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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2003

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) 765-6900	23-3064219

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
EXELON CORPORATION:	
Common Stock, without par value	New York, Chicago and Philadelphia
PECO ENERGY COMPANY:	
Cumulative Preferred Stock, without par value: $4.68 Series, $4.40 Series, $4.30 Series and $3.80 Series	New York
Trust Receipts of PECO Energy Capital Trust III, each representing a 7.38% Cumulative Preferred Security, Series D, $25 stated value, issued by PECO Energy Capital, L.P. and unconditionally guaranteed by PECO Energy Company	New York

Securities registered pursuant to Section 12(g) of the Act:

COMMONWEALTH EDISON COMPANY:
Common Stock Purchase Warrants, 1971 Warrants and Series B Warrants

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Exelon Corporation	Yes ☒	No ☐
Commonwealth Edison Company	Yes ☐	No ☒
PECO Energy Company	Yes ☐	No ☒
Exelon Generation Company, LLC	Yes ☐	No ☒

The estimated aggregate market value of the voting and non-voting common equity held by nonaffiliates of each registrant as of June 30, 2003, was as follows:

Exelon Corporation Common Stock, without par value	$19,484,998,248
Commonwealth Edison Company Common Stock, $12.50 par value	No established market
PECO Energy Company Common Stock, without par value	None
Exelon Generation Company, LLC	Not applicable

The number of shares outstanding of each registrant's common stock as of January 31, 2004 was as follows:

Exelon Corporation Common Stock, without par value	329,235,372
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,494
PECO Energy Company Common Stock, without par value	170,478,507
Exelon Generation Company, LLC	Not applicable

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Exelon Corporation's Current Report on Form 8-K dated February 20, 2004 containing consolidated financial statements and related information for the year ended December 31, 2003, are incorporated by reference into Parts II and IV of this Annual Report on Form 10-K. Portions of Exelon Corporation's definitive Proxy Statement to be filed prior to April 29, 2004, relating to its annual meeting of shareholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Portions of PECO Energy Company's definitive Information Statement to be filed prior to April 29, 2004, relating to its annual meeting of shareholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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FILING FORMAT

This combined Form 10-K is separately filed by Exelon Corporation (Exelon), Commonwealth Edison Company (ComEd), PECO Energy Company (PECO) and Exelon Generation Company, LLC (Generation) (collectively, the Registrants). Information contained herein relating to any individual registrant is 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, within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by a registrant include those factors discussed herein, including those discussed in (a) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Outlook and the Challenges in Managing Our Business for each of Exelon, ComEd, PECO and Generation, (b) ITEM 8. Financial Statements and Supplementary Data: Exelon - Note 19, ComEd – 15, PECO – Note 14 and Generation – Note 13 and (c) other factors discussed in filings with the United States Securities and Exchange Commission (SEC) 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 undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

The public may read and copy any reports or other information that the Registrants file with the SEC at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services, the web site maintained by the SEC at *www.sec.gov* and Exelon's website at *www.exeloncorp.com*.

The Exelon corporate governance guidelines and the charters of the standing committees of its Board of Directors, together with the Exelon Code of Business Conduct and additional information regarding Exelon's corporate governance, are available on Exelon's website at *www.exeloncorp.com* and will be made available, without charge, in print to any shareholder who requests such documents from Katherine K. Combs, Vice President and Corporate Secretary, Exelon Corporation, P.O. Box 805398, Chicago, Illinois 60680-5398.

PART I

ITEM 1. BUSINESS

General

Exelon Corporation (Exelon), a registered public utility holding company, through its subsidiaries, operates in three business segments – Energy Delivery, Generation and Enterprises – as described below. See Note 21 of the Notes to Consolidated Financial Statements for further segment information. In addition to Exelon's three business segments, Exelon Business Services Company (BSC), a subsidiary of Exelon, provides Exelon and its subsidiaries with financial, human resource, legal, information technology, supply management and corporate governance services.

Exelon was incorporated in Pennsylvania in February 1999. Exelon's principal executive offices are located at 10 South Dearborn Street, Chicago, Illinois 60603, and its telephone number is 312-394-7398.

Energy Delivery

Exelon's energy delivery business consists of the regulated sale of electricity and distribution and transmission services by Commonwealth Edison Company (ComEd) in northern Illinois and by PECO Energy Company (PECO) in southeastern Pennsylvania and the regulated sale of natural gas and distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia.

ComEd was organized in the State of Illinois in 1913 as a result of the merger of Cosmopolitan Electric Company into the original corporation named Commonwealth Edison Company, which was incorporated in 1907. ComEd's principal executive offices are located at 10 South Dearborn Street, Chicago, Illinois 60603, and its telephone number is 312-394-4321. PECO was incorporated in Pennsylvania in 1929. PECO's principal executive offices are located at 2301 Market Street, Philadelphia, Pennsylvania 19101-8699, and its telephone number is 215-841-4000.

Generation

Exelon's generation business consists of the owned and contracted for electric generating facilities and energy marketing operations of Exelon Generation Company, LLC (Generation), a 50% interest in Sithe Energies, Inc. (Sithe) and, effective January 1, 2004, the competitive retail sales business of Exelon Energy Company.

Generation was formed in 2000 as a Pennsylvania limited liability company. Generation began operations as a result of a corporate restructuring effective January 1, 2001 in which Exelon separated its generation and other competitive business from its regulated energy delivery business at ComEd and PECO. Generation's principal executive offices are located at 300 Exelon Way, Kennett Square, Pennsylvania 19348, and its telephone number is 610-765-6900.

Enterprises

Exelon's enterprise business consists primarily of the energy services business of Exelon Services, Inc. (Exelon Services), the district cooling business of Exelon Thermal Holdings, Inc. (Thermal), the electrical contracting business of F&M Holdings, Inc., a communications joint venture and other investments weighted towards the communications, energy services and retail services industries. Effective January 1, 2004, Enterprises competitive retail sales business, Exelon Energy Company, became part of Generation. Exelon continues to pursue opportunities to sell other Enterprises businesses.

Federal and State Regulation

Exelon and several of its subsidiaries are subject to Federal and state regulation. Exelon is a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA). ComEd is a public utility

under the Illinois Public Utilities Act subject to regulation by the Illinois Commerce Commission (ICC). PECO is a public utility under the Pennsylvania Public Utility Code subject to regulation by the Pennsylvania Public Utility Commission (PUC). ComEd, PECO and Generation are electric utilities under the Federal Power Act subject to regulation by the Federal Energy Regulatory Commission (FERC). Specific operations of Exelon are also subject to the jurisdiction of various other Federal, state, regional and local agencies, including the United States Nuclear Regulatory Commission (NRC).

As a registered holding company, Exelon and its subsidiaries are subject to a number of restrictions under PUHCA. These restrictions generally involve financing, investments and affiliate transactions. Under PUHCA, Exelon and its subsidiaries cannot issue debt or equity securities or guarantees without approval of the United States Securities and Exchange Commission (SEC) or in some circumstances in the case of ComEd and PECO, the ICC or the PUC, respectively. Exelon currently has SEC approval under PUHCA through March 31, 2004 to issue up to an aggregate of $4 billion in common stock, preferred securities, long-term debt and short-term debt, and to issue up to $4.5 billion in guarantees. As of December 31, 2003, there was $2.0 billion of financing authority remaining under the SEC order, and Exelon had $1.9 billion of guarantees outstanding subject to PUHCA restrictions. On December 22, 2003, Exelon filed an application requesting financing authorization in an aggregate amount not to exceed $8 billion for a new authorization period, April 1, 2004 through April 15, 2007. PUHCA also limits the businesses in which Exelon may engage and the investments that Exelon may make. With limited exceptions, Exelon may only engage in traditional electric and gas utility businesses and other businesses that are reasonably incidental or economically necessary or appropriate to the operations of the utility business. The exceptions include Exelon's ability to invest in exempt telecommunications companies, in exempt wholesale generating businesses and foreign utility companies (these investments are capped at $4 billion in the aggregate), in energy-related companies (as defined in SEC rules, and subject to a cap on these investments of 15% of Exelon's consolidated capitalization), and in other businesses, subject to SEC approval. In addition, PUHCA requires that all of a registered holding company's utility subsidiaries constitute a single system that can be operated in an efficient, coordinated manner. For additional information about restrictions on the payment of dividends and other effects of PUHCA on Exelon and its subsidiaries, see ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Exelon.

Energy Delivery

Energy Delivery consists of Exelon's regulated energy delivery operations conducted by ComEd and PECO.

ComEd is engaged principally in the purchase, transmission, distribution and sale of electricity to a diverse base of residential, commercial, industrial and wholesale customers in northern Illinois. ComEd is subject to extensive regulation by the ICC as to rates, the issuance of securities, and certain other aspects of ComEd's operations. ComEd is also subject to regulation by the FERC as to transmission rates and certain other aspects of its business.

ComEd's retail service territory has an area of approximately 11,300 square miles and an estimated population of eight million. The service territory includes the City of Chicago (Chicago), an area of about 225 square miles with an estimated population of three million. ComEd has approximately 3.6 million customers.

ComEd's franchises are sufficient to permit it to engage in the business it now conducts. ComEd's franchise rights are generally nonexclusive rights documented in agreements and, in some cases, certificates of public convenience issued by the ICC. With few exceptions, the franchise rights have stated expiration dates ranging from 2004 to 2060 and subsequent years.

PECO is engaged principally in the purchase, transmission, distribution and sale of electricity to residential, commercial and industrial customers in southeastern Pennsylvania and in the purchase, distribution and sale of natural gas to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. PECO is subject to extensive regulation by the PUC as to electric and gas rates, the issuances of

securities and certain other aspects of PECO's operations. PECO is also subject to regulation by the FERC as to transmission rates, gas pipelines and certain other aspects of its business.

PECO's retail service territory covers approximately 2,100 square miles in southeastern Pennsylvania. PECO provides electric delivery service in an area of approximately 2,000 square miles, with a population of approximately 3.9 million, including 1.5 million in the City of Philadelphia. Natural gas service is supplied in an approximate 1,900 square mile area in southeastern Pennsylvania adjacent to Philadelphia, with a population of approximately 2.4 million. PECO delivers electricity to approximately 1.5 million customers and natural gas to approximately 460,000 customers.

PECO has the necessary franchise rights to furnish electric and gas service in the various municipalities or territories in which it now supplies such services. PECO's franchise rights, which are generally nonexclusive rights, consist of charter rights and certificates of public convenience issued by the PUC and/or "grandfather rights." Such franchise rights are generally unlimited as to time.

Energy Delivery's kilowatthour (kWh) sales and load of electricity are generally higher during the summer periods and winter periods, when temperature extremes create demand for either summer cooling or winter heating. ComEd's highest peak load experienced to date occurred on August 21, 2003 and was 22,054 megawatts (MWs); and the highest peak load experienced to date during a winter season occurred on January 6, 2004 and was 15,205 MWs. PECO's highest peak load experienced to date occurred on August 14, 2002 and was 8,164 MWs; and the highest peak load experienced to date during a winter season occurred on January 15, 2004 and was 6,396 MWs.

PECO's gas sales are generally higher during the winter periods when temperature extremes create demand for winter heating. PECO's highest daily gas send out experienced to date occurred on January 17, 2000 and was 718 million cubic feet (mmcf).

Retail Electric Services

Electric utility restructuring legislation was adopted in Pennsylvania in December 1996 and in Illinois in December 1997. Both Illinois and Pennsylvania permit competition by alternative generation suppliers for retail generation supply while transmission and distribution service remains fully regulated. Both states, through their regulatory agencies, established a phased approach for allowing customers to choose an alternative electric generation supplier; required rate reductions and imposed caps on rates during a transition period; and allowed the collection of competitive transition charges (CTCs) from customers to recover costs that might not otherwise be recovered in a competitive market (stranded costs). Under the restructuring initiatives adopted at the Federal and state levels, the role of electric utilities in the supply and delivery of energy is changing.

Under Illinois and Pennsylvania legislation, ComEd and PECO are required to provide generation services to customers who do not or cannot choose an alternative supplier. Provider of last resort (POLR) obligations refer to the obligation of a utility to provide generation services (i.e., power and energy) to those customers who do not take service from an alternative generation supplier or who choose to come back to the utility after taking service from an alternative supplier. Because the choice generally lies with the customer, POLR obligations make it difficult for the utility to predict and plan for the level of customers and associated energy demand. If POLR obligations remain unchanged, the utility could be required to maintain reserves sufficient to serve 100% of the service territory load at a tariffed rate on the chance that customers who switched to new suppliers decide to come back to the utility as a "last resort" option. A significant over or under estimation of such reserves may cause commodity price risks for the utilities. ComEd and PECO continue to be obligated to provide a reliable delivery system under cost-based rates.

ComEd. All of ComEd's customers are eligible to choose an alternative retail electric supplier (ARES) and non-residential customers can also elect the power purchase option (PPO) that allows the purchase of electric energy from ComEd at market-based prices. As of December 31, 2003, no ARES had sought approval from the

ICC, and no electric utilities have chosen, to enter the residential market for the supply of electricity in ComEd's service territory. At December 31, 2003, approximately 20,300 non-residential customers, representing approximately 31% of ComEd's annual retail kilowatthour sales, had elected to purchase their electric energy from an ARES or had chosen the PPO. Customers who receive energy from an alternative supplier continue to pay a delivery charge to ComEd. ComEd is unable to predict the long-term impact of customer choice on its results of operations.

On November 14, 2002, the ICC allowed ComEd to revise its POLR obligation to be the back-up energy supplier at market-based rates for customers with energy demands of at least three megawatts. About 370 of ComEd's largest energy customers are affected, representing an aggregate of approximately 2,500 megawatts, and will not have a right to take bundled service after June 2006 or to come back to bundled rates if they choose an alternative supplier. These customers accounted for 10% of ComEd's 2003 MWh deliveries. On March 28, 2003, the ICC approved changes to ComEd's real-time pricing tariff, which would be made available to customers who choose not to go to the competitive market to procure their electric power and energy. An appeal to each of the ICC's orders is pending and ComEd cannot predict the outcome of those appeals.

The parties to a March 2003 agreement with various Illinois electric retail market suppliers, key customer groups and governmental parties regarding several matters affecting ComEd's rates for electric service have committed, if specified market conditions exist, not to oppose a process initiated in June 2004 or thereafter for achieving a similar competitive declaration for customers having energy demands of one to three megawatts.

In addition to retail competition for generation services, the Illinois legislation provided for residential base rate reductions, a sharing with customers of any earnings over a defined threshold and a base rate freeze, reflecting the residential base rate reductions, through January 1, 2007. A 15% residential base rate reduction became effective on August 1, 1998, and a further 5% residential base rate reduction became effective October 1, 2001. A utility may request a rate increase during the rate freeze period only when necessary to ensure the utility's financial viability. Under the Illinois legislation, if the two-year average of the earned return on common equity of a utility through December 31, 2006 exceeds an established threshold, one-half of the excess earnings must be refunded to customers. The threshold rate of return on common equity is based on a two-year average of the Monthly Treasury Bond Long-Term Average Rates (25 years and above) plus 8.5% in the years 2000 through 2006. Earnings for purposes of ComEd's threshold include ComEd's net income calculated in accordance with accounting principles generally accepted in the United States (GAAP) and reflect the amortization of regulatory assets. As a result of the Illinois legislation, at December 31, 2003, ComEd had a regulatory asset with an unamortized balance of $131 million that it expects to fully recover and amortize by the end of 2006. Consistent with the provisions 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. The earned return on common equity and the threshold return on common equity for ComEd are each calculated on a two-year average basis. ComEd did not trigger the earnings sharing provision in 2003, 2002 or 2001 and does not currently expect to trigger the earnings sharing provisions in the years 2004 through 2006.

ComEd expects its capital expenditures will exceed depreciation on its rate base assets through at least 2004. The base rate freeze will generally preclude incremental rate recovery of and on such incremental investments prior to January 1, 2007. Unless ComEd can offset the additional carrying costs against cost reductions, its return on investment will be reduced during the period of the rate freeze and until rate increases are approved authorizing a return of and on this new investment.

The Illinois legislation also provided for the collection of a CTC from customers who choose to purchase electric energy from an ARES or elect the PPO during a transition period that extends through 2006. The CTC, which was initially established as of October 1, 1999 and is applied on a cents per kWh basis, considers the revenue that would have been collected from a customer under tariffed rates, reduced by the revenue the utility will receive for providing delivery services to the customer, the market price for electricity and a defined mitigation factor, which represents the utility's opportunity to develop new revenue sources and achieve cost reductions. The CTC allows ComEd to recover some of its costs that might otherwise be unrecoverable under market-based rates.

The rates for the generation service provided by ComEd under bundled rates are subject to a rate freeze during the transition period. ComEd has entered into a purchased 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. An extension of this contract for 2005 and 2006 has been agreed to by ComEd and Generation with substantially the same terms as the PPA currently in effect, except for the prices for energy which were reset to reflect the current rates at the time the extension was agreed to. This extension must still be filed with the ICC. Subsequent to 2006, ComEd will obtain all of its supply from market sources, which could include Generation.

The Illinois legislation provides that an electric utility, such as ComEd, will be liable for actual damages suffered by customers in the event of a continuous power outage of four hours or more affecting 30,000 or more customers and provides for reimbursement of governmental emergency and contingency expenses incurred in connection with any such outage. The legislation bars recovery of consequential damages. The legislation also allows an affected utility to seek relief from these provisions from the ICC when the utility can show that the cause of the outage was unpreventable due to weather events or conditions, customer tampering or third-party causes.

On March 3, 2003, ComEd entered into an agreement with various Illinois electric retail market suppliers, key customer groups and governmental parties regarding several matters affecting ComEd's rates for electric service (Agreement). The Agreement addressed, among other things, issues related to ComEd's delivery services rate proceeding, market value index proceeding, the process for competitive service declarations for large-load customers and an amendment and extension of the PPA with Generation. During the second quarter of 2003, the ICC issued orders consistent with the Agreement, which is now effective.

The Agreement provides for a modification of the methodology used to determine ComEd's market value energy credit. That credit is used to determine the price for specified market-based rate offerings and the amount of the CTC that ComEd is allowed to collect from customers who select an ARES or the PPO. The credit was adjusted upwards through agreed upon "adders" which took effect in June 2003 and has had and will continue to have the effect of reducing ComEd's CTC charges to customers. Prior to the Agreement, all CTC charges were subject to annual mid-year adjustments based on the forward market prices for on-peak energy and historical market prices for off-peak energy. The Agreement provides that the annual market price adjustment will reflect forward market prices for energy, rather than historical, and allows customers an option to lock in current levels of CTC charges for multi-year periods during the regulatory transition period ending in 2006. These changes provide customers and suppliers greater price certainty and have resulted in an increase in the number of customers electing to purchase energy from alternate suppliers.

The annual market price adjustments to the CTC effective in June 2002 and the impacts of the Agreement in June 2003 had the effect of significantly increasing the CTC charge in June 2002 and subsequently significantly reducing the CTC charge in June 2003. In 2003 and 2002, ComEd collected $304 million and $306 million in CTC revenue, respectively. Based on the changes in the CTC as part of the Agreement and on current assumptions about the competitive price of delivered energy and customers' choice of electric supplier, ComEd estimates that CTC revenue will be approximately $180 million to $200 million in each of the years 2004 through 2006.

PECO. Under the Pennsylvania Electricity Generation Customer Choice and Competition Act (Competition Act), all of PECO's retail electric customers have the right to choose their generation suppliers. At December 31, 2003, approximately 20% of PECO's residential load, 24% of its small commercial and industrial load and 5% of its large commercial and industrial load were purchasing generation service from alternative generation suppliers. Customers who purchase energy from an alternative generation supplier continue to pay a delivery charge to PECO.

In addition to retail competition for generation services, PECO's 1998 settlement of its restructuring case mandated by the Competition Act established caps on generation and distribution rates. The 1998 settlement also

authorized PECO to recover $5.3 billion of stranded costs and to securitize up to $4.0 billion of its stranded cost recovery, which was subsequently increased to $5.0 billion.

Under the 1998 settlement, PECO's distribution rates were capped through June 30, 2005 at the level in effect on December 31, 1996. Generation rates, consisting of the charge for stranded cost recovery and a shopping credit or capacity and energy charge, were capped through December 31, 2010. For 2003, the generation rate cap was $0.0698 per kWh, increasing to $0.0751 per kWh in 2006 and $0.0801 per kWh in 2007. The rate caps are subject to limited exceptions, including significant increases in Federal or state taxes or other significant changes in law or regulations that would not allow PECO to earn a fair rate of return. Under the settlement agreement entered into by PECO in 2000 relating to the PUC's approval of the merger among PECO, Unicom Corporation (Unicom), the former parent company of ComEd, and Exelon (Merger), PECO agreed to $200 million in aggregate rate reductions for all customers over the period January 1, 2002 through 2005 and extended the rate cap on distribution rates through December 31, 2006. The remaining required rate reductions are $40 million per year in 2004 and 2005.

