmerGen was formed to pursue opportunities to acquire and operate nuclear generation facilities in the North America. Currently, AmerGen owns and operates three nuclear generation facilities: Clinton Power Station (Clinton) located in Illinois, Three Mile Island (TMI) Unit 1 located in Pennsylvania, and Oyster Creek, which was acquired in August 2000, located in New Jersey. Oyster Creek was acquired from GPU, Inc. (GPU) for $10 million. Under the terms of the purchase agreement, GPU agreed to fund outage cots of $89 million, including the cost of fuel, for a refueling outage that occurred in 2000. AmerGen is repaying these costs to GPU in equal annual installments through 2009. In addition, AmerGen assumed full responsibility for the ultimate decommissioning of Oyster Creek. At the closing of the sale, GPU provided funding for the decommissioning trust of $440 million. In conjunction with this acquisition, AmerGen has received a fully funded decommissioning trust fund which has been computed assuming the anticipated costs to appropriately decommission Oyster Creek discounted to net present value using the NRC's mandated rate of 2%. As part of each acquisition, AmerGen entered into a power sales agreement with the seller. The agreement with the seller for Clinton calls for Exelon Generation to sell 75% of the output back to Illinois Power for a term expiring at the end of 2005. The agreements with the seller of TMI and Oyster Creek are for all of the output expiring in 2001 and 2003, respectively.

AmerGen maintains a nuclear decommissioning trust fund for each of its plants in accordance with NRC regulations and believes that amounts in these trust funds, together with the investment earnings

thereon and additional contributions for Clinton from Illinois Power, will be sufficient to meet its decommissioning obligations.

Exelon Generation's investment in AmerGen as of December 31, 2001 and 2000 was $113 million and $44 million, respectively.

The table below presents summarized financial information for Sithe and AmerGen, Exelon Generation's unconsolidated equity affiliates:

	Year Ended December 31,		
Income Statement Information	**2001**	**2000**	**1999**
Operating revenues	$ 1,691	$ 1,675	$ 15
Operating income	297	546	4
Income before extraordinary items and cumulative effect of change in accounting principle	(8)	254	4
Net income	$ (8)	$ 254	$ 4

	Year Ended December 31,	
Balance Sheet Information	**2001**	**2000**
Current assets	$ 745	$ 588
Noncurrent assets	5,126	3,930
Total assets	$ 5,871	$ 4,518
Current liabilities	591	1,072
Noncurrent liabilities	3,714	2,025
Members' capital	80	80
Undistributed earnings (deficit)	155	(1)
Additional paid-in capital	735	735
Retained earnings	647	602
Accumulated other comprehensive income (loss)	(51)	5
Total capitalization and liabilities	$ 5,871	$ 4,518

5. Property, Plant and Equipment

A summary of property, plant and equipment by classification is as follows:

	December 31,	
	2001	**2000**
Generation plant	$ 4,344	$ 4,142
Construction work-in-progress	610	380
Total property, plant and equipment	4,954	4,522
Less: accumulated depreciation (including decommissioning costs for active nuclear stations)	3,794	3,691

Property, plant and equipment, net	$ 1,160	$ 831

6. Jointly Owned Facilities—Property, Plant and Equipment

Exelon Generation's ownership interest in jointly owned generation plant at December 31, 2001 and 2000 were as follows:

	2001				
Plant	**Peach Bottom**	**Salem**	**Keystone**	**Conemaugh**	**Quad Cities**
Operator	**Exelon Generation**	**PSEG Nuclear**	**Sithe**	**Sithe**	**Exelon Generation**
Participating Interest	50.00%	42.59%	20.99%	20.72%	75.00%
Generation plant	$ 387	$ 12	$ 121	$ 193	$ 96
Construction work-in-progress	13	53	13	12	52
Total property, plant and equipment	400	65	134	205	148
Accumulated depreciation	220	4	98	124	10
Property, plant and equipment, net	$ 180	$ 61	$ 36	$ 81	$ 138

	2000				
Plant	**Peach Bottom**	**Salem**	**Keystone**	**Conemaugh**	**Quad Cities**
Operator	**Exelon Generation**	**PSEG Nuclear**	**Sithe**	**Sithe**	**Exelon Generation**
Participating Interest	46.25%	42.59%	20.99%	20.72%	75.00%
Generation plant	$ 378	$ 3	$ 120	$ 190	$ 84
Construction work-in-progress	41	41	4	10	38
Total property, plant and equipment	419	44	124	200	122
Accumulated depreciation	214	3	94	118	2
Property, plant and equipment, net	$ 205	$ 41	$ 30	$ 82	$ 120

Exelon Generation's undivided ownership interests are financed with Exelon Generation funds and, when placed in service, all operations are accounted for as if such participating interests were wholly owned facilities.

On September 30, 1999, PECO reached an agreement to purchase an additional 7.51% ownership interest in Peach Bottom Atomic Power Station (Peach Bottom) from Atlantic City Electric Company

(ACE) and Delmarva Power & Light Company (DPL) for $18 million. With the purchase of the additional ownership interest in Peach Bottom, Exelon Generation received a transfer of $47 million representing ACE and DPL's decommissioning trust funds and the related liability for the station. As a result of the restructuring, the purchase agreement has been assigned to Exelon Generation. DPL's 3.755% interest was purchased in December 2000 by PECO and transferred to Exelon Generation as part of the restructuring. The purchase of ACE's 3.755% ownership interest was completed in October 2001.