As a mechanism for utilities to recover their allowed stranded costs, the Competition Act provides for the imposition and collection of non-bypassable transition charges on customers' bills. Transition charges are assessed to and collected from all retail customers who have been assigned stranded cost responsibility and access the utility's transmission and distribution systems. As the transition charges are based on access to the utility's transmission and distribution system, they are assessed regardless of whether such customer purchases electricity from the utility or an alternative electric generation supplier. The Competition Act provides, however, that the utility's right to collect transition charges is contingent on the continued operation, at reasonable availability levels, of the assets for which the stranded costs were awarded, except where continued operation is no longer cost efficient because of the transition to a competitive market.

PECO has been authorized by the PUC to recover stranded costs of $5.3 billion over a twelve-year period ending December 31, 2010, with a return on the unamortized balance of 10.75%. The following table shows PECO's allowed recovery of stranded costs, and amortization of the associated regulatory asset, for the years 2004 through 2010 as authorized by the PUC based on the level of transition charges established in the settlement of PECO's restructuring case and the projected annual retail sales in PECO's service territory. Recovery of transition charges for stranded costs and PECO's allowed return on its recovery of stranded costs are included in revenues. To the extent the actual recoveries of transition charges in any one year differ from the authorized amount set forth below, an annual reconciliation adjustment to the transition charges rate is made to increase or decrease the subsequent year's collections accordingly, except during 2010, in which the reconciling adjustments are made quarterly or monthly as needed.

PECO Estimated CTC Revenue and Annual Stranded Cost Amortization per the Electric Restructuring Settlement:

Year	Estimated CTC Revenue	Estimated Stranded Cost Amortization
2003 (Actual)	$ 818	$ 336
2004	812	367
2005	808	404
2006	903	550
2007	910	619
2008	917	697
2009	924	783
2010	932	880

Under the Competition Act, licensed entities, including alternative electric generation suppliers, may act as agents to provide a single bill and provide associated billing and collection services to retail customers located in PECO's retail electric service territory. In that event, the alternative supplier or other third party replaces the

customer as the obligor with respect to the customer's bill and PECO generally has no right to collect such receivable from the customer. Third-party billing would change PECO's customer profile (and risk of non-payment by customers) by replacing multiple customers with the entity providing third-party billing for those customers. PUC-licensed entities may also finance, install, own, maintain, calibrate and remotely read advanced meters for service to retail customers in PECO's retail electric service territory. To date, no third parties are providing billing of PECO's charges to customers or advanced metering. Only PECO can physically disconnect or reconnect a customer's distribution service.

The 1998 settlement of PECO's restructuring case established market share thresholds (MST) to promote competition. The MST requirements provided that if, as of January 1, 2003, less than 50% of residential and commercial customers have chosen an alternative electric generation supplier, the number of customers sufficient to meet the MST shall be randomly selected and assigned to an alternative electric generation supplier through a PUC-determined process. On January 1, 2003, the number of customers choosing an alternative electric generation supplier did not meet the MST. As a result of a PUC-approved auction process, approximately 64,000 small commercial and industrial customers and 267,000 residential customers were selected to participate in the MST program of which approximately 50,000 and 194,000 customers enrolled with alternative electric generation suppliers in May 2003 and December 2003, respectively. Any customer transferred has the right to return to PECO at any time. Exelon and PECO do not expect the transfer of PECO customers pursuant to the MST plan to have a material impact on their respective results of operations, financial positions or cash flows.

PECO has entered into a PPA with Generation under which PECO obtains substantially all of its electric supply from Generation through 2010. Also, under the 2001 corporate 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.

Transmission Services

Energy Delivery provides wholesale and unbundled retail transmission service under rates established by the FERC. The FERC has used its regulation of transmission to encourage competition for wholesale generation services and the development of regional structures to facilitate regional wholesale markets. Under the FERC's open transmission access policy promulgated in Order No. 888, PECO and ComEd, as owners of transmission facilities, are required to provide open access to their transmission facilities under filed tariffs at cost-based rates. Under the FERC's Order No. 889, PECO and ComEd are required to comply with the FERC's Standards of Conduct regulation, as amended, governing the communication of non-public information between the transmission owner's transmission employees and wholesale merchant employees or the employees of any energy affiliate of the transmission owner. The FERC recently issued Order No. 2004, amending the Standards of Conduct regulation. The amendments do not detrimentally impact Exelon's business.

In December 1999, the FERC issued Order No. 2000 (Order 2000) requiring jurisdictional utilities to file a proposal to form a regional transmission organization (RTO) or, alternatively, to describe efforts to participate in or work toward participating in an RTO or explain why they were not participating in an RTO. Order 2000 is generally designed to separate the governance and operation of the transmission system from generation companies and other market participants.

Order 2000 and the proposed wholesale market platform contemplate that the jurisdictional transmission owners in a region will turn over operating authority over their transmission facilities to an RTO or other independent entity for the purpose of providing open transmission access. Under the proposed rule making, the independent entity will become the provider of the transmission service, and the transmission owners will recover their revenue requirements through the independent entity. The transmission owners would remain responsible for maintaining and physically operating their transmission facilities. The FERC has also issued proposals to encourage FERC-jurisdictional transmission owners to develop RTOs, independent control of the transmission grid and expansion of the transmission grid by providing enhanced returns on equity for transmission assets.

Order 2000 has not led to the rapid development of RTOs and the FERC has not yet finalized its standard market proposal. Exelon supports both of these proposals but cannot predict whether they will be successful, what impact they may ultimately have on Exelon's transmission rates, revenues and operation of its transmission facilities, or whether they will ultimately lead to the development of large, successful regional wholesale markets.

PJM Interconnection, LLC (PJM) is the independent system operator and the FERC-approved RTO for the Mid-Atlantic region in which it operates. PJM is the transmission provider under, and the administrator of, the PJM Open Access Transmission Tariff (PJM Tariff), operates the PJM Interchange Energy Market and Capacity Credit Markets, and conducts the day-to-day operations of the bulk power system of the PJM region. PECO's transmission system is currently under the control of PJM, and ComEd has taken steps to place its transmission system under PJM's control. Under the PJM tariff, transmission service is provided on a region-wide, open-access basis using the transmission facilities of the PJM members at rates based on the costs of transmission service.

ComEd. On April 1, 2003, ComEd received approval from the FERC to transfer control of its transmission assets to PJM. The FERC also accepted for filing the amended PJM Tariff to reflect the inclusion of ComEd and other new members, subject to a compliance filing and to hearing on certain issues. On June 2, 2003, ComEd began receiving electric transmission reservation services from PJM and transferred control of ComEd's Open Access Same Time Information System to PJM. Although full integration of ComEd's transmission assets into PJM's energy market structures was scheduled to occur in November 2003, that date has been delayed due to the August 14, 2003 power blackout in the Northeast United States and Canada. PJM announced that it will conduct an investigation of that blackout and will apply any lessons learned from that investigation to this integration. After resolution of these matters and completion of certain implementation work necessary to integrate ComEd into PJM, ComEd expects to transfer functional control of its transmission assets to PJM and to integrate fully into PJM's energy market structures during May 2004.

On November 10, 2003, the FERC issued an order allowing ComEd to put into effect beginning April 12, 2004, subject to refund and rehearing, new transmission rates designed to reflect nearly $500 million of infrastructure improvements made since 1998. However, because of the Illinois retail rate freeze and the method for calculating CTCs, the increase is not expected to significantly increase operating revenues. ComEd is unable to predict the ultimate outcome of the associated rehearing or settlement negotiations.

PECO. PECO provides regional transmission service pursuant to PJM's regional open-access transmission tariff. PECO and the other transmission owners in PJM have turned over control of their transmission facilities to PJM.

Gas

PECO's gas sales and gas transportation revenues are derived pursuant to rates regulated by the PUC. Customers have the right to choose their gas suppliers or purchase their gas supply from PECO at cost.

The PUC established, through regulated proceedings, the rates that PECO may charge for gas service in Pennsylvania. PECO's purchased gas cost rates, which represent a portion of total rates, are subject to quarterly adjustments designed to recover or refund the difference between the actual cost of purchased gas and the amount included in rates.

Approximately 30% of PECO's current total yearly throughput is supplied by third parties. Gas transportation service provided remains subject to rate regulation. PECO also provides billing, metering, installation, maintenance and emergency response services.

PECO's natural gas supply is provided by purchases from a number of suppliers for terms of up to five years. These purchases are delivered under several long-term firm transportation contracts. PECO's aggregate

annual firm supply under these firm transportation contracts is 47.5 million dekatherms. Peak gas is provided by PECO's liquefied natural gas (LNG) facility and propane-air plant. PECO also has under contract 22.0 million dekatherms of underground storage through service agreements. Natural gas from underground storage represents approximately 34% of PECO's 2003-2004 heating season planned supplies.

Construction Budget

Energy Delivery's business is capital intensive and requires significant investments in energy transmission and distribution facilities, and in other internal infrastructure projects. The following table shows Exelon's most recent estimate of capital expenditures for plant additions and improvements for ComEd and PECO for 2004:

(in millions)	ComEd	PECO
Transmission and distribution	$ 586	$ 178
Gas	—	53
Other	30	8
Total	$ 616	$ 239

Approximately 50% of ComEd's 2004 budgeted capital expenditures and 60% of PECO's 2004 budgeted capital expenditures are for additions to or upgrades of existing facilities, including improvements to reliability. The remainder of the capital expenditures support customer and load growth.

Generation

Generation is one of the largest competitive electric generation companies in the United States, as measured by owned and controlled MWs. Generation combines its large generation fleet with an experienced wholesale power marketing operation.

At December 31, 2003, Generation owned generation assets in the Northeast, Mid-Atlantic, Midwest and Texas regions with a net capacity of 28,492 MWs, including 16,959 MWs of nuclear capacity. In December 2003, Generation purchased British Energy plc's (British Energy) 50% interest in AmerGen Energy Company, LLC (AmerGen) for $276.5 million. AmerGen is now a wholly owned subsidiary of Generation. Generation's ownership interests include 3,145 MWs of capacity owned by Boston Generating, LLC (Boston Generating), a project subsidiary of Exelon New England formerly known as Exelon Boston Generating, LLC of which 2,851 MWs is currently available for commercial operations. Generation controls another 12,703 MWs of capacity in the Midwest, Southeast and South Central regions through long-term contracts.

On November 25, 2003, Generation, Reservoir Capital Group (Reservoir) and Sithe completed a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe with put and call options that could result in either party owning Sithe outright. While Generation's intent is to fully divest Sithe, the timing of the put and call options vary by acquirer and can extend through March 2006. The pricing of the put and call options is dependent on numerous factors, such as the acquirer, date of acquisition and assets owned by Sithe at the time of exercise. Currently, Sithe has a total generating capacity of 1,097 MWs in operation and 228 MWs under construction. See further discussion of these transactions in the Sithe section, which follows within this ITEM 1. Business – Generation.

Generation's wholesale marketing unit, Power Team, a major wholesale marketer of energy, uses Generation's energy generation portfolio, transmission rights and expertise to ensure delivery of energy to Generation's wholesale customers under long-term and short-term contracts, including the load requirements of ComEd and PECO. Power Team markets any remaining energy in the wholesale bilateral and spot markets.

Generating Resources

The generating resources of Generation, including its ownership share of Sithe, consist of the following:

Type of Capacity	MWs
Owned generation assets (1,2)	
Nuclear	16,959
Fossil (3)	9,925
Hydroelectric	1,608
Owned generation assets	28,492
Long-term contracts (4)	12,703
Sithe (2)	549
Available resources	41,744
Under construction (2)	114
Total generating resources	41,858

(1) See ITEM 1. Business – Generation "Fuel" for sources of fuels used in electric generation.
(2) Based on Generation's 50% ownership of Sithe.
(3) Includes 3,145 MWs of generating capacity owned by Boston Generating, of which 2,851 MWs is currently available for commercial operations.
(4) Contracts range from 1 to 27 years.

The owned generating resources of Generation are located in the Midwest region (approximately 40% of capacity), the Mid-Atlantic region (approximately 39% of capacity), the Northeast region (approximately 12% of capacity) and the Texas region (approximately 9%). Sithe's generating resources are primarily in New York. The remaining plants are located throughout North America.

In July 2003, Generation announced that it would transition out of its ownership of Boston Generating and the related projects and recorded an asset impairment charge of $945 million (before income taxes) associated with its decision. Boston Generating currently owns 3,145 MWs of generating capacity, of which 2,851 MWs is currently available for commercial operations, located in Massachusetts.

For a further discussion of Sithe and Boston Generating, see the Sithe and Boston Generating sections, which follow within this ITEM 1. Business – Generation.

Nuclear Facilities. Generation has ownership interests in 11 nuclear generating stations, consisting of 19 units with 16,959 MW of capacity. For additional information, see ITEM 2. Properties. All of the nuclear generating stations are operated by Generation, with the exception of Salem Generating Station (Salem), which is operated by PSE&G Nuclear, LLC.

In 2003, over 50% of Generation's electric supply was generated from the nuclear generating facilities. During 2003 and 2002, the nuclear generating facilities operated by Generation operated at weighted average capacity factors of 93.4% and 92.7%, respectively.

Licenses. Generation has 40-year operating licenses from the NRC for each of its nuclear units. Generation applied to the NRC in January 2003 for extensions of the operating licenses of Dresden units 2 and 3 and the Quad Cities units. The operating license renewal process takes approximately four to five years from the commencement of the project at a site until completion of the NRC's review. The NRC review process takes

approximately two years from the docketing of an application. Each requested license extension is expected to be for 20 years beyond the current license expiration. Generation anticipates filing a request for a license extension for Oyster Creek and is currently evaluating the other AmerGen facilities for possible extension. Depreciation provisions are based on the estimated useful lives of the units, which assume the extension of these licenses for all of the non-AmerGen nuclear generating stations. Generation extended the depreciable lives of the AmerGen stations beginning in January 2004 concurrent with its initial full month of 100% ownership.

On May 7, 2003, the NRC announced that it had approved a twenty-year extension of the operating licenses for Peach Bottom Units 2 and 3. The original 40-year license for Peach Bottom Unit 2 was extended to 2033, and the Unit 3 license was extended to 2034.

The following table summarizes the current operating license expiration dates for Generation's nuclear facilities in service.

Station	Unit	In-Service Date	Current License Expiration
Braidwood	1	1988	2026
	2	1988	2027
Byron	1	1985	2024
	2	1987	2026
Clinton	1	1987	2026
Dresden	2	1970	2009
	3	1971	2011
LaSalle	1	1984	2022
	2	1984	2023
Limerick	1	1986	2024
	2	1990	2029
Oyster Creek	1	1969	2009
Peach Bottom	2	1974	2033
	3	1974	2034
Quad Cities	1	1973	2012
	2	1973	2012
Salem	1	1977	2016
	2	1981	2020
Three Mile Island	1	1974	2014

Regulation of Nuclear Power Generation and Security. Generation is subject to the jurisdiction of the NRC with respect to the operation of its nuclear generating stations, including the licensing of operation of each station. The NRC subjects nuclear generating stations to continuing review and regulation covering, among other things, operations, maintenance, emergency planning, security, environmental and radiological aspects of those stations. The NRC may modify, suspend or revoke operating licenses and impose civil penalties for failure to comply with the Atomic Energy Act, the regulations under such Act or the terms of such licenses. Changes in regulations by the NRC may require a substantial increase in capital expenditures for nuclear generating facilities or increased operating costs of nuclear generating units.

The NRC oversight process uses objective, timely and safety-significant criteria in assessing performance. It also takes into account improvements in the performance of the nuclear industry over the past 20 years. Nuclear plant performance is measured by a combination of 18 objective performance indicators and by the NRC inspection program. These are closely focused on those plant activities having the greatest impact on safety and overall risk. In addition, the NRC conducts periodic reviews of the effectiveness of each operator's programs to identify and correct problems. The inspection program is designed to verify the accuracy of performance indicator information and to assess performance based on safety cornerstones. These include initiating events, mitigating systems, integrity of barriers to release of radioactivity, emergency preparedness, occupational and public radiation safety, and physical protection.

The NRC evaluates licensee performance by analyzing two distinct inputs: inspection findings resulting from the NRC inspection program and performance indicators reported by the licensees on a quarterly basis.

NRC reactor oversight results for the fourth quarter of 2003 indicate that the performance indicators for Generation's nuclear plants are all in the highest performance band, with the exception of one indicator for Dresden Unit 3, and one indicator for Braidwood Unit 1, both of which are still considered to be in an acceptable performance band within that indicator by the NRC.

Exelon does not know the impact that future terrorist attacks or threats of terrorism may have on the electric and gas industry in general and on Exelon in particular. Exelon has initiated security measures to safeguard its employees and critical operations from threats of terrorism and is actively participating in industry initiatives to identify methods to maintain the reliability of Exelon's energy production and delivery systems. Generation has met or exceeded all security measures mandated by the NRC for nuclear plants. On a continuing basis, Exelon is evaluating enhanced security measures at certain critical locations, enhanced response and recovery plans and assessing long-term design changes and redundancy measures. Additionally, the energy industry is working with governmental authorities to ensure that emergency plans are in place and critical infrastructure vulnerabilities are addressed in order to maintain the reliability of the country's energy systems. These measures will involve additional expenses to develop and implement, but will provide increased assurances as to Exelon's ability to continue to operate under difficult times.

Nuclear Waste Disposal. There are no facilities for the reprocessing or permanent disposal of spent nuclear fuel (SNF) currently in operation in the United States, nor has the NRC licensed any such facilities. Generation currently safely stores all SNF generated by nuclear generating facilities in on-site storage pools and, in the case of Peach Bottom, Oyster Creek and Dresden, some SNF has been placed in dry cask storage facilities. Not all of Generation's SNF storage pools have sufficient storage capacity for the life of the plant. Generation is developing dry cask storage facilities, as necessary, to support operations.

As of December 31, 2003, Generation had 41,200 SNF assemblies (9,900 tons) stored on site in SNF pools and dry cask storage. On site dry cask storage in concert with on site storage pools is capable of meeting all current and future SNF storage requirements at Generation's sites. The following table describes the current status of Generation's SNF storage facilities:

Site	Date for loss of full core discharge
Dresden	Dry cask storage in operation
Quad Cities	2005
Byron	2011
LaSalle	2012
Braidwood	2013
Clinton	2006(1)
Peach Bottom	Dry cask storage in operation
Limerick	2009
Oyster Creek	Dry cask storage in operation
TMI	Life of plant storage capable in SNF pool
Salem	2011

(1) Plans to re-rack to increase SNF pool capacity to approximately 2014.

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, SNF and high-level radioactive waste. As required by the NWPA, Generation is a party to contracts with the DOE (Standard Contract) to provide for disposal of SNF from its nuclear generating stations. In accordance with the NWPA and the Standard Contract, Generation pays the DOE one mill ($.001) per kWh 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 31, 1998. The DOE, however, failed to meet that deadline and its performance will be delayed significantly. The DOE's current estimate for opening a SNF permanent disposal facility is 2010. This extended delay in SNF acceptance by the DOE has led to Generation's adoption of dry cask storage at its Dresden, Quad Cities, Peach Bottom and Oyster Creek Stations and its consideration of dry cask storage at other stations.

In July 1998, ComEd filed a complaint against the United States Government (Government) in the United States Court of Federal Claims seeking to recover damages caused by the DOE's failure to honor its contractual obligation to begin disposing of SNF in January 1998. This litigation was assumed by Generation in the 2001 corporate restructuring. In August 2001, the court granted Generation's motion for partial summary judgment for liability on ComEd's breach of contract claim. In June 2003, the court granted the Government's motion to dismiss claims other than the breach of contract claims. The trial to determine damages has been set for November 2004.

In July 2000, PECO entered into an agreement (Amendment) with the DOE relating to Generation's Peach Bottom nuclear generating units to address the DOE's failure to begin removal of SNF in January 1998 as required by the Standard Contract. Under the Amendment, the DOE agreed to provide PECO with credits against PECO's future contributions to the Nuclear Waste Fund over the next ten years to compensate PECO for SNF storage costs incurred as a result of the DOE's breach of the Standard Contract. The Amendment also provided that, upon PECO's request, the DOE will take title to the SNF and the interim storage facility at Peach Bottom, provided certain conditions are met. Generation assumed this contract in the 2001 corporate restructuring.

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 Amendment providing for credits to PECO against nuclear waste fund payments on the ground that such provision is a violation of the NWPA. In September 2002, the United States Court of Appeals for the Eleventh Circuit ruled that the fee adjustment provision of the Amendment violates the NWPA and therefore is null and void. The court did not hold that the Amendment as a whole is invalid. The Amendment provides that if any portion of the Amendment is found to be void, the DOE and Generation agree to negotiate in good faith and attempt to reach an enforceable agreement consistent with the spirit and purpose of the Amendment. That provision further provides that should a major term be declared void, and the DOE and Generation cannot reach a subsequent agreement, the entire agreement would be rendered null and void, the original Peach Bottom Standard Contract would remain in effect and the parties would return to pre-agreement status. In August 2003, Generation received a letter from the DOE demanding repayment of $40 million of previously received credits from the Nuclear Waste Fund and $1.5 million of accrued interest expense. Generation reserved its ownership share of these amounts in the third quarter of 2003 and has continued to record an interest expense associated with the repayment demand. Generation is in discussions with the DOE regarding a new settlement agreement with a different funding mechanism.

The Standard Contract with the DOE also required 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 pay the one-time fee of $277 million, with interest to the date of payment, just prior to the first delivery of SNF to the DOE. As of December 31, 2003, the unfunded liability for the one-time fee with interest was $867 million. The liabilities for SNF disposal costs, including the one-time fee, were transferred to Generation as part of the 2001 corporate restructuring.

As a by-product of their operations, nuclear generation units produce low-level radioactive waste (LLRW). LLRW is accumulated at each generation station and permanently disposed of at federally licensed disposal facilities. The Federal Low-Level Radioactive Waste Policy Act of 1980 (Waste Policy Act) provides that states may enter into agreements to provide regional disposal facilities for LLRW and restrict use of those facilities to waste generated within the region. Illinois and Kentucky have entered into an agreement, although neither state

currently has an operational site and none is currently expected to be operational until after 2011. Pennsylvania, which had agreed to be the host site for LLRW disposal facilities for generators located in Pennsylvania, Delaware, Maryland and West Virginia, has suspended the search for a permanent disposal site.

Generation has temporary on-site storage capacity at its nuclear generation stations for limited amounts of LLRW and has been shipping such waste to LLRW disposal facilities in South Carolina and Utah. The number of LLRW disposal facilities is decreasing, and Generation anticipates the possibility of continuing difficulties in disposing of LLRW. Generation is pursuing alternative disposal strategies for LLRW, including a LLRW reduction program to minimize cost impacts.

The National Energy Policy Act of 1992 requires that the owners of nuclear reactors pay for the decommissioning and decontamination of the DOE uranium enrichment facilities. The total cost to all domestic utilities covered by this requirement was originally $150 million per year through 2006, of which Generation's share was approximately $20 million per year. Payments are adjusted annually to reflect inflation. Including the effect of inflation, Generation paid $25 million in 2003.

Nuclear Insurance. The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. As of January 1, 2004, the current limit is $10.9 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. As required by the Price-Anderson Act, Generation carries the maximum available amount of nuclear liability insurance (currently $300 million for each operating site) and the remaining $10.6 billion is provided through mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed a maximum charge per reactor per incident. Effective August 20, 2003, the maximum assessment for all nuclear operators per reactor per incident (including a 5% surcharge) increased from $89 million to $101 million, 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. The Price-Anderson Act expired on August 1, 2002 and was subsequently extended to the end of 2003 by the U.S. Congress. Only facilities applying for NRC licenses subsequent to the expiration of the Price-Anderson Act are affected. Existing commercial generating facilities, such as those owned and operated by Generation, remain subject to the provisions of the Price-Anderson Act and are unaffected by its expiration.

Generation is a member of an industry mutual insurance company, Nuclear Electric Insurance Limited (NEIL), which provides property damage, decontamination and premature decommissioning insurance for each station for losses 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 Generation is required by the NRC to maintain, to provide for decommissioning the facility. Generation is unable to predict the timing of the availability of insurance proceeds to Generation and the amount of such proceeds that would be available. Under the terms of the various insurance agreements, Generation could be assessed up to $170 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. The $3.2 billion maximum recovery limit is not applicable, however, in the event of a "certified act of terrorism" as defined in the Terrorism Risk Insurance Act of 2002, as a result of government indemnity. Generally, a "certified act of terrorism" is defined in the Terrorism Risk Insurance Act to be any act, certified by the U.S. government, to be an act of terrorism committed on behalf of a foreign person or interest.

Additionally NEIL 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. Including the AmerGen sites, Generation's maximum share of any assessment is $61 million per year. Recovery under this

insurance for terrorist acts is subject to the $3.2 billion aggregate limit and secondary to the property insurance described above. This limit would also not apply in cases of certified acts of terrorism under the Terrorism Risk Insurance Act as described above.

In addition, 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. 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.

For information regarding property insurance, see ITEM 2. Properties – Generation. 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 Generation's financial condition and results of operations.

Decommissioning. NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in certain minimum amounts at the end of the life of the facility to decommission the facility. Based on estimates of decommissioning costs for each of the nuclear facilities transferred to Generation from PECO as a result of the 2001 restructuring, the PUC permits PECO to collect from their customers and deposit in nuclear decommissioning trust funds maintained by Generation amounts which, together with earnings theron, will be used to decommission such nuclear facilities. As more fully described below, both ComEd and PECO are currently collecting amounts from rate payers, which are remitted to the trust funds maintained by Generation that will be used to decommission nuclear facilities. Upon adoption of SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143), Generation was required to re-measure its decommissioning liabilities at fair value and recorded an asset retirement obligation of $2.4 billion on January 1, 2003. Increases in the asset retirement obligation are recorded as operating and maintenance expense. At December 31, 2003, the asset retirement obligation recorded within Generation's Consolidated Balance Sheet was $3.0 billion including amounts associated with the newly consolidated AmerGen units. Decommissioning expenditures are expected to occur primarily after the plants are retired and are currently estimated to begin in 2029 for plants currently in operation.

In connection with the transfer of ComEd's nuclear generating stations to Generation, ComEd asked the 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 PPAs between ComEd and 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 Generation. Under the ICC order, subsequent to 2006, there will be no further recoveries of decommissioning costs from ComEd's customers. The ICC order also provides that any surplus funds after the nuclear stations are decommissioned must be refunded to ComEd's customers. The ICC order has been upheld on appeal in the Illinois Appellate Court and the Illinois Supreme Court has declined to review the Appellate Court's decision.

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 Generation as allowed by the PUC. In 2003, the PUC authorized an annual increase in PECO's decommissioning cost recovery of approximately $4 million, increasing annual collections to $33 million per year. The amendment is consistent with provisions in PECO's 1998 settlement of its restructuring case and the Merger settlement, which require PECO to update the cost of decommissioning every five years.

Generation believes that the amounts being remitted to it by ComEd and PECO, Generation's nuclear decommissioning trust funds and the earnings on these funds will be sufficient to fully fund Generation's

decommissioning obligations. See Critical Accounting Policies and Estimates within Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – Generation for a further discussion of Nuclear Decommissioning.

AmerGen maintains decommissioning trust funds for each of its plants in accordance with NRC regulations and believes that amounts in these trust funds, together with investment earnings thereon, and additional contributions for Clinton from Illinois Power will be sufficient to fully fund its decommissioning obligations.

Zion, a two-unit nuclear generation station, and Dresden Unit 1 have permanently ceased power generation. Zion and Dresden Unit 1's SNF is currently being stored in on-site storage pools and dry cask storage, respectively, until a permanent repository under the NWPA is completed. Generation has recorded a liability of $694 million at December 31, 2003, which represents the estimated cost of decommissioning Zion and Dresden Unit 1 in current year dollars. The majority of decommissioning expenditures are expected to occur primarily after 2013 and 2030 for Zion and Dresden Unit 1, respectively.

Fossil and Hydroelectric Facilities.

Fossil units include:

- *base-load units* — the coal-fired units at Eddystone and Cromby and Generation's interests in the Conemaugh Stations and Keystone;
- *intermediate units* — the Cromby and Eddystone units and the Mystic 7 unit have dual fuel (oil/gas) capability; Handley, Mystic 8 and 9, Mountain Creek, New Boston, and Fore River are gas fueled stations; Wyman is an oil-fueled station; and
- *peaking units* — oil- or gas-fired steam turbines, combustion turbines and internal combustion units at various locations.

Hydroelectric facilities include:

- *base-load units* — the Conowingo run-of-river hydroelectric facility on the Susquehanna River in Harford County, Maryland; and
- *intermediate units* — the Muddy Run pumped-storage hydroelectric facility in Lancaster County, Pennsylvania.

Generation operates all of its fossil and hydroelectric facilities other than La Porte, Keystone, Conemaugh and Wyman. In 2003, approximately 17% of Generation's electric output was generated from Generation's owned fossil and hydroelectric generating facilities. The majority of this output was dispatched to support Generation's power marketing activities.

Licenses. Fossil generation plants are generally not licensed and, therefore, the decision on when to retire plants is, fundamentally, an economic one. Hydroelectric plants are licensed by the FERC. The Muddy Run and Conowingo facilities have licenses that expire in September 2014. Generation is considering applying to the FERC for license extensions of 40 years for both plants, but the duration of any license extension will depend on then-current policies at the FERC. The processing of an extension to an existing hydroelectric license generally takes at least eight years.

Insurance. Generation does not carry business interruption insurance for its fossil and hydroelectric operations other than its coverage for Boston Generating. 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 and Generation's financial condition and their results of operations. For information regarding property insurance, see ITEM 2. Properties – Generation.

Long-Term Contracts

In addition to owned generation assets, Generation sells electricity purchased under the long-term contracts described below:

Seller	Location	Expiration	Capacity (MWs)
Midwest Generation, LLC	Various in Illinois	2004	3,858
Kincaid Generation, LLC	Kincaid, Illinois	2013	1,158
Tenaska Georgia Partners, LP	Franklin, Georgia	2030	925
Tenaska Frontier, Ltd	Shiro, Texas	2020	830
Green Country Energy, LLC	Jenks, Oklahoma	2022	795
Others	Various	2004 to 2021	5,137
Total			12,703

Midwest Generation, LLC Contract. Generation is a party to contracts with Midwest Generation, LLC (Midwest Generation), a subsidiary of Edison Mission Energy. Under the contracts, Generation initially had the right to purchase through 2004 the capacity and energy associated with approximately 9,460 MW of fossil-fired generation stations located in Northern Illinois, formerly owned by ComEd. The generation units include base-load, intermediate and peaking units. Under the contracts, Generation pays a fixed capacity charge that varies by season and a fixed energy charge. The capacity charge is reduced to the extent the plants are unable to generate and deliver energy when requested. Under the contracts, Generation has annual rights to reduce the capacity and related energy purchase obligations, and some of these rights were recently exercised. In 2003, Generation took 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 PPA. On June 25, 2003, Generation notified Midwest Generation of its exercise of its call option under the Coal Generation PPA for 2004. Generation exercised its call option on 687 MWs of capacity for 2004 generated by Waukegan Unit 8 and Fisk Unit 19 and did not exercise its option on 578 MWs of capacity at Waukegan Unit 6, Crawford Unit 7, and Will County Unit 3. On October 1, 2003, Generation notified Midwest Generation of its exercise of certain termination options under the Collins and Peaking Unit Agreements, releasing 303 MWs for 2004, the fifth and final year of the contract. With the exercise of the termination options on the peaking plants in addition to the exercise of the options on the coal plants in June 2003, the contract with Midwest Generation has been finalized for 2004. Generation will take 1,696 MWs of non-option coal capacity, 687 MWs of option coal capacity, 1,084 MWs of Collins Station capacity and 391 MWs of peaking capacity from Midwest Generation in 2004. In total, Generation has retained 3,858 MWs of capacity under the terms of the three existing PPAs with Midwest Generation.

Federal Power Act

The Federal Power Act gives the FERC exclusive ratemaking jurisdiction over wholesale sales of electricity and the transmission of electricity in interstate commerce. Pursuant to the Federal Power Act, all public utilities subject to the FERC's jurisdiction are required to file rate schedules with the FERC with respect to wholesale sales or transmission of electricity. Tariffs established under FERC regulation give Generation access to transmission lines that enable it to participate in competitive wholesale markets.

Because Generation sells power in the wholesale markets, Generation is deemed to be a public utility for purposes of the Federal Power Act and is required to obtain the FERC's acceptance of the rate schedules for wholesale sales of electricity. In 2000, Generation received authorization from the FERC to sell energy at market-based rates. As is customary with market-based rate schedules, the FERC reserved the right to suspend market-based rate authority on a retroactive basis if it is subsequently determined that Generation or any of its affiliates exercised or have the ability to exercise market power. The FERC is also authorized to order refunds if it finds that market-based rates are unreasonable. Generation recently filed its required triennial review application to continue its market-based rate authorization.

As described above under Energy Delivery - Transmission Services, the FERC issued Order No. 2000 to encourage the voluntary formation of RTOs which would provide transmission service across multiple transmission systems. The intended benefits of establishing these entities includes the development of larger markets and the elimination or reduction of transmission charges imposed by successive transmission systems when wholesale generators cross several transmission systems to deliver capacity. However, inconsistencies in the pace of RTO development and significant state public utility commission concerns have resulted in delays in development of RTOs. PJM has been approved as an RTO, as has the Midwest ISO. ISO New England, the system operator for New England where Generation also owns facilities, currently has an application pending at the FERC for recognition as an RTO.

The FERC also has fostered a standard market platform for the wholesale markets. The FERC proposals would also require RTOs to operate an organized bid-based wholesale market for those who wish to sell their generation through the market and to manage congestion on transmission lines, preferably by means of a financially-based system known as locational marginal pricing. The FERC has also issued proposals to encourage FERC-jurisdictional transmission owners to develop RTOs, independent control of the transmission grid and expansion of the transmission grid by providing enhanced returns on equity for transmission assets. The FERC's plans for standard wholesale markets have met substantial opposition from a number of parties, including some state regulators and other governmental officials that it has been attempting to mitigate with public comment and more flexible proposals. The FERC is likely to move forward with these policies allowing regional variations during the coming year.

FERC Order 2000 has not led to the rapid development of RTOs and the FERC has not yet finalized its standard market proposal, due in part to the resistance noted above. Exelon supports both of these proposals but cannot predict whether they will be successful or if they will ultimately lead to the development of large, successful regional wholesale markets.

The FERC issued a final rule establishing standardized generator interconnection policies and procedures. Generators will benefit from not having to deal on a case-by-case basis with different and sometimes inconsistent requirements of different transmission providers.

Several other actions by the FERC should be noted. First, the FERC announced in late November 2001 a new market power test, the Supply Margin Assessment (SMA) screen. Under the SMA, if within a particular geographic market an energy company's generation capacity exceeds the market's surplus capacity above peak demand then the test is failed. Where this occurs, the FERC will impose on the company and its affiliates a requirement to offer uncommitted capacity under a cost-based rate structure. The only exemption will be for companies operating under the authority of an ISO or RTO with a FERC-approved market monitoring and mitigation plan. Under this approach, it would be unlikely that a vertically integrated energy company serving franchised retail load would be able to pass the test and maintain market-based rates, unless and until the company was a member of an approved ISO or RTO. In December 2001, the FERC essentially suspended the applicability of this test, holding that no company would be required to undertake any mitigation until after the FERC had held a technical conference on the subject. This technical conference has not been scheduled, but the FERC commissioners have stated publicly that the technical conference will be held in early 2004. In the meantime, Generation recently filed its required triennial review of its market-based rates and argued that the SMA screen should exclude from consideration capacity that is committed under long-term contracts to serve POLR load since it cannot be withheld from the market.

Second, the FERC continues to exhibit a commitment to increased market monitoring with an intent to ensure that high price volatility, such as was seen previously in California, does not occur again. As part of this commitment, the FERC formed a new Office of Market Oversight and Investigation, which reports directly to the FERC Chairman. This new office will assess, among other things, market performance. It is unclear how Generation's business may be affected by these initiatives.

Currently, while a significant portion of Generation's capacity is located within the PJM RTO area, other significant generation is located within the Mid-American Interconnected Network (MAIN) reliability region, which is not yet in an approved ISO or RTO. When ComEd joins PJM, most of this capacity will be in an approved RTO. Generation also owns capacity located within the service territory of Illinois Power Company (IP). IP may be sold to another utility and may be placed under the control of Midwest Independent Transmission System Operator, Inc., which is also an approved RTO. In the meantime, however, it is possible that under its evolving market power tests, the FERC might determine that Generation has market power in the MAIN region. If the FERC were to suspend Generation's market-based rate authority, it would most likely be necessary to file, and obtain FERC acceptance of, cost-based rate schedules or schedules tied to a public index. In addition, the loss of market-based rate authority would subject Generation to the accounting, record-keeping and reporting requirements that are imposed on public utilities with cost-based rate schedules.

Fuel

The following table shows sources of electric supply in gigawatthours (GWhs) for 2003 and estimated for 2004:

	Source of Electric Supply	
	2003	**2004 (Est.)**
Nuclear units (1)	117,502	139,092
Purchases – non-trading portfolio (2)	82,860	31,458
Fossil and hydroelectric units	24,310	21,138
Total supply	224,672	191,688

(1) Excluding AmerGen in 2003. Approximately 20,346 GWhs are included for AmerGen facilities in 2004 supply.
(2) Including PPAs with AmerGen.

The fuel costs for nuclear generation are substantially less than fossil-fuel generation. Consequently, nuclear generation is the most cost-effective way for Generation to meet its commitment to supply the requirements of ComEd, PECO and Exelon Energy Company and for sales to other utilities.

The cycle of production and utilization of nuclear fuel includes the mining and milling of uranium ore into uranium concentrates, the conversion of uranium concentrates to uranium hexafluoride, the enrichment of the uranium hexafluoride and the fabrication of fuel assemblies. Generation has uranium concentrate inventory and supply contracts sufficient to meet all of its uranium concentrate requirements through 2007. Generation's contracted conversion services are sufficient to meet all of its uranium conversion requirements through 2007. All of Generation's enrichment requirements have been contracted through 2007. Contracts for fuel fabrication have been obtained through 2007. Generation does not anticipate difficulty in obtaining the necessary uranium concentrates or conversion, enrichment or fabrication services for its nuclear units.

Generation obtains approximately 25% of its uranium enrichment services from European suppliers. There is an ongoing trade action by USEC, Inc. alleging dumping in the United States against European enrichment services suppliers. In January 2002, the U.S. International Trade Commission determined that USEC, Inc. was "materially injured or threatened with material injury" by low-enriched uranium exported by European suppliers. The U.S. Department of Commerce has assessed countervailing and anti-dumping duties against the European suppliers. Both USEC, Inc. and the European suppliers have appealed these decisions. Generation is uncertain at this time as to the outcome of the pending appeals, however as a result of these actions Generation may incur higher costs for uranium enrichment services necessary for the production of nuclear fuel.

Coal is obtained for coal-fired plants primarily through annual contracts with the remainder supplied through either short-term contracts or spot-market purchases.

Substantially all of the natural gas requirements for Boston Generating's Mystic 8 and Mystic 9 are supplied through a twenty-year natural gas contract that became effective on December 1, 2002 with Distrigas of Massachusetts, LLC (Distrigas). The Distrigas facilities consist of a liquefied natural gas (LNG) import terminal located adjacent to the Mystic station. See Note 13 of Generation's Notes to Consolidated Financial Statements for information regarding the guarantee to Distrigas.

Natural gas requirements for operating stations will be procured through annual, monthly and spot-market purchases. Some fossil generation stations can use either oil or gas as fuel. Fuel oil inventories are managed such that in the winter months sufficient volumes of fuel are available in the event of extreme weather conditions and during the remaining months inventory levels are managed to take advantage of favorable market pricing. Generation uses financial instruments to mitigate price risk associated with multi-commodity price exposures. Generation also hedges forward price risk with both over-the-counter and exchange-traded instruments.

Power Team

Power Team has experience in energy markets, generation dispatch and the requirements for the physical delivery of power. Power Team may buy power to meet the energy demand of its customers, including Energy Delivery. These purchases may be made for more than the energy demanded by Power Team's customers. Power Team then sells this open position, along with capacity not used to meet customer demand, in the wholesale energy market. Generation's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity, and long-, intermediate- and short-term contracts. Generation seeks to maintain 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 generating units. Generation has also contracted for access to additional generation through bilateral long-term PPAs. These agreements are commitments related to power generation of specific generation plants and/or are dispatchable in nature similar to asset ownership. Generation enters into PPAs with the objective of obtaining low-cost energy supply sources to meet its physical delivery obligations to customers. Excess power is sold in the wholesale market. Generation has also purchased transmission service 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 is to provide Generation with physical power supply to enable it to deliver energy to meet customer needs.