7. Nuclear Decommissioning and Spent Fuel Storage

Nuclear Decommissioning

Exelon Generation has an obligation to decommission its nuclear power plants. Exelon Generation's current estimate of its nuclear facilities' decommissioning cost for its owned nuclear plants is $7.2 billion in current year (2002) dollars. Nuclear decommissioning activity occurs primarily after the plants retirement and is currently estimated to begin in 2031. Exelon Generation's Zion Station permanently ceased power generation operations in 1998. The plant is currently being maintained in a secure and safe condition until final decommissioning, which is scheduled to begin in 2013. Decommissioning costs are currently recoverable through the regulated rates of ComEd and PECO. Exelon Generation collected $102 million in 2001 from ComEd and PECO. At December 31, 2001, the decommissioning liability recorded in accumulated depreciation and deferred credits and other liabilities was $2.7 billion and $1.3 billion, respectively. At December 31, 2000, the decommissioning liability recorded in Accumulated Depreciation and deferred credits and other liabilities was $2.6 billion and $1.3 billion, respectively. In order to fund future decommissioning costs, at December 31, 2001 and 2000, Exelon Generation held $3.2 billion and $3.1 billion, respectively, in trust accounts which are included as investments in Exelon Generation's Consolidated Balance Sheets at their fair market value. These trust funds are either qualified or non-qualified. Section 468A of the Internal Revenue Code limits the amount of money that can be contributed into a "qualified fund." Contributions made into a qualified fund are tax deductible. Exelon Generation believes that the amounts being recovered from customers through regulated rates and earnings on nuclear decommissioning trust funds will be sufficient to fully fund its decommissioning obligations.

In connection with the transfer by ComEd of its nuclear generating stations to Exelon Generation, ComEd asked the Illinois Commerce Commission (ICC) to approve the continued recovery of decommissioning costs after the transfer. On December 20, 2000, the ICC issued an order finding that the ICC has the legal authority to permit ComEd to continue to recover decommissioning costs from customers for the six-year term of the power purchase agreements between ComEd and Exelon Generation. Under the ICC order, ComEd is permitted to recover $73 million per year from customers for decommissioning for the years 2001 through 2004. In 2005 and 2006, ComEd can recover up to $73 million annually, depending upon the portion of the output of the former ComEd nuclear stations that ComEd purchases from Exelon Generation. Under the ICC order, subsequent to 2006, there will be no further recoveries of decommissioning costs from customers. The ICC order also provides that any surplus funds after the nuclear stations are decommissioned must be refunded to customers. The ICC order is currently pending on appeal in the Illinois Appellate Court.

Exelon Generation recorded a receivable from ComEd of approximately $440 million representing ComEd's legal requirement to remit funds to Exelon Generation upon collection from customers, and

for collections from customers prior to the establishment of external decommissioning trust funds in 1989 to be remitted to Exelon Generation for deposit into the decommissioning trusts through 2006. Unrealized gains and losses on decommissioning trust funds (based on the market value of the assets on the Merger date, in accordance with purchase accounting) had previously been recorded in accumulated depreciation. As a result of the transfer of the ComEd nuclear plants to Exelon Generation and the ICC order limiting the regulated recoveries of decommissioning costs, net unrealized losses of $23 million (net of income taxes) at that date were reclassified to accumulated other comprehensive income. All subsequent realized gains and losses on these decommissioning trust funds' assets are based on the cost basis of the trust fund assets established on the Merger date and are reflected in Other Income and Deductions in Exelon Generation's Consolidated Statements of Income.

Nuclear decommissioning costs associated with the nuclear generating stations formerly owned by PECO continue to be recovered currently through rates charged by PECO to regulated customers these amounts are remitted to Exelon Generation as allowed by the Pennsylvania Public Utility Commission.

Spent Fuel Storage

Under the Nuclear Waste Policy Act of 1982 (NWPA), the U.S. Department of Energy (DOE) is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste (SNF). ComEd and PECO, as required by the NWPA, each signed a contract with the DOE (Standard Contract) to provide for disposal of SNF from their respective nuclear generating stations. In accordance with the NWPA and the Standard Contract, ComEd and PECO pay the DOE one mill ($.001) per kilowatt-hour of net nuclear generation for the cost of nuclear fuel long-term storage and disposal. This fee may be adjusted prospectively in order to ensure full cost recovery. The NWPA and the Standard Contract required the DOE to begin taking possession of SNF generated by nuclear generating units by no later than January 1998. The DOE, however, failed to meet that deadline and its performance is expected to be delayed significantly. The DOE's current estimate for opening an SNF facility is 2010. This extended delay in SNF acceptance by the DOE has led to Exelon Generation's use of dry storage at its Dresden and Peach Bottom Units and its consideration of dry storage at other units.

In July 2000, PECO entered into an agreement with the DOE relating to Peach Bottom nuclear generating unit to address the DOE's failure to begin removal of SNF in January 1998 as required by the Standard Contract. Under that agreement, the DOE agreed to provide credits against future contributions to the Nuclear Waste Fund over the next ten years to compensate for SNF storage costs incurred as a result of the DOE's breach of the contract. The agreement also provides that the DOE will take title to the SNF upon request and the interim storage facility at Peach Bottom provided certain conditions are met.

In November 2000, eight utilities with nuclear power plants filed a Joint Petition for Review against the DOE with the United States Court of Appeals for the Eleventh Circuit seeking to invalidate that portion of the agreement providing for credits against nuclear waste fund payments on the ground that such provision is a violation of the NWPA. PECO intervened as a defendant in that case, which is ongoing. In April, 2001, an individual filed suit against the DOE with the United States District Court for the Middle District of Pennsylvania seeking to invalidate the agreement on the grounds that the DOE has violated the National Environmental Policy Act and the Administrative Procedure Act. PECO

intervened as a defendant and moved to dismiss the complaint. The Court has not yet ruled on the motion to dismiss.

The Standard Contract with the DOE also requires that PECO and ComEd pay the DOE a one-time fee applicable to nuclear generation through April 6, 1983. PECO's fee has been paid. Pursuant to the Standard Contract, ComEd elected to defer payment of the one-time fee of $277 million, with interest accruing to the date of payment, just prior to the first delivery of SNF to the DOE. As of December 31, 2001, the liability for the one-time fee with interest was $843 million.

The liabilities for spent nuclear fuel disposal costs, including the one-time fee, were transferred to Exelon Generation as part of the corporate restructuring.