Power Team also manages the price and supply risks for energy and fuel associated with generation assets and the risks of power marketing activities. The maximum length of time over which cash flows related to energy commodities are currently being hedged is three years. Generation's hedge ratio in 2004 for its energy marketing portfolio is approximately 89%. This hedge ratio represents the percentage of forecasted aggregate annual generation supply that is committed to firm sales, including sales to Energy Delivery's retail load. The hedge ratio is not fixed and will vary from time to time depending upon market conditions, demand and volatility. During peak periods, the amount hedged declines to assure Generation's commitment to meet Energy Delivery's demand, for which the peak demand is during the summer. For the portion of generation supply that is unhedged, fluctuations in market price of energy will cause volatility in Generation's results of operations.

Power Team also uses financial and commodity contracts for proprietary trading purposes but this activity accounts for a small portion of Power Team's efforts. In 2003, proprietary trading activities resulted in an $1 million after-tax increase in Generation's earnings. The trading portfolio is subject to a risk management policy that includes stringent risk management limits including volume, stop-loss and value-at-risk limits to manage exposure to market risk. Additionally, the corporate risk management group and Exelon's Risk Management Committee (RMC) monitor the financial risks of the power marketing activities. Proprietary trading of derivatives, together with the application of the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133), may cause volatility in Generation's future results of operations.

At December 31, 2003, Generation had long-term commitments, relating to the purchase and sale of energy, capacity and transmission rights from and to unaffiliated utilities and others, including the Midwest Generation contracts, as expressed in the following tables:

	Net Capacity Purchases (1)	Power Only Sales	Power Only Purchases from Non-Affiliates	Transmission Rights Purchases (2)
2004	$ 716	$ 3,393	$ 1,661	$ 113
2005	414	1,088	429	86
2006	410	290	276	3
2007	492	80	253	—
2008	434	—	226	—
Thereafter	3,880	—	723	—
Total	$ 6,346	$ 4,851	$ 3,568	$ 202

(1) Net Capacity Purchases 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. During the periods covered by the power purchase agreement, TXU is obligated to make fixed capacity payments and to provide fuel to Generation in return for exclusive rights to the energy and capacity of the generation plants. The combined capacity of the two plants is 2,334 MWs. Net capacity purchases also include tolling agreements that are accounted for as operating leases.

(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:

Generation has a PPA with ComEd under which Generation has agreed to supply all of ComEd's load requirements through 2004. Under the ComEd PPA, prices for energy vary depending upon the time of day and month of delivery. An extension of this contract for 2005 and 2006 has been agreed to by ComEd and Generation with substantially the same terms as the PPA currently in effect, except for the prices of energy which were reset to reflect the current rates at the time the extension was agreed to. This extension must still be filed by ComEd with the ICC. Subsequent to 2006, ComEd will obtain all of its supply from market sources, which could include Generation.

Generation has a PPA with PECO under which Generation has agreed to supply PECO with substantially all of PECO's electric supply needs through 2010. PECO has also 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.

As part of AmerGen's acquisition of its Clinton Nuclear Power Station (Clinton), AmerGen entered into a power sales agreement with the seller, IP. The agreement with IP for Clinton is for 69.5% of the output for a term expiring at the end of 2004.

Capital Expenditures

Generation's business is capital intensive and requires significant investments in energy generation and in other internal infrastructure projects. Generation's estimated capital expenditures for 2004 are as follows:

(in millions)	
Production plant	$573
Nuclear fuel	399
Total	$972

The majority of Generation's estimated capital expenditures for 2004 are for nuclear fuel and additions to or upgrades of existing facilities.

Boston Generating

On November 1, 2002, Generation purchased the assets of Sithe New England Holdings, LLC (now known as Exelon New England), a subsidiary of Sithe, and related power marketing operations. Exelon New England's primary assets are gas-fired facilities.

In July 2003, Generation announced that it would transition out of its ownership of Boston Generating, a project subsidiary of Exelon New England, and the related projects and recorded an asset impairment charge of $945 million (before income taxes) associated with its decision. Boston Generating currently owns 3,145 MWs of generating capacity, of which 2,851 MWs are currently available for commercial operations, located in Massachusetts.

The transition out of Generation's ownership of Boston Generating will take place in a manner that complies with applicable regulatory requirements. For a period of time, Generation expects to continue to provide administrative and operational services to Boston Generating in its operation of the projects. Generation informed the lenders of its decision to exit and that it will not provide additional funding beyond its existing contractual obligations. Generation anticipates that the transition will occur in 2004.

Sithe

On November 25, 2003, Generation, Reservoir and Sithe completed a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe. The series of transactions is described below. Immediately prior to these transactions, Sithe was owned 49.9% by Generation, 35.2% by Apollo Energy, LLC (Apollo), and 14.9% by subsidiaries of Marubeni Corporation (Marubeni).

Entities controlled by Reservoir purchased certain Sithe entities holding six U.S. generating facilities, each a qualifying facility under the Public Utility Regulatory Policies Act, in exchange for $37 million ($21 million in cash and a $16 million two-year note); and entities controlled by Marubeni purchased all of Sithe's entities and facilities outside of North America (other than Sithe Energies Australia (SEA) of which it purchased a 49% interest on November 24, 2003 for separate consideration) for $178 million. Marubeni agreed to acquire the remaining 51% of SEA in 90 days if a buyer is not found, although discussions regarding an extension are ongoing.

Following the sales of the above entities, Generation transferred its wholly owned subsidiary that held the Sithe investment to a newly formed holding company. The subsidiary holding the Sithe investment acquired the remaining Sithe interests from Apollo and Marubeni for $612 million using proceeds from a $580 million bridge financing and available cash. Generation sold a 50% interest in the newly formed holding company for $76 million to an entity controlled by Reservoir. On November 26, 2003, Sithe distributed $580 million of available cash to its parent, which then utilized the distributed funds to repay the bridge financing.

In connection with this transaction, Generation recorded obligations related to $39 million of guarantees in accordance with FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN No. 45). These guarantees were issued to protect Reservoir from credit exposure of certain counter-parties through 2015 and other indemnities. In determining the value of the FIN 45 guarantees, Generation utilized a probabilistic model to assess the possibilities of future payments under the indemnifications.

Both Generation and Reservoir's 50% interests in Sithe are subject to put and call options that could result in either party owning 100% of Sithe. While Generation's intent is to fully divest Sithe, the timing of the put and

call options vary by acquirer and can extend through March 2006. The pricing of the put and call options is dependent on numerous factors, such as the acquirer, date of acquisition and assets owned by Sithe at the time of exercise. Any closing under either the put or call options is conditioned upon obtaining state and federal regulatory approvals.

Based on Generation's interpretation of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN No. 46-R), it is reasonably possible that Generation will consolidate Sithe as of March 31, 2004. See Note 1 of Generation's Notes to Consolidated Financial Statements for additional information regarding FIN No. 46-R.

Enterprises

Enterprises consists primarily of the energy services business of Exelon Services, the district cooling business of Thermal, the electrical contracting business of F&M Holdings, Inc., a communications joint venture and other investments weighted towards the communications, energy services and retail services industries. In September 2003, Enterprises sold the electric construction and services, underground and telecom businesses of InfraSource, Inc. In December 2003, Enterprises signed agreements to sell the Chicago operations and Aladdin facility of Thermal and certain direct investments held by Enterprises. Effective January 1, 2004, Enterprises competitive retail sales business, Exelon Energy Company, became part of Generation.

InfraSource, prior to its sale in September 2003, provided infrastructure services, including infrastructure construction, operation management and maintenance services to owners of electric, gas, cable and communications systems, including industrial and commercial customers, utilities and municipalities, throughout the United States. Since it was established in 1997, InfraSource acquired thirteen infrastructure service companies. For the period through the sale in 2003, InfraSource had revenues of approximately $540 million and, at the time of the sale, had approximately 4,000 employees. At December 31, 2003, F&M Holdings, Inc. is primarily the remaining operations of the former InfraSource with approximately 400 employees. Enterprises is continuing to pursue opportunities to sell F&M Holdings, Inc. in 2004.

Exelon Services is engaged in the design, installation and servicing of heating, ventilation and air conditioning facilities for commercial and industrial customers throughout the Midwest. Exelon Services also provides energy-related services, including performance contracting and energy management systems. Enterprises is continuing to pursue opportunities to sell Exelon Services in 2004.

Exelon Energy Company provides retail electric and gas services as an unregulated retail energy supplier in Illinois, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania and other areas in the Midwest and Northeast United States. Its retail energy sales business is dependent upon continued deregulation of retail electric and gas markets and its ability to obtain supplies of electricity and gas at competitive prices in the wholesale market. The low margin nature of the business makes it important to achieve concentrations of customers with higher volumes so as to manage costs. Exelon Energy Company became part of Generation effective as of January 1, 2004.

Exelon Thermal provides district cooling and related services to offices and other buildings in the central business district of Chicago and in other cities in North America. District cooling involves the production of chilled water at one or more central locations and its circulation to customers' buildings, primarily for air conditioning. In December 2003, Enterprises signed agreements to sell the Chicago operations and Aladdin thermal facility.

Exelon Communications is the unit of Enterprises through which Exelon manages its communications investments. Exelon Communications' principal investment is PECO TelCove, formerly known as PECO Adelphia Communications (PECO TelCove). PECO TelCove is a competitive local exchange carrier, providing local and long-distance, point-to-point voice and data communications, internet access and enhanced data

services for businesses and institutions in eastern Pennsylvania. PECO TelCove is a 50% owned joint venture with Adelphia Business Solutions, doing business as TelCove. PECO TelCove utilizes a large-scale, fiber-optic cable-based network that currently extends over 1,100 miles and is connected to major long-distance carriers and local businesses.

Exelon Capital Partners was created in 1999 as a vehicle for direct venture capital investing in the areas of unregulated energy sales, energy services, utility infrastructure services, e-commerce and communications. At December 31, 2003, Exelon Capital Partners had direct investments in ten companies and investments in four venture capital funds.

Enterprises is focused on operating its businesses and investments with the goal of maximizing its earnings and cash flow. Enterprises is not currently contemplating any acquisitions. Enterprises expects to divest itself of businesses that are not consistent with Exelon's strategic direction. This does not necessarily mean an immediate exit from all Enterprises' businesses, but rather businesses may be retained for a period of time if that course of action will increase their value.

Employees

As of January 1, 2004, Exelon and its subsidiaries had approximately 20,000 employees, in the following companies:

ComEd	5,900
PECO	2,300
Generation	7,700
Enterprises	2,200
BSC and Corporate (a)	1,900
Total	20,000

(a) As a result of The Exelon Way restructuring initiatives to provide greater operational efficiencies, BSC and Corporate includes approximately 400 Energy Delivery shared services employees that provide services to ComEd and PECO.

Approximately 5,800 employees, including 4,100 employees of ComEd, 1,600 employees of Generation and 100 employees of BSC, are covered by collective bargaining agreements (CBAs) with Local 15 of the International Brotherhood of Electrical Workers (IBEW) (IBEW Local 15). AmerGen has separate CBAs for each of its nuclear facilities, which cover an aggregate of approximately 700 employees. The Generation CBA with IBEW Local 15 has been extended to expire on September 30, 2007. The CBA for ComEd and BSC expires on September 30, 2008. The Clinton, Oyster Creek and Three Mile Island (TMI) CBAs expire on December 15, 2005, January 31, 2006 and February 29, 2004, respectively. The CBAs provide for a voluntary severance plan.

In addition to IBEW Local 15 and the three IBEW locals covering the AmerGen facilities, approximately 200 Generation employees are represented by the Utility Workers Union of America. Approximately 1,600 Enterprises employees are represented by unions, including approximately 400 employees who are represented by various local unions of the IBEW. The remaining union employees are members of a number of different local unions, including laborers, welders, operators, plumbers and machinists.

During 2003, an election was held at Exelon Power, a division of Generation, that resulted in union representation. Exelon Power and IBEW Local 614 are currently in negotiations for an initial agreement.

PECO employees are not currently covered by a CBA. Over the past several years, a number of unions have filed petitions with the National Labor Relations Board to hold certification elections for different segments of employees within PECO. In all cases, PECO employees have rejected union representation. On August 15, 2002,

the IBEW filed a petition to conduct a unionization vote of certain of PECO's employees. On May 21, 2003, the PECO union election was held and a majority of PECO workers voted against union representation. The results of the election have not been certified due to pending challenges and objections. Exelon expects that such petitions, related to segments of employees at PECO, Generation and Enterprises, will continue to be filed in the future.

Environmental Regulation

General

Specific operations of Exelon, primarily those of ComEd, PECO, and Generation, are subject to regulation regarding environmental matters by the United States and by various states and local jurisdictions where Exelon operates its facilities. The Illinois Pollution Control Board (IPCB) has jurisdiction over environmental control in the State of Illinois, together with the Illinois Environmental Protection Agency, which enforces regulations of the IPCB and issues permits in connection with environmental control. The Pennsylvania Department of Environmental Protection (PDEP) has jurisdiction over environmental control in the Commonwealth of Pennsylvania. The Texas Commission on Environmental Quality has jurisdiction in Texas and the Massachusetts Department of Environmental Protection has jurisdiction in Massachusetts. State regulation includes the authority to regulate air, water and noise emissions and solid waste disposals. The United States Environmental Protection Agency (EPA) administers certain Federal statutes relating to such matters, as do various interstate and local agencies.

Water

Under the Federal Clean Water Act, National Pollutant Discharge Elimination System (NPDES) permits for discharges into waterways are required to be obtained from the EPA or from the state environmental agency to which the permit program has been delegated. Those permits must be renewed periodically. Generation either has NPDES permits for all of its generating stations or has pending applications for such permits. Generation is also subject to the jurisdiction of certain other state and interstate agencies, including the Delaware River Basin Commission and the Susquehanna River Basin Commission.

Solid and Hazardous Waste

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), provides for immediate response and removal actions coordinated by the EPA in the event of threatened releases of hazardous substances into the environment and authorizes the U.S. Government either to clean up sites at which hazardous substances have created actual or potential environmental hazards or to order persons responsible for the situation to do so. Under CERCLA, generators and transporters of hazardous substances, as well as past and present owners and operators of hazardous waste sites, are strictly, jointly and severally liable for the cleanup costs of waste at sites, most of which are listed by the EPA on the National Priorities List (NPL). These potentially responsible parties (PRPs) can be ordered to perform a cleanup, can be sued for costs associated with an EPA-directed cleanup, may voluntarily settle with the U.S. Government concerning their liability for cleanup costs, or may voluntarily begin a site investigation and site remediation under state oversight prior to listing on the NPL. Various states, including Illinois and Pennsylvania, have enacted statutes that contain provisions substantially similar to CERCLA. In addition, the Resource Conservation and Recovery Act (RCRA) governs treatment, storage and disposal of solid and hazardous wastes and cleanup of sites where such activities were conducted.

ComEd, PECO and Generation and their subsidiaries are or are likely to become parties to proceedings initiated by the EPA, state agencies and/or other responsible parties under CERCLA and RCRA with respect to a number of sites, including manufactured gas plant (MGP) sites, or may undertake to investigate and remediate sites for which they may be subject to enforcement actions by an agency or third party.

By notice issued in November 1986, the EPA notified over 800 entities, including ComEd and PECO, that they may be PRPs under CERCLA with respect to releases of radioactive and/or toxic substances from the Maxey Flats disposal site, a LLRW disposal site near Moorehead, Kentucky, where ComEd and PECO disposed of low level radioactive wastes resulting from their nuclear generation activities, which are now the responsibility of Generation. A settlement was reached among the Federal and private PRPs, including ComEd and PECO, the Commonwealth of Kentucky (Kentucky) and the EPA concerning their respective roles and responsibilities in conducting remedial activities at the site. Under the settlement, which was incorporated into a Federal court Consent Decree, the private PRPs agreed to perform the initial remedial work at the site and Kentucky agreed to assume responsibility for long-range maintenance and final remediation of the site. On October 5, 2003, the EPA issued a Certificate of Completion indicating that the private PRPs have completed their obligations under the Consent Decree. The site is being turned over to Kentucky as provided in the Consent Decree. The private PRPs, including Generation, will maintain oversight of Kentucky's activities to assure the stability of the site since the private PRPs have residual liability if there is a remedy failure over the next ten years.

By notice issued in December 1987, the EPA notified several entities, including PECO, that they may be PRPs under CERCLA with respect to wastes resulting from the treatment and disposal of transformers and miscellaneous electrical equipment at a site located in Philadelphia, Pennsylvania (the Metal Bank of America site). Several of the PRPs, including PECO, formed a steering committee to investigate the nature and extent of possible involvement in this matter. On May 29, 1991, a Consent Order was issued by the EPA pursuant to which the members of the steering committee agreed to perform the remedial investigation and feasibility study as described in the work plan issued with the Consent Order. PECO's share of the cost of the study was approximately 30%. On July 19, 1995, the EPA issued a proposed plan for remediation of the site, which involves removal of contaminated soil, sediment and groundwater and which the EPA estimated would cost approximately $17 million to implement. On June 26, 1998, the EPA issued an order to the non-de minimis PRP group members, and others, including the owner, to implement the remedial design and remedial action.

The PRP group has conducted the remedial design and submitted to the EPA the revised final design on January 15, 2003. During the design process, the PRP group proposed certain revisions to the EPA's preferred remedy, in response to which the EPA has issued two explanations of significant differences that are expected to reduce the costs of the preferred remedy. The final design estimates for the cost to implement the remedial action range from $12 million to $15 million. At this time, PECO cannot predict with reasonable certainty the actual cost of the final remedy, who will implement the remedy, or the cost, if any, to the PRPs or any of its members, including PECO. The ultimate cost to the PRPs and to PECO will also depend upon the share of costs that is allocated to the owners and operators of the Metal Bank of America site in litigation that currently is pending in the United States District Court for the Eastern District of Pennsylvania.

MGP Sites

MGPs manufactured gas in Illinois and Pennsylvania from approximately 1850 to 1950. ComEd generally did not operate MGPs as a corporate entity but did, however, acquire MGP sites as part of the absorption of smaller utilities. Approximately half of these sites were transferred to Nicor Gas as part of a general conveyance in 1954. ComEd also acquired former MGP sites as vacant real estate on which ComEd facilities have been constructed. To date, ComEd has identified 42 former MGP sites for which it may be liable for remediation. Of these 42 sites, the Illinois Protection Agency has approved the clean-up of three sites. Similarly, PECO has identified 27 sites where former MGP activities may have resulted in site contamination. Of these 27 sites, the Pennsylvania Department of Environmental Protection has approved the clean-up of six sites. With respect to these sites, ComEd and PECO are presently engaged in performing various levels of activities, including initial evaluation to determine the existence and nature of the contamination, detailed evaluation to determine the extent of the contamination and the necessity and possible methods of remediation, and implementation of remediation. ComEd and PECO are working closely with regulatory authorities in the various jurisdictions to develop and implement appropriate plans and schedules for evaluation, risk ranking, detailed study and remediation activities on an individual site and overall program basis. The status of each of the sites in the program varies and is

reviewed periodically with the regulatory authorities. At December 31, 2003, ComEd and PECO had accrued $64 million (discounted) and $41 million (discounted), respectively, for investigation and remediation of these MGP sites that currently can be reasonably estimated. ComEd's reserve was increased by $17 million during 2002 and an additional $12 million during 2003 in connection with the ongoing remediation for a MGP site in Oak Park, Illinois. The remediation of the Oak Park site was substantially complete as of December 31, 2003. However, there are several personal injury and property damage claims pending related to this site. ComEd and PECO believe that they could incur additional liabilities with respect to MGP sites, which cannot be reasonably estimated at this time. PECO has sued, and ComEd is in negotiations, with a number of insurance carriers seeking indemnity/coverage for remediation costs associated with these former MGP sites. Additionally, PECO is currently collecting through regulated gas rates, revenues to offset expenditures on MGP site remediation.

Air

Air quality regulations promulgated by the EPA and the various state environmental agencies in Pennsylvania, Massachusetts, Illinois and Texas in accordance with the Federal Clean Air Act and the Clean Air Act Amendments of 1990 (Amendments) impose restrictions on emission of particulates, sulfur dioxide (SO_2), nitrogen oxides (NO_x) and other pollutants and require permits for operation of emission sources. Such permits have been obtained by Exelon's subsidiaries and must be renewed periodically.

The Amendments establish a comprehensive and complex national program to substantially reduce air pollution. The Amendments include a two-phase program to reduce acid rain effects by significantly reducing emissions of SO_2 and NO_x from electric power plants. Flue-gas desulphurization systems (scrubbers) have been installed at all of Generation's coal-fired units other than the Keystone Station. Keystone is subject to, and in compliance with, the Phase II SO_2 and NO_x limits of the Amendments, which became effective January 1, 2000. Generation and the other Keystone co-owners are purchasing SO_2 emission allowances to comply with the Phase II limits.

Generation has completed implementation of measures, including the installation of NO_x emissions controls and the imposition of certain operational constraints, to comply with the Reasonably Available Control Technology limitations and state-level ozone season (May to September) NO_x reduction regulations. These state-level regulations were developed by eastern states to reduce summertime NO_x emissions pursuant to several Federal NO_x reduction regulations adopted by the Federal EPA during 1998 and 1999 to address regional "ozone transport." State level NO_x reduction regulations took effect May 1, 2003 in Pennsylvania and Massachusetts. Compliance in Illinois is required starting May 31, 2004. Texas is not covered by the EPA's ozone transport regulations. When fully implemented on May 31, 2004, the EPA's ozone transport regulations will require 19 eastern states to reduce summertime NO_x emissions.

Exelon has evaluated options for compliance with the new NO_x regulations and installed controls on the two coal-fired units at the Eddystone Generating Station (Selective Non-Catalytic Reduction) and installed controls on the two coal-fired units (Selective Catalytic Reduction) at the Keystone Generating Station. In Massachusetts, an Air Quality Improvement Plan is in place for the Mystic generating station for compliance with the Massachusetts's multi-pollutant regulations. The plan includes management of low sulfur fuels on unit 7, and dry low NO_x combustors, Selective Catalytic Reduction and CO Oxidation Catalyst on the new gas-fired units 8 and 9 that achieved commercial operation in 2003. Generation's NO_x compliance program will be supplemented with the purchase of additional NO_x allowances on an as-needed basis. The eight new peaking units commissioned during 2002 at the Southeast Chicago Generating Station are equipped with NO_x controls that meet requirements for new sources. The Exelon generating stations in the Dallas/Fort Worth (DFW) area are required to comply with the DFW NO_x State Implementation Plan (SIP) that commenced on May 1, 2003, with full implementation on May 1, 2005. Additionally, beginning May 1, 2003 these plants must comply with the Emission Banking and Trading of Allowances (EBTA) program established by the enactment of Senate Bill 7 during the 76th Texas Legislative session for the purpose of achieving substantial reductions in NO_x from grandfathered electric generating facilities. To comply with both the DFW NO_x SIP and EBTA program, Generation has embarked on a plan to install NO_x control equipment on several of the units at the Handley and Mountain Creek generating stations.

Many other provisions of the Amendments affect activities of Exelon's businesses, primarily Generation. The Amendments establish stringent control measures for geographical regions which have been determined by the EPA not to meet National Ambient Air Quality Standards (NAAQS); establish limits on the purchase and operation of motor vehicles and require increased use of alternative fuels; establish stringent controls on emissions of toxic air pollutants and provide for possible future designation of some utility emissions as toxic; establish new permit and monitoring requirements for sources of air emissions; and provide for significantly increased enforcement power, and civil and criminal penalties.

Several other legislative and regulatory proposals regarding the control of emissions of air pollutants from a variety of sources, including generating plants, are under active consideration. On the Federal legislative front, several multi-pollutant bills have been introduced in Congress that would reduce generating plant emissions of NO_x, SO_2, mercury and/or carbon dioxide starting late this decade. On the Federal regulatory front, the EPA announced in December 2003 its intention to publish several proposed regulations in the Federal Register during early 2004. One proposed regulation would require a reduction in mercury emissions from coal-fired plants, and establish nickel emission standards for oil-fired plants later this decade. Another proposed regulation, "Interstate Air Quality Rule," would require further reductions of NO_x and SO_2 emissions in the eastern United States in two phases (2010 and 2015) to support regional attainment of the new federal NAAQS for fine particulate (PM2.5) and ground level ozone (8-hour standard). Exelon is unable at this time to ascertain which proposals may take effect, what requirements they may contain, or how they may affect Exelon's businesses. At this time, Exelon can provide no assurance that these proposals if adopted will not have a significant effect on Exelon's operations and costs.

Costs

At December 31, 2003, ComEd, PECO and Generation accrued $69 million, $50 million and $10 million, respectively, for various environmental investigation and remediation. These costs include approximately $64 million at ComEd and $41 million at PECO for former MGP sites as described above. ComEd and PECO cannot currently predict whether they will incur other significant liabilities for additional investigation and remediation costs at sites presently identified or additional sites which may be identified by ComEd and PECO, environmental agencies or others or whether all such costs will be recoverable through rates or from third parties.

The budgets for expenditures in 2004 at ComEd, PECO and Generation for compliance with environmental requirements total approximately $10 million, $9 million and $3 million, respectively. In addition, ComEd, PECO and Generation may be required to make significant additional expenditures not presently determinable.

Other Subsidiaries of ComEd and PECO with Publicly Held Securities

Effective December 31, 2003, ComEd Funding LLC, ComEd Transitional Funding Trust, ComEd Financing II, ComEd Financing III, PECO Energy Transition Trust, and PECO Energy Capital Trust III were deconsolidated from the financial statements of Exelon, ComEd, and PECO in accordance with FIN No. 46-R. Effective July 1, 2003, PECO Energy Capital Trust IV, a financing subsidiary created in May 2003, was deconsolidated from the financial statements of Exelon and PECO in accordance with FIN No. 46, prior to its subsequent revision in December 2003. Amounts owed to these financing trusts were recorded as long-term debt to affiliates, long-term debt to ComEd Transitional Funding Trust and long-term debt to PECO Energy Transitional Trust debt to PECO Energy Transitional Trust within the Consolidated Balance Sheets, and interest owed to these entities subsequent to the adoption of FIN No. 46 and FIN No. 46-R was recorded as interest expense to affiliates within the Consolidated Statements of Income. Prior periods were not restated.

ComEd Transitional Funding Trust (ComEd Funding Trust), a Delaware statutory trust, was formed on October 28, 1998, pursuant to a trust agreement among First Union Trust Company, National Association, now Wachovia Bank, National Association, as Delaware trustee, and two individual trustees appointed by ComEd. ComEd Funding Trust was created for the sole purpose of issuing transitional funding notes to securitize

intangible transition property granted to ComEd Funding LLC, a ComEd affiliate, by an ICC order issued July 21, 1998. On December 16, 1998, ComEd Funding Trust issued $3.4 billion of transitional funding notes, the proceeds of which were used to purchase the intangible transition property held by ComEd Funding LLC. ComEd Funding LLC transferred the proceeds to ComEd where they were used, among other things, to repurchase outstanding debt and equity securities of ComEd. The transitional funding notes are solely obligations of ComEd Funding Trust and are secured by the intangible transition property, which represents the right to receive instrument funding charges collected from ComEd's customers. The instrument funding charges represent a non-bypassable, usage-based, per kWh charge on designated consumers of electricity.

ComEd Financing I, a Delaware statutory trust, was formed by ComEd on July 21, 1995. ComEd Financing I was created solely for the purpose of issuing $200 million of trust preferred securities. The trust preferred securities issued on September 26, 1995, carried an annual distribution rate of 8.48% and were mandatorily redeemable on September 30, 2035. The sole assets of ComEd Financing I were $206 million principal amount of 8.48% subordinated deferrable interest notes due September 30, 2035, issued by ComEd. On March 20, 2003, ComEd Financing I redeemed all of its trust preferred securities at a redemption price of 100% of the liquidation amount, plus accrued distributions to the redemption date. ComEd redeemed $206 million of its 8.48% subordinated debentures issued to ComEd Financing I. The preferred securities were refinanced with trust preferred securities (see ComEd Financing III below).

ComEd Financing II, a Delaware statutory trust, was formed by ComEd on November 20, 1996. ComEd Financing II was created solely for the purpose of issuing $150 million of trust capital securities. The trust capital securities were issued on January 24, 1997, carry an annual distribution rate of 8.50% and are mandatorily redeemable on January 15, 2027. The sole assets of ComEd Financing II are $155 million principal amount of 8.50% subordinated deferrable interest debentures due January 15, 2027, issued by ComEd.

ComEd Financing III, a Delaware statutory trust, was formed by ComEd on September 5, 2002. ComEd Financing III was created for the sole purpose of issuing and selling preferred and common securities. On March 17, 2003, ComEd Financing III issued $200 million of trust preferred securities, carrying an annual distribution rate of 6.35%, which are mandatorily redeemable on March 15, 2033. The sole assets of ComEd Financing III are $206 million principal amount of 6.35% subordinated deferrable interest debentures due March 15, 2033, issued by ComEd. The preferred securities were used to refinance the preferred securities of ComEd Financing I.

PECO Energy Transition Trust (PETT), a Delaware statutory trust wholly owned by PECO, was formed on June 23, 1998 pursuant to a trust agreement among PECO, as grantor, First Union Trust Company, National Association, now Wachovia Bank, National Association, as issuer trustee, and two beneficiary trustees appointed by PECO. PETT was created for the sole purpose of issuing transition bonds to securitize a portion of PECO's authorized stranded cost recovery. On March 25, 1999, PETT issued $4 billion of its Series 1999-A Transition Bonds. On May 2, 2000, PETT issued $1 billion of its Series 2000-A Transition Bonds and on March 1, 2001, PETT issued $805 million of its Series 2001-A Transition Bonds to refinance a portion of the Series 1999-A Transition Bonds. The Transition Bonds are solely obligations of PETT secured by intangible transition property, representing the right to collect transition charges sufficient to pay the principal and interest on the Transition Bonds.

PECO Energy Capital Corp., a wholly owned subsidiary of PECO, is the sole general partner of PECO Energy Capital, L.P., a Delaware limited partnership (Partnership). The Partnership was created solely for the purpose of issuing preferred securities, representing limited partnership interests and lending the proceeds thereof to PECO and entering into similar financing arrangements. The loans to PECO are evidenced by PECO's deferrable interest subordinated debentures (Subordinated Debentures), which are the only assets of the Partnership. The only revenues of the Partnership are interest on the Subordinated Debentures. All of the operating expenses of the Partnership are paid by PECO Energy Capital Corp. As of December 31, 2003, the Partnership held $78 million aggregate principal amount of the Subordinated Debentures.

PECO Energy Capital Trust II (Trust II) was created in June 1997 as a Delaware statutory trust solely for the purpose of issuing $50 million trust receipts (Trust II Receipts) each representing an 8.00% Cumulative Monthly Income Preferred Security, Series C (Series C Preferred Securities) of the Partnership. The Partnership is the sponsor of Trust II. In June 2003, Trust II redeemed all of its 8% trust preferred securities at a redemption price of $25 per trust receipt, plus accrued and unpaid distributions. The preferred securities were refinanced with trust preferred securities (see Trust IV below).

PECO Energy Capital Trust III (Trust III) was created in April 1998 as a Delaware statutory trust solely for the purpose of issuing $78 million trust receipts (Trust III Receipts) each representing an 7.38% Cumulative Preferred Security, Series D (Series D Preferred Securities) of the Partnership. The Partnership is the sponsor of Trust III. As of December 31, 2003, Trust III had outstanding 78,105 Trust III Receipts. At December 31, 2003, the assets of Trust III consisted solely of 78,105 Series D Preferred Securities with an aggregate stated liquidation preference of $78 million.

PECO Energy Capital Trust IV (Trust IV) was created in May 2003 as a Delaware statutory trust solely for the purpose of issuing $100 million trust preferred securities and common securities and purchasing the 5.75% deferrable interest subordinated debentures. PECO is the sole owner of all of the common securities of the Trust IV. The sole assets of Trust IV are $100 million principal amount of 5.75% subordinated debentures issued by PECO.

Executive Officers of the Registrants at December 31, 2003

Exelon

Name	Age	Position
Rowe, John W.	58	Chairman and Chief Executive Officer
Kingsley Jr., Oliver D.	61	President and Chief Operating Officer
McLean, Ian P.	54	Executive Vice President
Mehrberg, Randall E.	48	Executive Vice President and General Counsel
Moler, Elizabeth A.	54	Executive Vice President
Shapard, Robert S.	48	Executive Vice President and Chief Financial Officer
Strobel, Pamela B.	51	Executive Vice President and Chief Administrative Officer
Bemis, Michael B.	56	Senior Vice President
Snodgrass, S. Gary	52	Senior Vice President and Chief Human Resources Officer
Hilzinger, Matthew F.	40	Vice President and Corporate Controller

ComEd

Name	Age	Position
Rowe, John W.	58	Chairman and Chief Executive Officer, Exelon, and Chair and Director
Kingsley Jr., Oliver D.	61	President and Chief Operating Officer, Exelon, and Director
Shapard, Robert S.	48	Executive Vice President and Chief Financial Officer, Exelon, and Director
Snodgrass, S. Gary	52	Senior Vice President and Chief Human Resources Officer, Exelon, and Director
Bemis, Michael B.	56	President, Exelon Energy Delivery, and Director
Clark, Frank M.	58	President and Director
Mitchell, J. Barry	55	Senior Vice President, Treasurer and Chief Financial Officer
DesParte, Duane M.	40	Vice President and Controller

PECO

Name	Age	Position
Rowe, John W.	58	Chairman and Chief Executive Officer, Exelon, and Director
Kingsley Jr., Oliver D.	61	President, Exelon, and Director
Shapard, Robert S.	48	Executive Vice President and Chief Financial Officer, Exelon, and Director
Bemis, Michael B.	56	President, Exelon Energy Delivery, and Director
O'Brien, Denis P.	43	President and Director
Mitchell, J. Barry	55	Senior Vice President, Treasurer and Chief Financial Officer
DesParte, Duane M.	40	Vice President and Controller

Generation

Name	Age	Position
Rowe, John W.	58	Chairman and Chief Executive Officer, Exelon
Kingsley Jr., Oliver D.	61	President, Exelon, and Chief Executive Officer and President
Shapard, Robert S.	48	Executive Vice President and Chief Financial Officer, Exelon
McLean, Ian P.	54	Executive Vice President, Exelon, and President, Power Team
Mitchell, J. Barry	55	Senior Vice President, Treasurer and Chief Financial Officer
Skolds, John L.	53	Senior Vice President, Exelon, and President, Exelon Nuclear
Young, John F.	47	Senior Vice President, Exelon, and President, Exelon Power
Hilzinger, Matthew F.	40	Vice President and Corporate Controller, Exelon

Each of the above was elected as an officer effective October 20, 2000, the closing date of the Merger, except for Randall E. Mehrberg, who was elected effective December 3, 2001, Matthew F. Hilzinger, who was elected effective April 15, 2002, Robert S. Shapard, who was elected effective October 21, 2002, Michael B. Bemis, who was elected effective August 12, 2002, John F. Young, who was elected effective March 3, 2003, and Duane M. DesParte, who was elected effective February 17, 2003.

Each of the above executive officers holds such office at the discretion of the respective company's board of directors until his or her replacement or earlier resignation, retirement or death.

Prior to his election to his listed position, Mr. Rowe was President and Co-Chief Executive of Exelon, Co-Chief Executive Officer of ComEd and President, Co-Chief Executive Officer of PECO; Chairman, President and Chief Executive Officer of ComEd and Unicom; and President and Chief Executive Officer of New England Electric System.

Prior to his election to his listed position, Mr. Kingsley was Executive Vice President of Exelon; Executive Vice President of ComEd and Unicom, President and Chief Nuclear Officer, Nuclear Generation Group of ComEd, and Chief Nuclear Officer of the Tennessee Valley Authority.

Prior to his election to his listed position, Mr. McLean was Senior Vice President of Exelon; President of the Power Team division of PECO; and Group Vice President of Engelhard Corporation.

Prior to his election to his listed position, Mr. Mehrberg was Senior Vice President of Exelon; an equity partner with the law firm of Jenner & Block; and General Counsel and Lakefront Director of the Chicago Park District.

Prior to her election to her listed position, Ms. Moler was Senior Vice President, Government Affairs and Policy of Exelon; Senior Vice President of ComEd and Unicom; Director of Unicom and ComEd; Partner at the law firm of Vinson & Elkins, LLP; Deputy Secretary of the U.S. Department of Energy; and Chair of the Federal Energy Regulatory Commission.

Prior to his election to his listed position, Mr. Shapard was Executive Vice President and Chief Financial Officer of Covanta Energy Corporation; Executive Vice President and Chief Financial Officer of Ultramar Diamond Shamrock; Chief Executive Officer of TSU Australia, Ltd., and Vice President, Finance and Treasurer at TXU.

Prior to her election to her listed position, Ms. Strobel was Vice Chairman of ComEd; Vice Chairman of PECO; Executive Vice President and General Counsel of ComEd and Unicom; Senior Vice President and General Counsel of ComEd and Unicom; and Vice President and General Counsel of ComEd.

Prior to his election to his listed position, Mr. Bemis was Chief Executive Officer of Entergy's London Electricity PLC; and Chairman and CEO of Master Graphics, Inc.

Prior to his election to his listed position, Mr. Snodgrass was Chief Administrative Officer of Exelon; Senior Vice President of ComEd and Unicom; Vice President of ComEd and Unicom; and Vice President of USG Corporation.

Prior to his election to his listed position, Mr. Hilzinger was Executive Vice President and Chief Financial Officer of Credit Acceptance Corporation; Vice President, Controller of Kmart Corporation; Divisional Vice President, Strategic Planning and Financial Reporting of Kmart Corporation; Assistant Treasurer of Kmart Corporation; and Divisional Vice President, Logistics Finance and Planning of Kmart Corporation.

Prior to his election to his listed position, Mr. Clark was Senior Vice President, Distribution Customer and Marketing Services and External Affairs of ComEd; Senior Vice President of ComEd and Unicom; Vice President of ComEd; Governmental Affairs Vice President; and Governmental Affairs Manager.

Prior to his election to his listed position, Mr. Mitchell was Vice President and Treasurer of Exelon; and Vice President, Treasury and Evaluation, and Treasurer of PECO.

Prior to his election to his listed position, Mr. DesParte was Partner at Deloitte & Touche LLP; and Partner at Arthur Andersen LLP.

Prior to his election to his listed position, Mr. O'Brien was Executive Vice President of PECO; Vice President of Operations of PECO; Director of Transmission and Substations of PECO; and Director of BucksMont Region of PECO.

Prior to his election to his listed position, Mr. Skolds was Chief Operating Officer of Exelon Nuclear; and President and Chief Operating Officer of South Carolina Electric and Gas.

Prior to his election to his listed position, Mr. Young was Senior Vice President of Sierra Pacific Resources Corporation; President of Avalon Consulting; and Executive Vice President of Southern Generation.

ITEM 2. PROPERTIES

Energy Delivery

The electric substations and a portion of the transmission rights of way of ComEd and PECO are owned in fee. A significant portion of the electric transmission and distribution facilities is located over or under highways, streets, other public places or property owned by others, for which permits, grants, easements or licenses, deemed satisfactory by ComEd and PECO, respectively, but without examination of underlying land titles, have been obtained.

Transmission and Distribution

Energy Delivery's higher voltage electric transmission and distribution lines owned and in service at December 31, 2003 were as follows:

	Voltage (Volts)	Circuit Miles
ComEd	765,000	90
	345,000	2,580
	138,000	2,808
PECO	500,000	297
	220,000	499
	132,000	229
	66,000	167

ComEd's electric distribution system includes 43,400 circuit miles of overhead lines and 31,700 circuit miles of underground lines. PECO's electric distribution system includes 12,900 circuit miles of overhead lines and 8,327 circuit miles of underground lines.

Gas

The following table sets forth PECO's gas pipeline miles at December 31, 2003:

	Pipeline Miles
Transmission	31
Distribution	6,363
Service piping	5,250
Total	11,644

PECO has an LNG facility located in West Conshohocken, Pennsylvania which has a storage capacity of 1,200 mmcf and a send-out capacity of 157 mmcf/day and a propane-air plant located in Chester, Pennsylvania, with a tank storage capacity of 1,980,000 gallons and a peaking capability of 25 mmcf/day. In addition, PECO owns 29 natural gas city gate stations at various locations throughout its gas service territory.

Mortgages

The principal plants and properties of ComEd are subject to the lien of ComEd's Mortgage dated July 1, 1923, as amended and supplemented, under which ComEd's first mortgage bonds are issued.

The principal plants and properties of PECO are subject to the lien of PECO's Mortgage dated May 1, 1923, as amended and supplemented, under which PECO's first mortgage bonds are issued.

Insurance

ComEd and PECO maintain property insurance against loss or damage to Energy Delivery's properties by fire or other perils, subject to certain exceptions. ComEd and PECO are self-insured to the extent that any losses may exceed the amount of insurance maintained. Any such losses could have a material adverse effect on the consolidated financial condition or results of operations of ComEd or PECO.