8. Long-Term Debt

Long-term debt is comprised of the following:

	Rates	Maturity Date	December 31, 2001	December 31, 2000
Notes payable	7.25%	2003-2004	$ 9	$ 14
Senior unsecured notes	6.95%	2011	699	—
Pollution control notes	2.10%—2.70%	2016-2034	317	195
Total long-term debt			1,025	209
Due within one year			(4)	(4)
Long-term debt			$ 1,021	$ 205

Long-term debt maturities in the period 2002 through 2006 and thereafter are as follows:

2002	$ 4
2003	4
2004	1
2005	—
2006	—
Thereafter	1,016
	$ 1,025

In May 2001, Exelon Generation entered into a forward-starting interest rate swap, with an aggregate notional amount of $700 million, to hedge the interest rate risk related to the anticipated issuance of debt. On June 11, 2001, Exelon Generation issued $700 million of senior unsecured notes with a maturity date of June 15, 2011 and an interest rate of 6.95% and closed the forward-starting interest rate swap. The aggregate loss on the settlement of the swap of $2 million, net of related income taxes, was classified in Accumulated Other Comprehensive Income and is being amortized to interest expense over the life of the debt.

Also during 2001, Exelon Generation issued $121 million of Pollution Control Revenue Refunding Bonds at an average variable commercial paper interest rate of 2.685% with maturities of 20 to 33 years. The proceeds from these offerings were used to refund tax-exempt debt previously issued by PECO. The transaction was accounted for as a distribution to the member.

Exelon Generation, together with Exelon, ComEd and PECO, entered into a $1.5 billion 364 day unsecured revolving credit facility on December 12, 2001 with a group of banks. As of December 31, 2001, Exelon Generation did not meet the requirements to borrow under this facility.

9. Income Taxes

Income tax expense (benefit) is comprised of the following components for the years ended December 31:

	2001	2000	1999
Included in operations:			
Federal:			
Current	$ 253	$ 177	$ 92
Deferred	15	(38)	18
Investment tax credit, net	(8)	(13)	(12)
State:			
Current	51	43	22
Deferred	16	(9)	5
	$ 327	$ 160	$ 125

Included in cumulative effect of a change in accounting principle:

	2001	2000	1999
Federal—deferred	$ 6	$ —	$ —
State—deferred	1	—	—
	$ 7	—	—

The effective income tax rate differed from the Federal statutory rate for the years ended December 31 principally due to the following:

	2001	2000	1999
Income taxes on above at Federal statutory rate of 35%	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State income taxes, net of Federal income tax benefit	5.2%	5.0%	5.2%
Nuclear decommissioning trust income	(0.6)%	0.0%	—
Amortization of investment tax credit	(0.6)%	(1.9)%	(2.1)%
Other, net	—	—	(0.1)%
Effective income tax rate	39.0%	38.1%	38.0%

The tax effect of temporary differences giving rise to Exelon Generation's deferred tax assets and liabilities as of December 31, 2001 and 2000 are presented below:

	2001	2000
Deferred tax assets:		
Decommissioning and decontamination obligations	$ 856	$ 455
Deferred pension and postretirement obligations	236	227
Deferred investment tax credits	93	96
Other, net		110
Total deferred tax assets	1,185	888
Deferred tax liabilities:		
Plant basis difference	(709)	(397)
Unrealized gains on derivative financial instruments	(30)	—
Decommissioning and decontamination obligations	(100)	(118)
Emission allowances	(44)	(36)
Other, net	(12)	—
Total deferred tax liabilities	(895)	(551)
Deferred income taxes net on the balance sheet	$ 290	$ 337

Prior to 2001, the offsetting deferred tax assets and liabilities resulting from decommissioning and decontamination assets and obligations, accounted for as regulatory assets and liabilities, were recorded within the plant basis difference caption above. As a result of the corporate restructuring, on January 1, 2001, the decommissioning and decontamination obligations were transferred to Exelon Generation. The deferred tax asset related to the decommissioning and decontamination obligation is no longer recorded in the plant basis difference caption with the regulatory assets and liabilities.

Included in accrued expenses on Exelon Generation's consolidated balance sheets at December 31, 2001 and 2000 was approximately $245 and $334 million current taxes payable due to the member.

The Internal Revenue Service and certain state tax authorities are currently auditing certain tax returns of Exelon's predecessor entities, Unicom and PECO. The current audits are not expected to have an adverse effect on financial condition or results of operations of Exelon Generation.

10. Employee Benefits

Exelon Generation has adopted defined benefit pension plans and postretirement welfare plans sponsored by Exelon. All Exelon Generation employees are eligible to participate in these plans. Essentially all Exelon Generation management employees, and electing union employees, hired on or after January 1, 2001 are eligible to participate in the newly established Exelon cash balance pension plan. Management employees who were active participants in the pension plans on December 31, 2000 and remain employed on January 1, 2002, will have the opportunity to continue to participate in the pension plans or to transfer to the cash balance plan. Benefits under these pension plans generally reflect each employee's compensation, years of service, and age at retirement. Funding is based upon actuarially determined contributions that take into account the amount deductible for income tax

purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974, as amended. The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of Exelon Generation's proportionate interest in the Exelon plans.

	Pension Benefits		Other Postretirement Benefits	
	2001	2000	2001	2000
Change in Benefit Obligation:				
Net benefit obligation at beginning of year	$ 2,757	$ 893	$ 1,144	$ 351
Service cost	37	17	17	11
Interest cost	166	91	70	33
Plan participants' contributions	—	—	2	—
Plan amendments	19	—	(105)	—
Actuarial (gain)loss	102	102	72	77
Acquisitions	—	1,689	—	670
Curtailments/Settlements	(16)	(32)	—	2
Special accounting costs	13	90	2	25
Gross benefits paid	(202)	(93)	(70)	(25)
Net benefit obligation at end of year	$ 2,876	$ 2,757	$ 1,132	$ 1,144

Change in Plan Assets:				
Fair value of plan assets at beginning of year	$ 2,908	$ 1,296	$ 635	$ 108
Actual return on plan assets	(111)	82	(7)	(6)
Employer contributions	14	1	40	40
Plan participants' contributions	—	—	2	1
Acquisitions	—	1,622	—	517
Gross benefits paid	(202)	(93)	(70)	(25)
Fair value of plan assets at end of year	$ 2,609	$ 2,908	$ 600	$ 635
Funded status at end of year	$ (267)	$ 151	$ (532)	$ (509)
Miscellaneous adjustment	—	—	—	3
Unrecognized net actuarial (gain)loss	110	(347)	207	75
Unrecognized prior service cost	46	33	(105)	—
Unrecognized net transition obligation (asset)	(7)	(9)	46	54
Net amount recognized at end of year	$ (118)	$ (172)	$ (384)	$ (377)

	Pension Benefits			Other Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
Weighted-average assumptions as of December 31,						
Discount rate	7.35%	7.60%	8.00%	7.35%	7.60%	8.00%
Expected return on plan assets	9.50%	9.50%	9.50%	9.50%	8.00%	8.00%
Rate of compensation increase	4.00%	4.30%	5.00%	4.00%	4.30%	5.00%
Health care cost trend on covered charges	N/A	N/A	N/A	10.00% decreasing to ultimate trend of 4.5% in 2008	7.00% decreasing to ultimate trend of 5.0% in 2005	8.00% decreasing to ultimate trend of 5.0% in 2006

	Pension Benefits			Other Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
Components of net periodic benefit cost (benefit):						
Service cost	$ 37	$ 17	$ 13	$ 17	$ 11	$ 8
Interest cost	166	91	65	70	33	20
Expected return on assets	(215)	(131)	(94)	(46)	(15)	(6)
Amortization of:						
Transition obligation (asset)	(2)	(2)	(2)	4	4	4
Prior service cost	4	3	2	(5)	—	—
Actuarial (gain) loss	(11)	(11)	(3)	—	—	—
Curtailment charge (credit)	(6)	(5)	—	4	10	—
Settlement charge (credit)	(3)	(7)	—	—	—	—
Net periodic benefit cost (benefit)	$ (30)	$ (45)	$ (19)	44	$ 43	$ 26
Special accounting costs	$ 13	$ 90	$ —	$ 2	$ 25	$ —

Sensitivity of retiree welfare results	
Effect of a one percentage point increase in assumed health care cost trend on total service and interest cost components	$ 15
on postretirement benefit obligation	$ 135
Effect of a one percentage point decrease in assumed health care cost trend on total service and interest cost components	$ (12)
on postretirement benefit obligation	$ (117)

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plans.

Special accounting costs in 2000 of $90 million include $42 million for separation benefits and $48 million for plan enhancements. Exelon Generation provides certain health care and life insurance benefits for retired employees through plans sponsored by Exelon. In 2001, Exelon amended the postretirement medical benefit plan to change the eligibility requirement of the plan to cover only employees who retire with 10 years of service after age 45 rather than with 10 years of service and having attained the age of 55. Welfare benefits for active employees are provided by several insurance policies or self-funded plans whose premiums or contributions are based upon the benefits paid during the year.

Exelon Generation has savings plans for the majority of its employees. The plans allow employees to contribute a portion of their pretax income in accordance with specified guidelines. Exelon Generation matches a percentage of the employee contribution up to certain limits. The cost of Exelon Generation's matching contribution to the savings plans totaled $15 million in 2001.

Exelon Generation participates in a 401(k) Savings Plan for Employees sponsored by Exelon. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. Exelon Generation matches a percentage of employee contributions to the plan up to certain limits. Exelon Generation expensed matching contributions to the plan totaling $23 million for 2001, $7 million for 2000 and $3 million for 1999.

11. Commitments and Contingent Liabilities

Capital Expenditures

Generation's estimated capital expenditures for 2002 are as follows:

	(in millions)
Production Plant	$ 392
Nuclear Fuel	432
Investments	254

Total	$ 1,078

Capital expenditures for production include expenditures to increase capacity of existing plants.

Capital Commitments

Exelon Generation has committed to provide AmerGen with capital contributions equivalent to 50% of the purchase price of any acquisitions AmerGen makes in 2002 and Exelon Generation and British Energy have each agreed to provide up to $100 million to AmerGen at any time for operating expenses.

Pending Acquisition

In December 2001, Exelon Generation agreed to purchase two generation plants located in the Dallas-Fort Worth metropolitan area from TXU Corp. (TXU) to expand its presence in the Texas region. The $443 million purchase (not included in above table) of the two natural-gas and oil-fired plants, to be funded through available cash and commercial paper proceeds, will add approximately 2,300 megawatts (MW) capacity. The transaction includes a power purchase agreement for TXU to purchase power during the months of May through September from 2002 through 2006. During the periods covered by the power purchase agreement, TXU will make fixed capacity payments and will provide fuel to Exelon Generation in return for exclusive rights to the energy and capacity of the generation plants. The closing of the acquisition is contingent upon receipt of the necessary regulatory approvals and is anticipated to occur in the second quarter of 2002.

Nuclear Insurance Coverages and Assessments

The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. The current limit is $9.5 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. Exelon Generation carries the maximum available commercial insurance of $200 million and the remaining $9.3 billion is provided through mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed up to $89 million per reactor per incident, payable at no more than $10 million per reactor per incident per year. This assessment is subject to inflation and state premium taxes. In addition, the U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims. Price-Anderson is scheduled to expire on August 1, 2002. Although replacement legislation has been proposed from time to time, Exelon Generation is unable to predict whether replacement legislation will be enacted.

Exelon Generation carries property damage, decontamination and premature decommissioning insurance for each station loss resulting from damage to its nuclear plants. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. If the decision is made to decommission the facility, a portion of the insurance proceeds will be allocated to a fund, which Exelon Generation is required by the NRC to maintain, to provide for decommissioning the facility. Exelon Generation is unable to predict the timing of the availability of insurance proceeds to Exelon Generation and the amount of such proceeds which would be available. Under the terms of the various insurance agreements, Exelon Generation could be assessed up to $121 million for losses incurred at any plant insured by the insurance companies. In the event that one or more acts of terrorism cause accidental property damage within a twelve month period from the first accidental property damage under one or more policies for all insureds, the maximum recovery for all losses by all insureds will be an aggregate of $3.2 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity, and any other source, applicable to such losses.