Generation

The following table sets forth Generation's owned net electric generating capacity by station at December 31, 2003:

Station	Location	No. of Units	Percent Owned (1)	Primary Fuel Type	Dispatch Type	Net Generation Capacity(MW) (2)
Nuclear [3]						
Braidwood	Braidwood, IL	2		Uranium	Base-load	2,388
Byron	Byron, IL	2		Uranium	Base-load	2,364
Clinton	Clinton, IL	1		Uranium	Base-load	1,030
Dresden	Morris, IL	2		Uranium	Base-load	1,742
LaSalle County	Seneca, IL	2		Uranium	Base-load	2,288
Limerick	Limerick Twp., PA	2		Uranium	Base-load	2,309
Oyster Creek	Forked River, NJ	1		Uranium	Base-load	625
Peach Bottom	Peach Bottom Twp., PA	2	50.00	Uranium	Base-load	1,131(4)
Quad Cities	Cordova, IL	2	75.00	Uranium	Base-load	1,303(4)
Salem	Hancock's Bridge, NJ	2	42.59	Uranium	Base-load	942(4)
Three Mile Island	Londonderry Twp., PA	1		Uranium	Base-load	837
						16,959
Fossil (Steam Turbines)						
Conemaugh	New Florence, PA	2	20.72	Coal	Base-load	352(4)
Cromby 1	Phoenixville, PA	1		Coal	Base-load	144
Cromby 2	Phoenixville, PA	1		Oil/Gas	Intermediate	201
Delaware	Philadelphia, PA	2		Oil	Peaking	250
Eddystone 1, 2	Eddystone, PA	2		Coal	Base-load	581
Eddystone 3, 4	Eddystone, PA	2		Oil/Gas	Intermediate	760
Fairless Hills	Falls Twp., PA	2		Landfill Gas	Peaking	60
Fore River	Weymouth, MA	1		Gas	Intermediate	688
Handley 1,2,4,5	Fort Worth, TX	4		Gas	Peaking	1,041
Handley 3	Fort Worth, TX	1		Gas	Intermediate	400
Keystone	Shelocta, PA	2	20.99	Coal	Base-load	358(4)
Mountain Creek 2, 3, 6, 7	Dallas, TX	4		Gas	Peaking	343
Mountain Creek 8	Dallas, TX	1		Gas	Intermediate	550
Mystic 7	Everett, MA	1		Oil/Gas	Intermediate	555(5)
Mystic 8, 9	Everett, MA	2		Gas	Intermediate	1,600
New Boston 1	South Boston, MA	1		Gas	Intermediate	353
Schuylkill	Philadelphia, PA	1		Oil	Peaking	166
Wyman	Yarmouth, ME	1	5.89	Oil	Intermediate	36(4)
						8,438

(continued on next page)

Station	Location	No. of Units	Percent Owned (1)	Primary Fuel Type	Dispatch Type	Net Generation Capacity(MW) (2)
Fossil (Combustion Turbines)						
Chester	Chester, PA	3		Oil	Peaking	39
Croydon	Bristol Twp., PA	8		Oil	Peaking	384
Delaware	Philadelphia, PA	4		Oil	Peaking	56
Eddystone	Eddystone, PA	4		Oil	Peaking	60
Falls	Falls Twp., PA	3		Oil	Peaking	51
Framingham	Framingham, MA	3		Oil	Peaking	30
LaPorte	LaPorte, TX	4		Gas	Peaking	160
Medway	West Medway, MA	3		Oil	Peaking	110
Moser	Lower Pottsgrove Twp., PA	3		Oil	Peaking	51
Mystic	Everett, MA	1		Oil	Peaking	8
New Boston	South Boston, MA	1		Gas	Peaking	13
Pennsbury	Falls Twp., PA	2		Landfill Gas	Peaking	6
Richmond	Philadelphia, PA	2		Oil	Peaking	96
Salem	Hancock's Bridge, NJ	1	42.59	Oil	Peaking	16(4)
Schuylkill	Philadelphia, PA	2		Oil	Peaking	30
South East Chicago	Chicago, IL	8		Gas	Peaking	312
Southwark	Philadelphia, PA	4		Oil	Peaking	52
						1,474
Fossil (Internal Combustion/Diesel)						
Conemaugh	New Florence, PA	4	20.72	Oil	Peaking	2(4)
Cromby	Phoenixville, PA	1		Oil	Peaking	3
Delaware	Philadelphia, PA	1		Oil	Peaking	3
Keystone	Shelocta, PA	4	20.99	Oil	Peaking	2(4)
Schuylkill	Philadelphia, PA	1		Oil	Peaking	3
						13
Hydroelectric						
Conowingo	Harford Co., MD	11		Hydroelectric	Base-load	536
Muddy Run	Lancaster Co., PA	8		Hydroelectric	Intermediate	1,072
						1,608
Total		136				28,492

(1) 100%, unless otherwise indicated.
(2) For nuclear stations, except Salem, capacity reflects the annual mean rating. All other stations, including Salem, reflect a summer rating.
(3) All nuclear stations are boiling water reactors except Braidwood, Byron, Salem and Three Mile Island, which are pressurized water reactors.
(4) Net generation capacity is stated at proportionate ownership share.
(5) In December 2003, the ISO New England granted permission for Exelon New England to cease operations at Mystic 4, 5, 6.

The net generating capability available for operation at any time may be less due to regulatory restrictions, fuel restrictions, efficiency of cooling facilities and generating units being temporarily out of service for inspection, maintenance, refueling, repairs or modifications required by regulatory authorities.

Generation maintains property insurance against loss or damage to its principal plants and properties by fire or other perils, subject to certain exceptions. For information regarding nuclear insurance and fossil and hydroelectric business interruption insurance, see ITEM 1. Business – Generation. Generation is self-insured to

the extent that any losses may exceed the amount of insurance maintained. Any such losses could have a material adverse effect on Generation's consolidated financial condition and results of operations.

ITEM 3. LEGAL PROCEEDINGS

ComEd

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 and for breach of contract. On November 25, 2002, the court granted the developers' motions for summary judgment. The judge also entered a permanent injunction enjoining ComEd from refusing to pay the retail rate on the grounds of the amendment, and Illinois from denying ComEd a tax credit on account of such purchases. ComEd and Illinois have each appealed the ruling. ComEd believes that it did not breach the contracts in question and that the damages claimed far exceed any loss that any project incurred by reason of its ineligibility for the subsidized rate. ComEd intends to prosecute its appeal and defend each case vigorously. While ComEd cannot currently predict the outcome of this action, ComEd does not believe that it will have a material adverse impact on ComEd's results of operations.

PECO and Generation

Real Estate Tax Appeals. PECO and Generation are each challenging real estate taxes assessed on nuclear plants since 1997. PECO is involved in litigation in which it is contesting taxes assessed in 1997 under the Pennsylvania Public Utility Realty Tax Act of March 4, 1971, as amended (PURTA) and has appealed local real estate assessments for 1998 and 1999 on the Limerick Generating Station (Montgomery County, PA) (Limerick) and Peach Bottom Atomic Power Station (York County, PA) (Peach Bottom) plants. Generation is involved in real estate tax appeals for 2000 through 2003, also regarding the valuation of its Limerick and Peach Bottom plants, its Quad Cities Station (Rock Island County, IL) and, through AmerGen, TMI (Dauphin County, PA).

During the third quarter of 2003, upon completion of updated nuclear plant appraisal studies, PECO and Generation recorded reductions of $58 million and $15 million, respectively, to reserves recorded for exposures associated with the real estate taxes. While PECO and Generation believe the resulting reserve balances as of December 31, 2003 reflect the most likely probable expected outcome of the litigation and appeals proceedings in accordance with SFAS No. 5, "Accounting for Contingencies," the ultimate outcome of such matters could result in additional unfavorable or favorable adjustments to the consolidated financial statements of PECO or Generation, and such adjustments could be material.

Generation

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. Several of these actions resulted in nominal jury verdicts or were settled or dismissed. One action resulted in an award for the plaintiffs for a more substantial amount, but was reversed on April 22, 2003 by the Tenth Circuit Court of Appeals and remanded for retrial. An appeal by the plaintiffs to the United States Supreme Court was denied on November 10, 2003. No date has been set for a new trial.

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. Generation cannot predict the ultimate outcome of the cases.

The 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 and three other companies identified by the EPA as PRPs have submitted a draft feasibility study addressing options for remediation of 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 range from $0 to $87 million. Once a remedy is 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, and, as such, no amounts have been accrued as of December 31, 2003.

Raytheon and Mitsubishi Litigation. In May 2002, Raytheon Corporation (Raytheon) filed an arbitration against Sithe Fore River Development, LLC (now Fore River Development, LLC) in the International Chamber of Commerce Court of Arbitration (Arbitration Court). Raytheon is seeking equitable relief and damages totaling over $45 million for alleged owner-caused performance delays and force majeure events in connection with the Fore River Power Plant Engineering, Procurement & Construction Agreement (EPC Agreement). The EPC Agreement, executed by a Raytheon subsidiary and guaranteed by Raytheon, governed the design, engineering, construction, start-up, testing and delivery of an 800-MW combined-cycle power plant in Weymouth, Massachusetts. Hearings by the Arbitration Court with respect to liability were held in January and February 2003. On May 12, 2003, the Arbitration Court issued an interim order finding in favor of Raytheon on liability, but limited the grounds upon which Raytheon could claim schedule and cost relief. The Arbitration Court ordered the parties to proceed to a damages phase to determine what, if any, damages Raytheon may recover. Hearings by the Arbitration Court with respect to damages were conducted in June and July 2003 and a final decision is expected in the first quarter of 2004.

In a related proceeding, on October 2, 2003, Mitsubishi Heavy Industries, LTD (MHI) and Mitsubishi Heavy Industries of America (MHIA) filed an action in the New York Supreme Court against Fore River Development, LLC and Mystic Development, LLC (collectively, the Project Companies) seeking to enjoin these indirect subsidiaries of Generation from drawing upon letters of credit posted to guarantee MHI's performance under certain gas turbine contracts. MHI and MHIA also is seeking $34 million from these entities in connection with work performed on these contracts. The Project Companies filed a third-party complaint against Raytheon, claiming that Raytheon was responsible for the MHI and MHIA contracts.

On August 29, 2003, Raytheon filed an action against the Project Companies and BNP Paribas in the Massachusetts Superior Court (Superior Court) alleging that the Project Companies and BNP Paribas had failed to provide adequate assurance that Raytheon would be paid the remaining amounts due under the Fore River and Mystic EPC contracts. Raytheon is seeking: (1) an injunction preventing the Project Companies and BNP Paribas from drawing upon certain letters of credit guaranteeing Raytheon's performance; (2) the right to terminate the construction contracts; and (3) an order allowing Raytheon to seize project funds totaling approximately $40 million. Raytheon subsequently dismissed BNP Paribas from the litigation. On November 25, 2003, the Massachusetts Superior Court dismissed Raytheon's claims in Massachusetts holding that Raytheon's claims should have been brought in the New York Supreme Court proceeding. As a result of this decision, all of the litigation was transferred and consolidated into the New York Supreme Court action and all parties have moved for summary judgment. The court has not yet issued any decision.

Clean Air Act. On June 1, 2001, the EPA issued to a subsidiary of the Company a Notice of Violation (NOV) and Reporting Requirement pursuant to Sections 113 and 114 of the Clean Air Act. The NOV alleges numerous exceedances of opacity limits and violations of opacity-related monitoring, recording and reporting requirements at Mystic Station in Everett, Massachusetts. On January 8, 2002, the EPA indicated that it had decided to resolve the NOV through an administrative compliance order and a judicial civil penalty action. In

March 2002, the EPA issued and Mystic I, LLC, doing business as Mystic Generating (formerly known as Exelon Mystic Generating, LLC) (Mystic), a wholly owned subsidiary of the Company, voluntarily entered a Compliance Order and Reporting Requirement (Order) regarding Mystic Station. Under the Order, Mystic Station installed new ignition equipment on three of the four units at the plant. Mystic Station also undertook an extensive opacity monitoring and testing program for all four units at the plant to help determine if additional compliance measures are needed. Pursuant to the requirements of the Order, the subsidiary switched three of the four units to a lower sulfur fuel oil by September 1, 2002. The Order did not address civil penalties. By letter dated April 21, 2003, the United States Department of Justice notified the subsidiary that, at the request of the EPA, it intended to bring a civil penalty action, but also offered the opportunity to resolve the matter through settlement discussions. Mystic has entered into a consent decree with the EPA and the Department of Justice, the net discounted cost of which is approximately $4 million. The consent decree is subject to the approval of the United States District Court of the District of Massachusetts.

General

Exelon, ComEd, PECO and Generation are involved in various other litigation matters that are being defended and handled in the ordinary course of business, and Exelon, ComEd, PECO and Generation maintain accruals for such costs that are probable of being incurred and subject to reasonable estimation. The ultimate outcome of such matters, as well as the matters discussed above, while uncertain, is not expected to have a material adverse effect on their respective financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Exelon, ComEd, PECO and Generation

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Exelon

The information required by this Item with respect to market information relating to Exelon's common stock is incorporated herein by reference to "Market for Registrant's Common Equity and Related Stockholder Matters" in Exhibit 99-2 to Exelon's Current Report on Form 8-K dated February 20, 2004.

ComEd

As of February 1, 2004, there were outstanding 127,016,494 shares of common stock, $12.50 par value, of ComEd, of which 127,002,904 shares were held by Exelon. At February 1, 2004, in addition to Exelon, there were approximately 278 holders of ComEd common stock. There is no established market for shares of the common stock of ComEd.

PECO

As of February 1, 2004, there were outstanding 170,478,507 shares of common stock, without par value, of PECO, all of which were held by Exelon.

Generation

As of February 1, 2004, Exelon held 100% of the member interest in Generation.

Exelon, ComEd, PECO and Generation

Dividends

Under applicable federal law, Exelon, ComEd, PECO and Generation can pay dividends only from retained, undistributed or current earnings. Under Illinois law, ComEd may not pay any dividend on its stock unless "[its] earnings and earned surplus are sufficient to declare and pay same after provision is made for reasonable and proper reserves," or unless it has specific authorization from the ICC. At December 31, 2003, Exelon had retained earnings of $2.3 billion, which includes ComEd's retained earnings of $883 million (of which $709 million had been appropriated for future dividends), PECO's retained earnings of $546 million and Generation's undistributed earnings of $602 million.

The following table sets forth Exelon's quarterly cash dividends paid during 2003 and 2002:

	2003				2002			
(per share)	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Exelon	$ 0.50	$ 0.50	$ 0.46	$ 0.46	$ 0.44	$ 0.44	$ 0.44	$ 0.44

The following table sets forth ComEd's and PECO's quarterly common dividend payments and Generation's quarterly distributions:

	2003				2002			
(in millions)	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
ComEd	$ 95	$ 95	$ 90	$ 121	$ 117	$ 118	$ 117	$ 118
PECO	79	79	75	90	85	85	85	85
Generation	73	71	45	—	—	—	—	—

On January 27, 2004, the Exelon Board of Directors declared a quarterly dividend of $0.55 per share on Exelon's common stock. The January 2004 declaration equates to an annual dividend rate of $2.20 per share. Payment of future dividends is subject to approval and declaration by the Board.

On January 27, 2004, the Exelon Board of Directors approved a 2-for-1 stock split of Exelon's common stock, effective upon receipt of all necessary regulatory approvals and the filing of an amendment to Exelon's articles of incorporation. The share and per-share amounts in this Form 10-K do not reflect the stock split.

ComEd may not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debt securities which were issued to ComEd Financing II and ComEd Financing III (the Financing Trusts); (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of the Financing Trusts; or (3) an event of default occurs under the Indenture under which the subordinated debt securities are issued (see ITEM 1. Business – Other Subsidiaries of ComEd and PECO with Publicly Held Securities). As of December 31, 2003, ComEd had appropriated $709 million of retained earnings for future dividend payments.

PECO's Articles of Incorporation prohibit payment of any dividend on, or other distribution to the holders of, common stock if, after giving effect thereto, the capital of PECO represented by its common stock together with its retained earnings is, in the aggregate, less than the involuntary liquidating value of its then outstanding preferred stock. At December 31, 2003, such capital was $2.5 billion and amounted to about 29 times the liquidating value of the outstanding preferred stock of $87 million.

PECO may not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debentures which were issued to the Partnership or Trust IV; (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of Trust IV or the Series D Preferred Securities of the Partnership; or (3) an event of default occurs under the Indenture under which the subordinated debentures are issued (see ITEM 1. Business – Other Subsidiaries of ComEd and PECO with Publicly Held Securities).

ITEM 6. SELECTED FINANCIAL DATA

Exelon

The information required by this Item is incorporated herein by reference to "Selected Financial Data" in Exhibit 99-1 to Exelon's Current Report on Form 8-K dated February 20, 2004.

ComEd

The selected consolidated financial data presented below has been derived from the audited consolidated financial statements of ComEd. This data is qualified in its entirety by reference to, and should be read in conjunction with ComEd's Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 herein.

ComEd was the principal subsidiary of Unicom Corporation (Unicom) prior to the merger with Exelon (Merger) on October 20, 2000 (Merger Date). The Merger was accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States (GAAP). The effects of the purchase method were reflected in the consolidated financial statements of ComEd as of the Merger Date. Accordingly, ComEd's consolidated financial statements presented for the period after the Merger reflect a new basis of accounting.

The information for the year ended 2000 is presented for the periods before and after the Merger.

(in millions)	For the Years Ended December 31, 2003	2002	2001	Oct. 20 - Dec. 31 2000	Jan. 1 - Oct. 19 2000	For the Year Ended December 31, 1999
Statement of Income data:						
Operating revenues	$ 5,814	$ 6,124	$ 6,206	$ 1,310	$ 5,702	$ 6,793
Operating income	1,567	1,766	1,594	338	1,048	1,549
Income before cumulative effect of changes in accounting principles	702	790	607	133	599	623
Cumulative effect of a change in accounting principle (net of income taxes)	5	—	—	—	—	—
Net income	$ 707	$ 790	$ 607	$ 133	$ 599	$ 623
Net income on common stock	$ 707	$ 790	$ 607	$ 133	$ 596	$ 599

(in millions)	December 31, 2003	2002	2001	2000	1999
Balance Sheet data:					
Current assets	$ 1,313	$ 1,049	$ 1,025	$ 2,172	$ 4,045
Property, plant and equipment, net	9,096	8,689	8,243	8,499	12,795
Goodwill, net	4,719	4,916	4,902	4,766	—
Regulatory assets, net	—	—	—	268	524
Other deferred debits and other assets	2,823	1,662	1,682	4,493	5,212
Total assets	$ 17,951	$ 16,316	$ 15,852	$ 20,198	$ 22,576
Current liabilities	$ 1,557	$ 2,023	$ 1,797	$ 1,723	$ 3,427
Long-term debt, including long-term debt to financing trusts (1)	5,887	5,268	5,850	6,882	6,962
Regulatory liabilities	1,891	486	225	—	—
Other deferred credits and other liabilities	2,274	2,451	2,568	5,082	6,456
Mandatorily redeemable preference stock	—	—	—	—	69
Mandatorily redeemable preferred securities of subsidiary trusts (1)	—	330	329	328	350
Shareholders' equity	6,342	5,758	5,083	6,183	5,312
Total liabilities and shareholders' equity	$ 17,951	$ 16,316	$ 15,852	$ 20,198	$ 22,576

(1) Upon adoption of FIN No. 46-R in 2003, the mandatorily redeemable preferred securities were reclassified as long-term debt to affiliates as of December 31, 2003.

PECO

The selected consolidated financial data presented below has been derived from the audited consolidated financial statements of PECO. This data is qualified in its entirety by reference to, and should be read in conjunction with PECO's Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 herein.

	For the Years Ended December 31,				
(in millions)	2003	2002	2001	2000	1999
Statement of Income data:					
Operating revenues	$ 4,388	$ 4,333	$ 3,965	$ 5,950	$ 5,478
Operating income	1,056	1,093	999	1,222	1,373
Income before cumulative effect of a change in accounting principle	473	486	425	483	582
Cumulative effect of a change in accounting principle (net of income taxes)	—	—	—	24	—
Net income	$ 473	$ 486	$ 425	$ 507	$ 582
Net income on common stock	$ 468	$ 478	$ 415	$ 497	$ 570

	December 31,				
(in millions)	2003	2002	2001	2000	1999
Balance Sheet data:					
Current assets	$ 632	$ 927	$ 813	$ 1,779	$ 1,221
Property, plant and equipment, net	4,256	4,159	4,039	5,138	4,982
Noncurrent regulatory assets	5,226	5,546	5,774	6,046	6,094
Other deferred debits and other assets	232	88	112	1,813	790
Total assets	$ 10,346	$ 10,720	$ 10,738	$ 14,776	$ 13,087
Current liabilities	$ 742	$ 1,538	$ 1,335	$ 2,974	$ 1,286
Long-term debt, including long-term debt to financing trusts (1)	5,239	4,951	5,438	6,002	5,969
Deferred credits and other liabilities	3,349	3,342	3,358	3,860	3,738
Mandatorily redeemable preferred securities of subsidiary trusts (1)	—	128	128	128	128
Mandatorily redeemable preferred stock	—	—	19	37	56
Shareholders' equity	1,016	761	460	1,775	1,910
Total liabilities and shareholders' equity	$ 10,346	$ 10,720	$ 10,738	$ 14,776	$ 13,087

(1) Upon adoption of FIN No. 46-R in 2003, the mandatorily redeemable preferred securities were reclassified as long-term debt to affiliates as of December 31, 2003.