Additionally, Exelon Generation is a member of an industry mutual insurance company that provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. Exelon Generation's maximum share of any assessment is $46 million per year.

In addition, Exelon Generation participates in the American Nuclear Insurers Master Worker Program, which provides coverage for worker tort claims filed for bodily injury caused by a nuclear energy accident. This program was modified, effective January 1, 1998, to provide coverage to all workers whose "nuclear-related employment" began on or after the commencement date of reactor operations. Exelon Generation will not be liable for a retrospective assessment under this new policy. However, in the event losses incurred under the small number of policies in the old program exceed accumulated reserves, a maximum retroactive assessment of up to $50 million could apply.

Exelon Generation is self-insured to the extent that any losses may exceed the amount of insurance maintained. Such losses could have a material adverse effect on Exelon Generation's financial condition and results of operations.

Energy Commitments

Exelon Generation's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity, and long, intermediate and short-term contracts. Exelon Generation maintains a net positive supply of energy and capacity, through ownership of generation assets and power purchase and lease agreements, to protect it from the potential operational failure of one of its owned or contracted power generation units. Exelon Generation has also contracted for access to additional generation through bilateral long-term power purchase agreements. These agreements are firm commitments related to power generation of specific generation plants and/or are dispatchable in nature—similar to asset ownership. Exelon Generation enters into power purchase agreements with the objective of obtaining low-cost energy supply sources to meet its physical delivery obligations to its customers. Exelon Generation has also purchased firm transmission rights to ensure that it has reliable transmission capacity to physically move its power supplies to meet customer delivery needs. The intent and business objective for the use of its capital assets and contracts are to provide Exelon Generation with physical power supply to enable it to deliver energy to meet customer needs. Exelon primarily uses financial contracts in its wholesale marketing activities for hedging purposes. Exelon also uses financial contracts to manage the risk surrounding trading for profit activities.

Exelon Generation has entered into bilateral long-term contractual obligations for sales of energy to ComEd, PECO and other load-serving entities, including electric utilities, municipalities, electric cooperatives, and retail load aggregators. Exelon Generation also enters into contractual obligations to deliver energy to wholesale market participants who primarily focus on the resale of energy products for delivery. Exelon Generation provides delivery of its energy to these customers through rights for firm transmission. In addition, Exelon Generation has entered into long-term power purchase agreements with independent power producers (IPP) under which Exelon Generation makes fixed capacity payments to the IPP in return for exclusive rights to the energy and capacity of the generation units for a fixed period.

At December 31, 2001, Exelon Generation's long-term commitments, relating to the purchase and sale of energy, capacity and transmission rights from affiliated and unaffiliated entities are as expressed in the following tables:

	Unaffiliated				Affiliated	
	Power Purchases	**Power Sales**	**Capacity Purchases**	**Transmission Rights Purchases**	**Power Sale/ Capacity**	**Power Purchases**
2002	$ 295	$ 1,803	$ 1,005	$ 139	$ 4,047	$ 256
2003	84	666	1,214	31	4,220	261
2004	31	219	1,222	15	4,094	315
2005	23	139	406	15	4,018	241
2006	9	58	406	5	3,974	241
Thereafter	150	22	3,657	—	6,207	2,171
Total	$ 592	$ 2,907	$ 7,910	$ 205	$ 26,560	$ 3,485

Included in Exelon Generation's long-term commitments are PPAs with Midwest Generation, LLC Midwest Generation for the purchase of capacity from its coal fired stations, in declining amounts through 2004. Contracted capacity and capacity available through the exercise of an annual option are as follows (in megawatts):

	Contracted Capacity	Available Option Capacity
2002	4,013	1,632
2003	1,696	3,949
2004	1,696	3,949

The agreements with Midwest Generationa also provide for the option to purchase 2,698 megawatts of oil and gas-fired capacity, and 944 megawatts of peaking capacity, subject to reduction.

Exelon Generation has entered into PPAs with AmerGen, under which it will purchase all the energy from Unit No. 1 at TMI after December 31, 2001 through December 31, 2014. Under a 1999 PPA, Generation will purchase from AmerGen all of the residual energy from Clinton through December 31, 2002. Currently, the residual output approximates 25% of the total output of the Clinton facility.

Environmental Issues

Exelon Generation's operations have in the past and may in the future require substantial capital expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, Exelon Generation is generally liable for the costs of remediating environmental contamination of property now owned and of property contaminated by hazardous substances generated by Exelon Generation.

As of December 31, 2001, Exelon Generation had accrued $14 million for environmental investigation and remediation costs. Exelon Generation cannot reasonably estimate whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by Exelon Generation, environmental agencies or others, or whether such costs will be recoverable from third parties.

Leases

Minimum future operating lease payments, including lease payments for real estate, rail cars and office equipment, as of December 31, 2001 were:

2002	$ 28
2003	37
2004	26
2005	32
2006	32
Thereafter	527
Total minimum future lease payments	$ 682

Rental expense under operating leases totaled $29 million $19 million and $18 million for the year ended December 31, 2001, 2000 and 1999, respectively.

Litigation

Cajun Electric Power Cooperative, Inc. On May 27, 1998, the United States Department of Justice, on behalf of the Rural Utilities Service and the Chapter 11 Trustee for the Cajun Electric Power Cooperative, Inc. (Cajun), filed an action claiming breach of contract against PECO in the United States District Court for the Middle District of Louisiana arising out of PECO's termination of the contract to purchase Cajun's interest in the River Bend nuclear power plant. Effective with the corporate restructuring, Exelon Generation has agreed to assume any liability and obligation arising from this litigation. During 2001, the parties reached a settlement of the dispute, and Exelon Generation made a payment of $14 million to Cajun.

Cotter Corporation. During 1989 and 1991, actions were brought in federal and state courts in Colorado against ComEd and its subsidiary, Cotter Corporation (Cotter), seeking unspecified damages and injunctive relief based on allegations that Cotter permitted radioactive and other hazardous material to be released from its mill into areas owned or occupied by the plaintiffs, resulting in property damage and potential adverse health effects. In 1994, a federal jury returned nominal dollar verdicts against Cotter on eight plaintiffs' claims in the 1989 cases, which verdicts were upheld on appeal. The remaining claims in the 1989 actions were settled or dismissed. In 1998, a jury verdict was rendered against Cotter in favor of 14 of the plaintiffs in the 1991 cases, totaling approximately $6 million in compensatory and punitive damages, interest and medical monitoring. On appeal, the Tenth Circuit Court of Appeals reversed the jury verdict, and remanded the case for new trial. These plaintiffs' cases were consolidated with the remaining 26 plaintiffs' cases, which had not been tried. The consolidated trial was completed on June 28, 2001. The jury returned a verdict against Cotter and

awarded $16.3 million in various damages. On November 20, 2001, the District Court entered an amended final judgment which included an award of both pre-judgment and post-judgment interests, costs, and medical monitoring expenses which total $43.3 million. This matter is being appealed by Cotter in the Tenth Circuit Court of Appeals. Cotter will vigorously contest the award.

In November 2000, another trial involving a separate sub-group of 13 plaintiffs, seeking $19 million in damages plus interest was completed in federal district court in Denver. The jury awarded nominal damages of $42,500 to 11 of 13 plaintiffs, but awarded no damages for any personal injury or health claims, other than requiring Cotter to perform periodic medical monitoring at minimal cost. The plaintiffs appealed the verdict to the Tenth Circuit Court of Appeals.

On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability incurred by Cotter as a result of these actions, as well as any liability arising in connection with the West Lake Landfill discussed in the next paragraph.

The United States Environmental Protection Agency (EPA) has advised Cotter that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. Cotter is alleged to have disposed of approximately 39,000 tons of soils mixed with 8,700 tons of leached barium sulfate at the site. Cotter, along with three other companies identified by the EPA as potentially responsible parties (PRPs), is reviewing a draft feasibility study that recommends capping the site. The PRPs are also engaged in discussions with the State of Missouri and the EPA. The estimated costs of remediation for the site are $10 to $15 million. Once a final feasibility study is complete and a remedy selected, it is expected that the PRPs will agree on an allocation of responsibility for the costs. Until an agreement is reached, Exelon Generation cannot predict its share of the costs.

In connection with the corporate restructuring, the responsibility to indemnify Cotter for any liability related to these matters was transferred to Exelon Generation. Management believes it has established an adequate contingent liability in connection with these proceedings.

Godley Park District Litigation. On April 18, 2001, the Godley Park District filed suit in Will County Circuit Court against ComEd and Exelon alleging that oil spills at Braidwood Station have contaminated the Park District's water supply. The complaint sought actual damages, punitive damages of $100 million and statutory penalties. The court dismissed all counts seeking punitive damages and statutory penalties, and the plaintiff has filed an amended complaint before the court. Exelon Generation is contesting the liability and damages sought by plaintiff.

Pennsylvania Real Estate Tax Appeals. Exelon Generation is involved in tax appeals regarding two of its nuclear facilities, Limerick (Montgomery County) and Peach Bottom (York County) and one of its fossil facilities, Eddystone (Delaware County), Exelon is also involved in the appeal for TMI (Dauphin County) through AmerGen. Exelon Generation does not believe the outcome of

these matters will have a material adverse effect on Exelon Generation's results of operations or financial condition.

Enron. Exelon Generation is an unsecured creditor in Enron Corp.'s (Enron) bankruptcy proceeding. Exelon Generation's claim for power and other products sold to Enron in November and early December 2001 is $8.5 million. Enron may assert that Exelon Generation should not have closed

out and terminated all of its forward contracts with Enron. If Enron is successful in this argument, Exelon Generation's exposure could be greater than $8.5 million. Exelon Generation may also be subject to exposure due to the credit policies of ISO-operated spot markets that allocate defaults of market participants to non-defaulting participants. Exelon Generation has established an allowance for uncollectibles in anticipation of resolution of these matters.

General. Exelon Generation is involved in various other litigation matters. The ultimate outcome of such matters, while uncertain, is not expected to have a material adverse effect on Exelon Generation's financial condition or results of operations.

12. Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of Exelon Generation's financial assets and liabilities as of December 31 were as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives				
Assets:				
Cash and cash equivalents	$ 224	$ 224	$ 4	$ 4
Customer accounts receivable	316	316	316	316
Nuclear decommissioning trust funds	3,165	3,165	3,127	3,127
Liabilities:				
Long-term debt (including amounts due within one year)	1,025	1,040	209	209
Derivatives				
Energy Derivatives	92	92	(34)	(34)

As of December 31, 2001 and 2000, Exelon Generation's carrying amounts of cash and cash equivalents and accounts receivable are representative of fair value because of the short-term nature of these instruments. Fair values of the trust accounts for decommissioning nuclear plants and long-term debt are estimated based on quoted market prices for the same or similar issues. The fair value of Exelon Generation's and power purchase and sale contracts is determined using quoted exchange prices, external dealer prices, or internal valuation models which utilize assumptions of future energy prices and available market pricing curves. The fair value of Exelon Generation's energy derivatives is reported in the balance sheet as current or non-current assets or liabilities depending on the time until settlement of the transaction. At December 31, 2001, the following amounts were reported in Exelon Generation's consolidated balance sheet for the fair value of energy derivatives: accounts receivable of $109 million; other non-current assets of $62; accounts payable of $71; and non-current liabilities of $8.

Financial instruments that potentially subject Exelon Generation to concentrations of credit risk consist principally of cash equivalents, customer accounts receivable and energy derivatives. Exelon Generation places its cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits.