Generation

The selected consolidated financial data presented below has been derived from the audited consolidated financial statements of Generation. This data is qualified in its entirety by reference to, and should be read in conjunction with Generation's Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 herein.

	For the Years Ended December 31,				
(in millions)	2003	2002	2001	2000	1999
Statement of Income data:					
Operating revenues	$ 8,135	$ 6,858	$ 6,826	$ 3,274	$ 2,425
Operating income (loss)	(194)	509	872	441	300
Income (loss) before cumulative effect of changes in accounting principles	(241)	387	512	260	204
Cumulative effect of changes in accounting principles (net of income taxes)	108	13	12	—	—
Net income (loss)	$ (133)	$ 400	$ 524	$ 260	$ 204

	December 31,				
(in millions)	2003	2002	2001	2000	1999
Balance Sheet data:					
Current assets	$ 2,553	$ 1,805	$ 1,435	$ 1,793	$ 395
Property, plant and equipment, net	7,106	4,698	2,003	1,727	990
Deferred debits and other assets	5,105	4,402	4,700	4,742	907
Total assets	$ 14,764	$ 10,905	$ 8,138	$ 8,262	$ 2,292
Current liabilities	$ 3,564	$ 2,594	$ 1,097	$ 2,176	$ 404
Long-term debt	1,649	2,132	1,021	205	209
Deferred credits and other liabilities	6,592	3,226	3,212	3,271	729
Minority interest	3	54	—	—	—
Members' equity	2,956	2,899	2,808	2,610	950
Total liabilities and members' equity	$ 14,764	$ 10,905	$ 8,138	$ 8,262	$ 2,292

The consolidated financial statements of Generation as of December 31, 2000 and for the year then ended 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. Generation operated as a separate business subsequent to electric-industry restructuring in Pennsylvania effective January 1, 1999.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Exelon

The information required by this Item is incorporated herein by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99-3 to Exelon's Current Report on Form 8-K dated February 20, 2004.

ComEd, PECO and Generation

The Critical Accounting Policies and Estimates and New Accounting Pronouncement sections presented below indicate the registrant or registrants to which each policy, estimate or accounting standard is applicable. "We" or "Our" as utilized in the Critical Accounting Policies and Estimates and New Accounting Pronouncements sections is defined as the registrant or registrants identified in each subheading.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates and assumptions that affect results of operations and the amounts of assets and liabilities reported in the financial statements. Management discusses these policies, estimates and assumptions with its Accounting and Disclosure Governance Committee on a regular basis and provides periodic updates on management decisions to the Audit Committee of the Exelon Board of Directors. Management believes that the following areas require significant management judgment regarding the application of an accounting policy or in making estimates and assumptions to account for matters that are inherently uncertain and that may change in subsequent periods: accounting for derivative instruments, regulatory assets and liabilities, nuclear decommissioning, depreciable lives of property, plant and equipment, asset impairments including goodwill, severance accounting, defined benefit pension and other postretirement welfare benefits, taxation, unbilled energy revenues and environmental costs. Further discussion of the application of these accounting policies can be found in the Notes to Consolidated Financial Statements.

Accounting for Derivative Instruments (ComEd, PECO and Generation)

We generally account for derivative financial instruments on our balance sheet at their fair value unless they qualify for a normal purchases and normal sales exception or unless specific hedge accounting criteria are met. How such instruments are classified affects how they are reported in our financial statements. If the normal purchases and normal sales exception applies, then gains and losses are recognized when the underlying physical transaction affects earnings. If the derivative qualifies as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income in shareholders' equity. If neither applies, then changes in the fair value of the derivative are recognized in our earnings.

The availability of the normal purchases and normal sales exception is based upon our assessment of the ability and intent to deliver or take delivery, which is based on internal models that forecast customer demand and electricity supply. These 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. Significant changes in these assumptions could result in these contracts not qualifying for the normal purchases and normal sales exception.

Identification of an energy contract as a qualifying cash-flow hedge requires us to determine that the contract is in accordance with our Risk Management Policy, the forecasted future transaction is probable, and the hedging relationship between the energy contract and the expected future purchase or sale of energy is expected to be highly effective at the initiation of the hedge and throughout the hedging relationship. Internal models that measure the statistical correlation between the derivative and the associated hedged item determine the

effectiveness of such an energy contract designated as a hedge. We reassess these cash-flow hedges on a regular basis to determine if they continue to be effective and that the forecasted future transactions are probable. At the point in time that the contract does not meet the effective or probable criteria of SFAS No. 133, hedge accounting is discontinued and the fair value of the derivative is recorded through earnings.

As a part of our accounting for derivatives, we make estimates and assumptions concerning future commodity prices, load requirements, interest rates, the timing of future transactions and their probable cash flows, the fair value of contracts and the changes in the fair value we expect in deciding whether or not to enter into derivative transactions, and in determining the initial accounting treatment for derivative transactions. We use quoted exchange prices to the extent they are available or external broker quotes in order to determine the fair value of energy contracts. When external prices are not available, we use internal models to determine the fair value. These internal models include assumptions of the future prices of energy based on the specific energy market the energy is being purchased in using externally available forward market pricing curves for all periods possible under the pricing model. We use the Black model, a standard industry valuation model, to determine the fair value of energy derivative contracts that are marked-to-market. To determine the fair value of our outstanding interest-rate swap agreements we use external broker quotes or calculate the fair value internally using the Bloomberg swap valuation tool. This tool uses the most recent market inputs and is a widely accepted valuation methodology.

Regulatory Assets and Liabilities (ComEd and PECO)

We account for our regulated electric and gas operations in accordance with SFAS No. 71, “Accounting for the Effects of Certain Types of Regulation” (SFAS No. 71), which requires us to reflect the effects of rate regulation in our financial statements. Use of SFAS No. 71 is applicable to our utility operations that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable assumption that all costs will be recoverable from customers through rates. As of December 31, 2003, we have concluded that the operations of ComEd and PECO meet the criteria. If we conclude in a future period that a separable portion of our business no longer meets the criteria, we are required to eliminate the financial statement effects of regulation for that part of our business, which would include the elimination of any regulatory assets and liabilities that had been recorded within our Consolidated Balance Sheets. The impact of not meeting the criteria of SFAS No. 71 could be material to our financial statements as a one time extraordinary item and through impacts on continuing operations. See Note 2 of the Notes to Consolidated Financial Statements for ComEd and PECO for further information regarding regulatory issues.

Regulatory assets represent costs that have been deferred to future periods when it is probable that the regulator will allow for recovery through rates charged to customers. Regulatory liabilities represent revenues received from customers to fund expected costs that have not yet been incurred. As of December 31, 2003, ComEd had recorded $1.9 billion of net regulatory liabilities, and PECO had recorded $5.3 billion of net regulatory assets within their Consolidated Balance Sheets. See Note 16 of the Notes to Consolidated Financial Statements for ComEd and Note 15 of the Notes to Consolidated Financial Statements for PECO for further information regarding their significant regulatory assets and liabilities.

For each regulatory jurisdiction where we conduct business, we continually assess whether the regulatory assets and liabilities continue to meet the criteria for probable future recovery or settlement. This assessment includes consideration of factors such as changes in applicable regulatory environments, recent rate orders to other regulated entities in the same jurisdiction, the status of any pending or potential deregulation legislation and the ability to recover costs through regulated rates.

The electric businesses of both ComEd and PECO are currently subject to rate freezes or rate caps that limit the opportunity to recover increased costs and the costs of new investment in facilities through rates during the rate freeze or rate cap period. Because our current rates include the recovery of existing regulatory assets and liabilities and rates in effect during the rate freeze or rate cap periods are expected to allow us to earn a

reasonable rate of return during that period, management believes the existing regulatory assets and liabilities are probable of recovery. This determination reflects the current political and regulatory climate in the states where we do business but is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory assets and liabilities would be recognized in current period earnings. A write-off of regulatory assets could impact ComEd or PECO's ability to pay dividends under PUHCA and state law.

Nuclear Decommissioning (ComEd, PECO and Generation)

We account for our obligation to decommission our nuclear generating plants under SFAS No. 143 which requires that we make significant estimates of decommissioning costs to be incurred in future periods. We adopted SFAS No. 143 on January 1, 2003, and ComEd and Generation recorded income of $5 million and $108 million (net of income taxes), respectively, as a cumulative effect of a change in accounting principle. The adoption of SFAS No. 143 had no impact on PECO's net income. For more information regarding the adoption and ongoing application of SFAS No. 143, see Note 10 of ComEd's Notes to Consolidated Financial Statements, Note 9 of PECO's Notes to Consolidated Financial Statements and Note 10 of Generation's Notes to Consolidated Financial Statements.

Upon the adoption of SFAS No. 143, we were required to estimate the fair value of our obligation for the future decommissioning of our nuclear generating plants. To estimate the fair value of the decommissioning obligation, we used a probability-weighted, discounted cash flow model with multiple scenarios. Key assumptions used in the determination of fair value included the following:

Decommissioning Cost Studies. We used decommissioning cost studies prepared by a third party to provide a marketplace assessment of costs and the timing of retirement activities validated by comparison to current decommissioning projects and other third-party estimates.

Annual Cost Escalation Studies. Annual cost escalation studies were used to determine escalation factors based on inflation indices for labor, equipment and materials, energy, and low-level radioactive waste disposal costs.

Probabilistic Cash Flow Models. Our probabilistic cash flow models included the assignment of probabilities to various cost levels and various timing scenarios. The probability of various timing scenarios incorporated the factors of current license lives and life extensions and the timing of Department of Energy (DOE) acceptance for disposal of spent nuclear fuel.

Discount Rates. The estimated probability-weighted cash flows using these various scenarios were discounted using credit-adjusted, risk-free rates applicable to the various businesses.

Changes in the assumptions underlying the items discussed above could have materially affected the decommissioning obligation recorded upon the adoption of SFAS No. 143 and future costs related to decommissioning recorded in the consolidated financial statements. Under SFAS No. 143, the fair value of the nuclear decommissioning obligation is adjusted on an ongoing basis as the model input factors change.

Depreciable Lives of Property, Plant and Equipment (ComEd, PECO and Generation)

We have a significant investment in electric generation assets and electric and natural gas transmission and distribution assets. Depreciation of these assets is generally provided over their estimated service lives on a straight-line basis using the composite method. The estimation of service lives requires management judgment regarding the period of time that the assets will be in use. As circumstances warrant, depreciation estimates are reviewed to determine if any changes are needed. Effective July 1, 2002, ComEd decreased its depreciation rates based on a depreciation study, resulting in an annualized reduction in depreciation expense of $96 million. Effective April 1, 2001, Generation extended the estimated service lives of certain non-AmerGen generating

stations primarily based on service life extensions applied for with regulatory agencies, resulting in an annualized reduction in depreciation expense of $132 million. We anticipate extending the depreciable lives of the AmerGen stations beginning in January, 2004 concurrent with our initial full month of 100% ownership. Additional changes to depreciation estimates in future periods could have a significant impact on the amount of depreciation charged to the financial statements. Depreciation expense for the year ended December 31, 2003 was $308 million, $130 million, and $186 million for ComEd, PECO and Generation, respectively.

Asset Impairments

Long-Lived Assets and Investments (ComEd, PECO and Generation). We evaluate the carrying value of our long-lived assets, excluding goodwill, when circumstances indicate the carrying value of those assets may not be recoverable. The review of assets for impairment requires significant assumptions about operating strategies and estimates of future cash flows. A variation in an assumption could result in a different conclusion regarding the realizability of the asset. The potential impact of recognizing an impairment of the assets reported within the Consolidated Balance Sheets, as well as on net income, could be and has been material to our consolidated financial statements.

In 2003, Generation recorded an impairment charge of $945 million (before income taxes) related to the long-lived assets of Boston Generating, an indirect wholly owned subsidiary of Generation, due to its decision to transition out of its ownership of Boston Generating. See Note 2 of Generation's Notes to Consolidated Financial Statements for further information. In determining the amount of the impairment charge, Generation compared the carrying value of Boston Generating's long-lived assets to their estimated fair value. The fair value was determined using estimated future discounted cash flows from those assets, which incorporated assumptions relative to the period of time that Generation will continue to own and operate Boston Generating. The time required to fully transition out of ownership of Boston Generating is uncertain and subject to change. Generation utilized a discount rate based upon valuations of the business developed at the purchase date. A change in the assumptions, including estimated cash flows and the discount rate, could have had a significant impact on the amount of the impairment charge recorded.

In 2003, Generation recorded impairment charges totaling $255 million (before income taxes) associated with a decline in the fair value of Generation's investment in Sithe. In reaching that decision, Generation considered various factors, including negotiations to sell its investment in Sithe, which indicated an other-than-temporary decline in fair value.

In 2003, ComEd and PECO did not identify any factors through their review processes that indicated potential material impairment of property plant and equipment or other long-lived assets.

Goodwill (ComEd). ComEd had approximately $4.7 billion of goodwill recorded at December 31, 2003. ComEd performs an assessment for impairment of its goodwill at least annually, or more frequently, if events or circumstances indicate that goodwill might be impaired. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit.

We performed our annual assessment of potential ComEd goodwill impairment for 2003 as of November 1, 2003, and determined that goodwill was not impaired. In our assessment, to estimate the fair value of the ComEd reporting unit, we used a probability-weighted, discounted cash flow model with multiple scenarios. The determination of the fair value is dependent on many sensitive, interrelated and uncertain variables, including changing interest rates, utility sector market performance, ComEd's capital structure, market power prices, post-2006 rate regulatory structures, operating and capital expenditure requirements and other factors. Changes in these variables or in how they interrelate could result in a future impairment of goodwill at ComEd, which

could be material. For example, in the 2003 assessment, if estimated discounted cash flows had decreased by 5%, ComEd would have recorded a goodwill impairment of approximately $500 million.

Furthermore, based on certain anticipated reductions to cash flows subsequent to ComEd's regulatory transition period (primarily CTCs), we believe there is a reasonable possibility that goodwill will be impaired at ComEd in 2004 or future years, and such impairment may be significant. The actual timing and amounts of goodwill impairments in future years, if any, will depend on the variables discussed above.

A goodwill impairment charge at ComEd may not affect Exelon's results of operations as the goodwill impairment test for Exelon would consider cash flows of the entire Energy Delivery business segment, including both ComEd and PECO, and not just of ComEd.

Severance Accounting (ComEd, PECO and Generation)

As part of the implementation of The Exelon Way, we identified approximately 1,500 positions for elimination by the end of 2004, including 729, 166, and 470 positions at ComEd, PECO and Generation, respectively. We provide severance benefits to terminated employees pursuant to pre-existing severance plans primarily based upon each individual employee's years of service with us and compensation level. We recorded charges in 2003 related to severance benefits that were considered probable and could be reasonably estimated in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43" (SFAS No. 112). A significant assumption in calculating the severance charge was the determination of the number of positions to be eliminated. We based our estimates on our current plans and our ability to determine the appropriate staffing levels to effectively operate the businesses. We are considering whether there are additional positions to be eliminated in 2005 and 2006. We may incur further severance costs associated with The Exelon Way if additional positions are identified for elimination. These costs will be recorded in the period in which the costs can be reasonably estimated.

Defined Benefit Pension and Other Postretirement Welfare Benefits (ComEd, PECO and Generation)

Exelon sponsors defined benefit pension plans and postretirement welfare benefit plans applicable to substantially all ComEd, PECO, Generation and BSC employees and certain Enterprises employees. See Note 14 of Exelon's Notes to Consolidated Financial Statement for further information regarding the accounting for our defined benefit pension plans and postretirement welfare benefit plans.

The costs of providing benefits under these plans are dependent on historical information such as employee age, length of service and level of compensation, and the actual rate of return on plan assets. Also, we utilize assumptions about the future, including the expected rate of return on plan assets, the discount rate applied to benefit obligations, rate of compensation increase and the anticipated rate of increase in health care costs.

The selection of key actuarial assumptions utilized in the measurement of the plan obligations and costs drives the results of the analysis and the resulting charges. The long-term expected rate of return on plan assets (EROA) assumption used in calculating 2003 pension cost was 9.00% compared to 9.50% for 2002 and 2001. The weighted average EROA assumption used in calculating 2003 other postretirement benefit costs was 8.40% compared to 8.80% for 2002 and 2001. A lower EROA is used in the calculation of other postretirement benefit costs, as the other postretirement benefit trust activity is partially taxable while the pension trust activity is non-taxable. The Moody's Aa Corporate Bond Index was used as the basis in selecting the discount rate for determining the plan obligations, using 6.25% at December 31, 2003 compared to 6.75% at December 31, 2002 and 7.35% at December 31, 2001. The reduction in discount rate is due to the decline in Moody's Aa Corporate Bond Index in 2003 and 2002.

The following tables illustrate the aggregate effects of changing the major actuarial assumptions discussed above:

Change in Actuarial Assumption	Impact on Projected Benefit Obligation at December 31, 2003	Impact on Pension Liability at December 31, 2003	Impact on 2004 Pension Cost
Pension benefits			
Decrease discount rate by 0.5%	$ 548	$ 481	$ 37
Decrease rate of return on plan assets by 0.5%	—	—	34

Change in Actuarial Assumption	Impact on Other Postretirement Benefit Obligation at December 31, 2003	Impact on Postretirement Benefit Liability at December 31, 2003	Impact on 2004 Postretirement Benefit Cost
Postretirement benefits			
Decrease discount rate by 0.5%	$ 178	$ —	$ 20
Decrease rate of return on plan assets by 0.5%	—	—	5

The assumptions are reviewed at the beginning of each year during our annual review process and at any interim remeasurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension amounts as they occur, or over a period of time if allowed under applicable accounting standards. As these assumptions change from period to period, recorded pension amounts and funding requirements could also change.

ComEd, PECO and Generation incurred approximately $131 million, $57 million and $112 million, respectively, of pension and postretirement benefit costs in 2003, inclusive of curtailment costs associated with The Exelon Way of $48 million, $10 million, and $18 million, respectively. Although 2004 pension and postretirement benefit costs will depend on market conditions, Exelon's estimate is that its pension and postretirement benefit costs, in the aggregate, will not change significantly in 2004 as compared to 2003.

Taxation (ComEd, PECO and Generation)

ComEd, PECO and Generation are required to make judgments regarding the potential tax effects of various financial transactions and our ongoing operations to estimate our obligations to taxing authorities. These tax obligations include income, real estate, use and employment-related taxes and ongoing appeals related to these tax matters. These judgments include reserves for potential adverse outcomes regarding tax positions that we have taken. Generation must also assess its ability to generate capital gains in future periods to realize tax benefits associated with capital losses expected to be generated in future periods. Capital losses may be deducted only to the extent of capital gains realized during the year of the loss or during the three prior or five succeeding years. As of December 31, 2003, Generation has not recorded an allowance against its deferred tax assets associated with impairment losses which will become capital losses when realized for income tax purposes. Generation believes these deferred tax assets will be realized in future periods. While we believe the resulting tax reserve balances as of December 31, 2003 reflect the most likely probable expected outcome of these tax matters in accordance with SFAS No. 5, "Accounting for Contingencies," and SFAS No. 109, "Accounting for Income Taxes," the ultimate outcome of such matters could result in additional adjustments to our consolidated financial statements and such adjustments could be material.

Unbilled Energy Revenues (ComEd, PECO and Generation)

Revenues related to the sale of energy by ComEd and PECO are generally recorded when service is rendered or energy is delivered to customers. The determination of the energy sales to individual customers, however, is based on systematic readings of customer meters generally on a monthly basis. At the end of each month, amounts of energy delivered to customers during the month since the date of the last meter reading are

estimated, and corresponding unbilled revenue is recorded. This unbilled revenue is estimated each month based on daily customer demand measured by generation or gas throughput volume, estimated customer usage by class, estimated losses of energy during delivery to customers and applicable customer rates. Customer accounts receivable as of December 31, 2003 include unbilled energy revenues of $225 million and $143 million for ComEd and PECO, respectively. Increases in volumes delivered to the utilities' customers in the period would increase unbilled revenue. Changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the estimated unbilled revenue; however, total revenues would remain unchanged.

Revenues related to Generation's sale of energy are generally recorded when service is rendered or energy is delivered to customers. The determination of the energy sales is based on estimated amounts delivered as well as fixed quantity sales. At the end of each month, amounts of energy delivered to customers during the month and corresponding unbilled revenue are recorded. This unbilled revenue is estimated each month based on daily customer demand, fixed quantity sales, generation volume and applicable market or fixed rates. Generation's customer accounts receivable as of December 31, 2003 include unbilled energy revenues of $366 million. Increases in volumes delivered to the wholesale customers in the period would increase unbilled revenue.