Exelon Generation utilizes derivatives to manage the utilization of its available generating capacity and provision of wholesale energy to its affiliates. Exelon Generation also utilizes energy option contracts and energy financial swap arrangements to limit the market price risk associated with forward energy commodity contracts. Additionally, Exelon Generation enters into certain energy-related derivatives for trading or speculative purposes. Exelon Generation would be exposed to credit-related losses in the event of non-performance by the counterparties that issued the derivative instruments. The credit exposure of derivatives contracts is represented by the fair value of contracts at the reporting date. The majority of power purchase and sale contracts are documented under master netting agreements.

On January 1, 2001, Exelon Generation recognized a non-cash gain of $12 million, net of income taxes, in earnings and deferred a non-cash gain of $5 million, net of income taxes, in accumulated other comprehensive income, a component of shareholders' equity, to reflect the initial adoption of SFAS No. 133, as amended. SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at their fair value through earnings, with special accounting permitted for certain qualifying hedges.

During 2001, Exelon Generation recognized net gains of $16 million ($10 million, net of income taxes) relating to mark-to-market (MTM) adjustments of certain non-trading power purchase and sale contracts pursuant to SFAS No. 133. MTM adjustments on power purchase contracts are reported in fuel and purchased power and MTM adjustments on power sale contracts are reported as Operating Revenues in the Consolidated Statements of Income. During 2001, Exelon Generation recognized net gains aggregating $14 million ($10 million, net of income taxes) on derivative instruments entered into for trading purposes. Exelon Generation commenced financial trading in the second quarter of 2001. Gains and losses associated with financial trading are reported as either operating revenue or fuel and purchased power expense in the Consolidated Statements of Income. During 2001, no amounts were reclassified from accumulated other comprehensive income into earnings as a result of forecasted energy commodity transactions no longer being probable.

As of December 31, 2001, approximately $50 million of deferred net gains on derivative instruments accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months. Amounts in accumulated other comprehensive income related to interest rate cash flows are reclassified into earnings when the forecasted interest payment occurs. Amounts in accumulated other comprehensive income related to energy commodity cash flows are reclassified into earnings when the forecasted purchase or sale of the energy commodity occurs. The majority of Exelon Generation's cash flow hedges are expected to settle within the next 3 years.

Exelon Generation classifies investments in the trust accounts for decommissioning nuclear plants as available-for-sale. The following tables show the fair values, gross unrealized gains and losses and amortized costs bases for the securities held in these trust accounts.

	December 31, 2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 1,666	$ 130	$ (236)	$ 1,560
Debt securities:				
Government obligations	882	28	(3)	907
Other debt securities	701	16	(19)	698
Total debt securities	1,583	44	(22)	1,605

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Total available-for-sale securities	$ 3,249	$ 174	$ (258)	$ 3,165

	December 31, 2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 1,712	$ 144	$ (180)	$ 1,676
Debt securities:				
Government obligations	940	40	—	980
Other debt securities	470	8	(7)	471
Total debt securities	1,410	48	(7)	1,451
Total available-for-sale securities	$ 3,122	$ 192	$ (187)	$ 3,127

Net unrealized losses of $84 million and net unrealized gains of $5 million, respectively, were recognized in Accumulated Depreciation and Other Comprehensive Income in Exelon Generation's Consolidated Balance Sheets at December 31, 2001 and 2000, respectively.

	For the years ended December 31,	
	2001	2000
Proceeds from sales	$ 1,624	$ 265
Gross realized gains	76	9
Gross realized losses	(189)	(46)

Net realized gains of $14 million and net realized losses of $37 million were recognized in Accumulated Depreciation in Exelon Generation's Consolidated Balance Sheets at December 31, 2001 and 2000, respectively, and $127 million of net realized losses was recognized in Other Income and Deductions in Exelon Generation's Consolidated Income Statements for 2001. The available-for-sale securities held at December 31, 2001 have an average maturity of eight to ten years.

13. Selected Quarterly Data (Unaudited)

The information shown below, in the opinion of management, includes all adjustments, consisting only of normal or recurring accruals, necessary to a fair presentation of such amounts. Due to the seasonal nature of the generation business, quarterly amounts vary significantly during the year.

	Calendar Quarter Ended							
	March 31,		June 30,		September 30,		December 31,	
	2001	2000	2001	2000	2001	2000	2001	2000
Revenues	$ 1,628	$ 510	$ 1,618	$ 645	$ 2,292	$ 941	$ 1,510	$ 1,178
Operating income	$ 268	$ 70	$ 113	$ 140	$ 225	$ 228	$ 266	$ 3
Income before cumulative effect of change in accounting principle	$ 158	$ 88	$ 71	$ 147	$ 167	$ 164	$ 116	($ 139)
Cumulative effect of a change in accounting principle	$ 12	—	—	—	—	—	—	—
Net income (loss)	$ 170	$ 88	$ 71	$ 147	$ 167	$ 164	$ 116	($ 139)

14. Related Party Transactions

Exelon Corporation

At December 31, 2000, Exelon Generation had a $696 million demand note payable, that was due no later than December 16, 2001, with Exelon related to the acquisition of Sithe, which was reflected in current liabilities in Exelon Generation's Consolidated Balance Sheet. Interest expense on the note payable was $23 million and $2 million for the years ended December 31, 2001 and 2000. The loan was repaid in full in June 2001.

Exelon Corporate Restructuring

At December 31, 2001, Exelon Generation had a long-term receivable of $291 million from ComEd resulting from the restructuring which is included in deferred debits and other assets, on Exelon Generation's consolidated balance sheet. This receivable represents ComEd's legal requirement to remit the recovery of decommissioning costs upon collection from the customers.

Exelon Business Service Company

Effective January 1, 2001, upon the corporate restructuring, Exelon Generation receives a variety of corporate support services from the Business Services Company (BSC), a subsidiary of Exelon, including executive management, legal, human resources, financial and information technology services. Such services are provided at cost including applicable overheads. Costs charged to Exelon Generation by BSC for the year ended December 31, 2001 were $78 million.

Power Purchase Agreements with ComEd and PECO

In connection with the restructuring transaction, ComEd and PECO entered into PPAs with Exelon Generation. Under the PPA between Exelon Generation and ComEd, Exelon Generation supplies all of ComEd's load requirements through 2004. Prices for energy vary depending upon the time of day and month of delivery, as specified in the PPA. During 2005 and 2006, ComEd will purchase energy and capacity from Exelon Generation, up to the available capacity of the nuclear

generation plants formerly owned by ComEd and transferred to Exelon Generation. Under the terms of the PPA with ComEd, Exelon Generation is responsible for obtaining the required transmission for its supply. The PPA with ComEd also specifies that prior to 2005, ComEd and Exelon Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating its PPA effective December 31, 2004.

Exelon Generation has also entered into a PPA with PECO whereby Exelon Generation will supply all of PECO's load requirements through 2010. Prices for energy are equivalent to the net proceeds from sales of unbundled generation to PECO's provider of last resort customers at rates PECO is allowed to charge customers who do not choose an alternate generation supplier. Under the terms of PPA, PECO is responsible for obtaining the required transmission for its supply.

Intercompany power purchases pursuant to the PPAs for the year ended December 31, 2001 for ComEd and PECO were $2.6 billion and $1.2 billion, respectively. Prior to the restructuring, Exelon Generation recorded revenues of $871 million and $798 million related to sales of energy to PECO for 2000 and 1999, respectively. During 2000, Exelon Generation recorded revenue of $403 million related to sales of energy to ComEd.

AmerGen

Exelon Generation has entered into a PPA dated November 22, 1999 with AmerGen. Under this PPA, Exelon Generation has agreed to purchase from AmerGen all of the residual energy from the Clinton Power Station through December 31, 2002. Currently, the residual output approximates 25% of the total output of the Clinton Power Station. For the years ended December 31, 2001 and 2000, the amount of purchased power recorded in Consolidated Statements of Income is $57 million and $52 million, respectively. As of December 31, 2001 and 2000, Exelon Generation had a payable of $3.1 million and $2.9 million, respectively, resulting from this PPA.

In addition, under a service agreement dated March 1, 1999, Exelon Generation provides AmerGen with certain operation and support services to the nuclear facilities owned by AmerGen. This service agreement has an indefinite term and may be terminated by Exelon Generation or by AmerGen on 90 days' notice. Exelon Generation is compensated for these services in an amount agreed to in the work order but not less than the higher of the fully allocated costs for performing the services or the market price. For the years ended December 31, 2001, 2000 and 1999, the amount charged to AmerGen for these services was $80 million, $32 million and $1 million respectively. As of December 31, 2001 and 2000, Exelon Generation had a receivable of $47 million and $20 million respectively resulting from these services.

In February 2002, Exelon Generation entered into an agreement to loan AmerGen up to $75 million at an interest rate of one-month LIBOR plus 2.25%. As of March 1, 2002, AmerGen had borrowed $30 million under this agreement. The loan is due November 1, 2002.

Sithe Energies, Inc.

In August 2001, Exelon Generation recorded a $150 million note receivable from Sithe. Sithe used the proceeds from the note to repay its subordinated debt. The note has a maturity date of August 20,

2004 and an interest rate of the Eurodollar rate, plus 2.25%. Sithe repaid this note in December 2001. For the year ended December 31, 2001, Exelon recorded $2.7 million of interest income on the note.

Beginning December 18, 2002, we will have the right to purchase all (but not less than all) of the remaining outstanding shares of the Sithe common stock. The option expires on December 18, 2005. In addition, each of Sithe's other stockholder groups will have the right to require us to purchase all (but not less than all) of its shares during the same period in which we can exercise our option. At the end of that period, if no stockholder has exercised its option, we will have a one-time option to purchase shares from the other stockholders to bring our holdings to 50.1% of the total outstanding shares. If we exercise our option or if all the stockholder groups exercise their put rights, the purchase price for 70% of the remaining 50.1% of the Sithe stock will be set at a fair market value plus a 10% premium in the case of a call or 10% discount in the case of a put, subject to a floor of $430 million and a ceiling of $650 million, and the remaining portion will be valued at fair market value subject to floor price of $141 million and a ceiling price of $330 million, plus, in each case, interest accrued from the beginning of the exercise period.

15. Change in Accounting Estimate

Effective April 1, 2001, Exelon Generation changed its accounting estimates related to the depreciation and decommissioning of certain generating stations. The estimated service lives were extended by 20 years for three nuclear stations, by periods of up to 20 years for certain fossil stations and by 50 years for a pumped storage station. Effective July 1, 2001, the estimated service lives were extended by 20 years for the remainder of Exelon Generation's operating nuclear stations. These changes were based on engineering and economic feasibility studies performed by Exelon Generation considering, among other things, future capital and maintenance expenditures at these plants. The extension of the estimated service lives for the nuclear generating facilities is subject to approval by the NRC. As a result of the change, depreciation and decommissioning expense for 2001 decreased $90 million ($54 million, net of income taxes). At the end of the year, annualized savings resulting from the change would be a decrease of $132 million ($79 million, net of income taxes).

16. Supplemental Financial Information

Supplemental Balance Sheet Information

	December 31,	
	2001	2000
Valuation Allowances		
Allowance for Doubtful Accounts	$ 17	$ 2
Reserve for inventory obsolescence	$ 12	$ 79
Accumulated Amortization		
Nuclear Fuel	$ 1,838	$ 1,445

Supplemental Income Statement Information

	For the Years Ended December 31,		
	2001	2000	1999
Taxes Other than Income			
Real Estate	$ 94	$ 32	$ 18
Payroll	38	27	16
Other	17	5	3
Total	$ 149	$ 64	$ 37
Other, Net			
Investment Income	$ (8)	$ 14	—
Other		2	41
Total	$ (8)	$ 16	$ 41

Supplemental Cash Flow Information

	For the Years Ended December 31,		
	2001	2000	1999
Cash paid during the year:			
Interest (net of amount capitalized)	$ 74	$ 35	$ 18

Income taxes (net of refunds)	$	335	—	—