Environmental Costs (ComEd, PECO and Generation)

As of December 31, 2003, ComEd, PECO and Generation had accrued liabilities of $69 million, $50 million and $10 million, respectively, for environmental investigation and remediation costs. These liabilities are based upon estimates with respect to the number of sites for which we will be responsible, the scope and cost of work to be performed at each site, the portion of costs that will be shared with other parties and the timing of the remediation work. Where timing and costs of expenditures can be reliably estimated, amounts are discounted. These amounts represent $64 million and $41 million of the accrued liabilities above for ComEd and PECO, respectively. Where timing and amounts cannot be reliably estimated, amounts are recognized on an undiscounted basis. Such amounts represent $5 million, $9 million, and $10 million of the accrued liabilities total for ComEd, PECO and Generation, respectively. Estimates can be affected by the factors noted above as well as by changes in technology, regulations or the requirements of local governmental authorities.

ComEd

Executive Summary

2003 has been a year of operating accomplishments. ComEd has focused on living up to its reliability and safety commitments while pursuing greater productivity, quality and innovation. Here are just a few of the 2003 highlights:

Financial Results. ComEd experienced an overall decline in net income of 11% in 2003. This decline was primarily due to lower operating revenues as a result of unfavorable weather and customers purchasing energy from an ARES or PPO and higher operating and maintenance expense including the costs associated with implementing The Exelon Way. ComEd's 2003 results were favorably affected by lower depreciation and amortization expense, lower purchased power expense and lower interest expense.

The Exelon Way. ComEd implemented The Exelon Way, an aggressive, long-term operational plan defining how ComEd will conduct business in years to come. The Exelon Way is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. ComEd recorded severance and severance-related after-tax charges during 2003 associated with the implementation of The Exelon Way and is considering whether it will incur additional severance related costs in future periods.

Investment Strategy. ComEd continued to invest in its infrastructure spending over $700 million in 2003 and expects to invest over $600 million in 2004.

Financing Activities. ComEd issued debt and equity securities to refinance approximately $1.7 billion and repaid approximately $260 million of outstanding debt, approximately $340 million of transitional trust notes and $52 million of commercial paper in 2003, resulting in annual interest savings of $65 million. ComEd met all of its capital resource commitments with internally generated cash and expects to do so in the foreseeable future.

Operational Achievements. ComEd's business focused on the core fundamentals of providing reliable delivery service. Following several years of continued reliability improvement, ComEd's performance dipped slightly in 2003 due to a series of severe storms across Northern Illinois - two of which were the worst since 1998.

Outlook for 2004 and Beyond. In the short term, ComEd's financial results will be affected by a number of factors, including weather conditions and successful implementation of The Exelon Way. If weather is warmer than normal in the summer months or colder than normal in the winter months, operating revenues at ComEd generally will be favorably affected. In addition, ComEd is required annually to assess its goodwill to determine if it is impaired. Based on certain anticipated reductions to cash flows subsequent to the transition period (primarily competitive transition charges), ComEd believes there is a reasonable possibility that goodwill may be impaired in 2004 or future periods, and such impairment may be significant.

Longer term, restructuring in the U.S. electric industry is at a crossroads at both the Federal and state levels, with continuing debate at the FERC on regional transmission organization (RTO) and standard market platform issues and in many states on the "post transition" format. Some states abandoned failed transition plans (like California), some states are adjusting current transition plans (like New Jersey and Ohio) and the state of Illinois (by 2007) is considering options to preserve choice for large customers and rate stability for mass market customers, while ensuring the financial returns needed for continuing investments in reliability. ComEd will continue to be an active participant in these policy debates, while continuing to focus on improving operations and controlling costs.

As ComEd nears the end of the restructuring transition period and related rate freeze in Illinois, ComEd will also continue to work with Federal and state regulators, state and local governments, customer representatives and other interested parties to develop appropriate processes for establishing future rates in restructured

electricity markets. ComEd will strive to ensure that future rate structures recognize the substantial improvements ComEd has made, and will continue to make, in its transmission and distribution systems. ComEd will also work to ensure that its rates adequately compensate its suppliers, which could include Generation, for the costs associated with procuring full-load following capacity energy supplies given ComEd's Provider of Last Resort (POLR) obligations. As in the past, by working together with all interested parties, ComEd believes it can successfully meet these objectives and obtain fair recovery of its costs for providing service to its customers. However, if ComEd is unsuccessful, its results of operations and cash flows could be negatively affected after the transition period.

While the U.S. economic recovery appears underway, ComEd's current plans are based on moderate kilowatthour sales growth (1% to 2%). Successful implementation of The Exelon Way is needed to offset labor and material cost escalation, especially the double digit increases in health care costs. ComEd's stable base of over three million customers will provide a solid platform with which to meet these challenges.

Results of Operations

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Significant Operating Trends – ComEd

	2003	2002	Variance	% Change
OPERATING REVENUES	$ 5,814	$ 6,124	$ (310)	(5.1)%
OPERATING EXPENSES				
Purchased power	2,501	2,585	(84)	(3.2)%
Operating and maintenance	1,093	964	129	13.4%
Depreciation and amortization	386	522	(136)	(26.1)%
Taxes other than income	267	287	(20)	(7.0)%
Total operating expense	4,247	4,358	(111)	(2.5)%
OPERATING INCOME	1,567	1,766	(199)	(11.3)%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(423)	(484)	61	(12.6)%
Distributions on mandatorily redeemable preferred securities	(26)	(30)	4	(13.3)%
Other, net	49	44	5	11.4%
Total other income and deductions	(400)	(470)	70	(14.9)%
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	1,167	1,296	(129)	(10.0)%
INCOME TAXES	465	506	(41)	(8.1)%
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	702	790	(88)	(11.1)%
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, (net of income taxes)	5	—	5	n.m.
NET INCOME	$ 707	$ 790	$ (83)	(10.5)%

n.m. not meaningful

Net Income

Net income was affected by lower operating revenues primarily due to unfavorable weather and customers purchasing energy from an ARES or PPO and higher operating and maintenance expense, partially offset by lower depreciation and amortization expense, lower purchased power expense and lower interest expense.

Operating Revenues

ComEd's electric sales statistics are as follows:

Retail Deliveries – (in GWhs) (1)	**2003**	**2002**	**Variance**	**% Change**
Bundled deliveries (2)				
Residential	26,206	27,474	(1,268)	(4.6)%
Small commercial & industrial	21,541	22,365	(824)	(3.7)%
Large commercial & industrial	5,921	7,885	(1,964)	(24.9)%
Public authorities & electric railroads	5,125	6,480	(1,355)	(20.9)%
	58,793	64,204	(5,411)	(8.4)%
Unbundled deliveries (3)				
ARES				
Small commercial & industrial	6,006	5,219	787	15.1%
Large commercial & industrial	9,909	7,095	2,814	39.7%
Public authorities & electric railroads	1,402	912	490	53.7%
	17,317	13,226	4,091	30.9%
PPO				
Small commercial & industrial	3,318	3,152	166	5.3%
Large commercial & industrial	4,348	5,131	(783)	(15.3)%
Public authorities & electric railroads	1,925	1,347	578	42.9%
	9,591	9,630	(39)	(0.4)%
Total unbundled deliveries	26,908	22,856	4,052	17.7%
Total retail deliveries	85,701	87,060	(1,359)	(1.6)%

(1) One GWh is the equivalent of one million kWhs.
(2) Bundled service reflects deliveries to customers taking electric service under tariffed rates.
(3) Unbundled service reflects customers electing to receive electric generation service from an ARES or the PPO.

Electric Revenue	2003	2002	Variance	% Change
Bundled revenues (1)				
Residential	$ 2,272	$ 2,381	$ (109)	(4.6)%
Small commercial & industrial	1,667	1,736	(69)	(4.0)%
Large commercial & industrial	304	410	(106)	(25.9)%
Public authorities & electric railroads	316	377	(61)	(16.2)%
	4,559	4,904	(345)	(7.0)%
Unbundled Revenues (2)				
ARES				
Small commercial & industrial	139	138	1	0.7%
Large commercial & industrial	175	154	21	13.6%
Public authorities & electric railroads	33	28	5	17.9%
	347	320	27	8.4%
PPO				
Small commercial & industrial	225	204	21	10.3%
Large commercial & industrial	240	278	(38)	(13.7)%
Public authorities & electric railroads	103	71	32	45.1%
	568	553	15	2.7%
Total unbundled revenues	915	873	42	4.8%
Total electric retail revenues	5,474	5,777	(303)	(5.2)%
Wholesale and miscellaneous revenue (3)	340	347	(7)	(2.0)%
Total electric revenue	$ 5,814	$ 6,124	$ (310)	(5.1)%

(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 transmission revenue, sales to municipalities and other wholesale energy sales.

The changes in electric retail revenues in 2003, as compared to 2002, were attributable to the following:

	Variance
Weather	$ (232)
Customer choice	(155)
Rate changes	(33)
Volume	105
Other effects	12
Retail revenue	$ (303)

Weather. The demand for electricity is affected by weather conditions. Very warm weather in summer months and very cold weather in other months are 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 year ended December 31, 2003 was unfavorable compared to the same period in 2002 as a result of cooler summer weather in 2003. Cooling degree-days decreased 36% in the year ended December 31, 2003 compared to the same period in 2002 and were partially offset by a 5% increase in heating degree days in the year ended December 31, 2003 compared to the same period in 2002.

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. However, as of December 31, 2003, no ARES 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 increased non-residential customers in Illinois electing to purchase energy from an ARES or the PPO.

For the year ended December 31, 2003, the energy provided by alternative electric generation suppliers was 17,317 GWhs, or 20.2% of total retail deliveries, as compared to 13,226 GWhs, or 15.2%, for the year ended December 31, 2002.

As of December 31, 2003 and 2002, the number of retail customers that had elected to purchase energy from an ARES or the ComEd PPO was approximately 20,300 and 22,700, respectively, representing less than 1% of total customers in each year. Deliveries to such customers increased from 22,856 GWhs for the year ended December 31, 2002 to 26,908 GWhs for the year ended December 31, 2003, or from 26% to 31% of total annual retail deliveries.

Rate Changes. The decrease in revenues attributable to rate changes reflects lower wholesale market prices in the first six months of 2003, which were partially offset by higher wholesale market prices in the last six months of 2003, decreasing revenue received under ComEd's PPO by $31 million. Starting in the June 2003 billing cycle, the increased wholesale market price of electricity, net of increased mitigation factors, as a result of the Agreement described in Note 2 of ComEd's Notes to Consolidated Financial Statements, decreased the collection of CTCs as compared to the respective period in 2002. However, for the two-year period, CTC revenues were consistent.

Volume. Revenues from higher delivery volume, exclusive of weather, increased due to an increased number of customers and increased usage per customer, primarily large and small commercial and industrial.

Wholesale and miscellaneous revenue for the year ended December 31, 2003 compared to the year ended December 31, 2002 decreased $7 million primarily due to a 2002 reimbursement from Generation of $12 million.

Purchased Power

Purchased power expense decreased in 2003 primarily due to a $135 million decrease as a result of customers choosing to purchase energy from an ARES, a $115 million decrease due to unfavorable weather and a $20 million decrease due to additional energy billed in 2002 under the PPA with Generation, partially offset by an increase of $74 million due to pricing changes related to ComEd's PPA with Generation, an increase of $62 million under the PPA related to decommissioning collections associated with the adoption of SFAS No. 143 that were not included in purchased power in 2002 and an increase of $59 million due to higher volume. The $62 million increase in purchased power expense related to SFAS No. 143 had no impact on net income as it was offset by lower regulatory asset amortization expense (see Depreciation and Amortization below).

Operating and Maintenance

Operating and maintenance (O&M) expense increased in 2003 reflecting $137 million due to The Exelon Way severance and related postretirement health and welfare benefits accruals and pension and postretirement curtailment costs, a net charge of $41 million in 2003 as the result of the Agreement as more fully described in Note 2 of ComEd's Notes to Consolidated Financial Statements, $14 million of additional storm-related costs and $7 million increase in employee fringe benefits partially offset by $78 million decrease in payroll expenses due to fewer employees and $6 million lower net manufactured gas plant (MGP) investigation and remediation reserve charges.

Depreciation and Amortization

Depreciation and amortization expense decreased in 2003 as follows:

	2003	2002	Variance	% Change
Depreciation expense	$308	$334	$ (26)	(7.8)%
Recoverable transition costs amortization	44	102	(58)	(56.9)%
Other amortization expense	34	86	(52)	(60.5)%
Total depreciation and amortization	$386	$522	$ (136)	(26.1)%

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. The lower rates followed completion of a depreciation study and 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 reduction in depreciation expense was $48 million ($29 million, net of income taxes) in 2003 compared to 2002.

Recoverable transition costs amortization decreased in the year ended December 31, 2003 compared to the same period in 2002. The decrease is a result of additional amortization in 2002. ComEd expects to fully recover its recoverable transition costs regulatory asset balance of $131 million by 2006. 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.

The decrease in other amortization primarily relates to the reclassification of a regulatory asset for nuclear decommissioning as a result of the adoption of SFAS No. 143 in 2003 (see Note 10 of ComEd's Notes to Consolidated Financial Statements). This decrease had no impact on net income as it was offset by increased purchased power from Generation (see Purchased Power above).

Taxes Other Than Income

Taxes other than income decreased in 2003 primarily as a result of a $25 million credit in 2003 for use tax payments for periods prior to the Merger and a $5 million refund in 2003 of Illinois Electricity Distribution taxes, partially offset by $8 million in Illinois Public Utility Fund taxes in 2003 that were not charged in 2002 and a $5 million real estate tax refund in 2002.

Interest Charges

Interest charges consist of interest expense and distributions on mandatorily redeemable preferred securities. Interest charges decreased in 2003 due to the impact of lower interest rates as a result of refinancing existing debt at lower interest rates for 2003 as compared to 2002 and the pay down of $340 million in ComEd Transitional Trust Notes.

Other, Net

Other, net increased in 2003 as compared to 2002. In 2002, ComEd recorded a $12 million reserve accrual for a potential plant disallowance from an audit performed in conjunction with ComEd's delivery services rate case. This $12 million was reversed in March 2003 as a result of the Agreement – as more fully described in Note 2 to ComEd's Notes to Consolidated Financial Statements. These items were partially offset by a $9 million reduction in intercompany interest income from Unicom Investments Inc., reflecting a lower principal balance, and a $10 million decrease in various other income and deduction items.

Income Taxes

The effective income tax rate was 39.8% in 2003 as compared to 39.0% in 2002.

Due to revenue needs of the states in which ComEd operates, various state income tax and fee increases have been proposed or are being contemplated. If these changes are enacted, they could increase ComEd's state income tax expense. At this time, however, ComEd cannot predict whether legislation or regulation will be introduced, the form of any legislation or regulation, whether any such legislation or regulation will be passed by the state legislatures or regulatory bodies, and, if enacted, whether any such legislation or regulation would be effective retroactively or prospectively. As a result, ComEd cannot currently estimate the effect of these potential changes in tax laws or regulation.

Cumulative Effect of a Change in Accounting Principle

On January 1, 2003, ComEd adopted SFAS No. 143, resulting in income of $5 million, net of tax. See Note 10 of ComEd's Notes to Consolidated Financial Statements for further discussion of the adoption of SFAS No. 143.

Results of Operations

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Significant Operating Trends – ComEd

	2002	2001	Variance	% Change
OPERATING REVENUES	$ 6,124	$ 6,206	$ (82)	(1.3)%
OPERATING EXPENSES				
Purchased power	2,585	2,670	(85)	(3.2)%
Operating and maintenance	964	981	(17)	(1.7)%
Depreciation and amortization	522	665	(143)	(21.5)%
Taxes other than income	287	296	(9)	(3.0)%
Total operating expense	4,358	4,612	(254)	(5.5)%
OPERATING INCOME	1,766	1,594	172	10.8%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(484)	(565)	81	(14.3)%
Distributions on mandatorily redeemable preferred securities	(30)	(30)	—	—
Other, net	44	114	(70)	(61.4)%
Total other income and deductions	(470)	(481)	11	(2.3)%
INCOME BEFORE INCOME TAXES	1,296	1,113	183	16.4%
INCOME TAXES	506	506	—	—
NET INCOME	$ 790	$ 607	$ 183	30.1%

Net Income

Net income was primarily affected by the discontinuation of goodwill amortization, lower depreciation rates effective August 1, 2002, lower interest expense and a lower effective income tax rate partially offset by the effects of a 5% residential rate reduction effective October 1, 2001, customers electing to purchase energy from an ARES or the PPO and lower intercompany interest income.

Operating Revenues

ComEd's electric sales statistics are as follows:

Retail Deliveries – (in GWhs)	2002	2001	Variance	% Change
Bundled deliveries (1)				
Residential	27,474	25,282	2,192	8.7%
Small commercial & industrial	22,365	23,435	(1,070)	(4.6)%
Large commercial & industrial	7,885	10,305	(2,420)	(23.5)%
Public authorities & electric railroads	6,480	7,879	(1,399)	(17.8)%
	64,204	66,901	(2,697)	(4.0)%
Unbundled Deliveries (2)				
ARES				
Small commercial & industrial	5,219	2,865	2,354	82.2%
Large commercial & industrial	7,095	5,458	1,637	30.0%
Public authorities & electric railroads	912	365	547	149.9%
	13,226	8,688	4,538	52.2%
PPO				
Small commercial & industrial	3,152	3,279	(127)	(3.9)%
Large commercial & industrial	5,131	5,750	(619)	(10.8)%
Public authorities & electric railroads	1,347	987	360	36.5%
	9,630	10,016	(386)	(3.9)%
Total unbundled deliveries	22,856	18,704	4,152	22.2%
Total Retail Deliveries	87,060	85,605	1,455	1.7%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates.
(2) Unbundled service reflects customers electing to receive electric generation service from an ARES or the PPO.

Electric Revenue	2002	2001	Variance	% Change
Bundled Revenues (1)				
Residential	$ 2,381	$ 2,308	$ 73	3.2%
Small commercial & industrial	1,736	1,821	(85)	(4.7)%
Large commercial & industrial	410	523	(113)	(21.6)%
Public authorities & electric railroads	377	430	(53)	(12.3)%
	4,904	5,082	(178)	(3.5)%
Unbundled Revenues (2)				
ARES				
Small commercial & industrial	138	48	90	187.5%
Large commercial & industrial	154	74	80	108.1%
Public authorities & electric railroads	28	5	23	n.m.
	320	127	193	152.0%
PPO				
Small commercial & industrial	204	220	(16)	(7.3)%
Large commercial & industrial	278	343	(65)	(19.0)%
Public authorities & electric railroads	71	59	12	20.3%
	553	622	(69)	(11.1)%
Total unbundled revenues	873	749	124	16.6%
Total electric retail revenues	5,777	5,831	(54)	(0.9)%
Wholesale and miscellaneous revenue (3)	347	375	(28)	(7.5)%
Total electric revenue	$ 6,124	$ 6,206	$ (82)	(1.3)%

(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 transmission revenue, sales to municipalities and other wholesale energy sales.

n.m. not meaningful

The changes in electric retail revenues in 2002, as compared to 2001, were attributable to the following:

	Variance
Customer choice	$ (131)
Rate changes	(99)
Weather	88
Volume	91
Other effects	(3)
Retail revenue	$ (54)

Customer Choice. The decrease in revenues reflects customers in Illinois electing to purchase energy from an ARES or the PPO. As of December 31, 2002, approximately 22,700 retail customers had elected to purchase energy from an ARES or the ComEd PPO, an increase from 18,700 customers at December 31, 2001. Deliveries to such customers increased from 18,704 GWhs in 2001 to 22,856 GWhs in 2002, a 22% 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 2002 was favorable compared to 2001 as a result of warmer summer weather and slightly colder winter weather in 2002 compared to 2001. Cooling degree-days increased 29% and heating degree-days increased 3% in 2002 compared to 2001.

Volume. Revenues from higher delivery volume, exclusive of weather, increased due to an increased number of customers and increased usage per customer, primarily residential.

The reduction in wholesale and miscellaneous revenue in 2002 as compared to 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, and 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, partially offset by a reimbursement from Generation of $12 million for third-party energy reconciliations and $13 million of other miscellaneous revenue.

Purchased Power

The decrease in purchased power expense was primarily attributable to a $145 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 $41 million increase associated with increased retail demand due to favorable weather conditions, a $16 million increase due to the effects of increased weather–normalized volumes for residential and small commercial and industrial customers, an $18 million increase due to an increase in the weighted average on-peak/off-peak cost per MWh of electricity and $20 million in additional expense as a result of third-party energy reconciliations.

Operating and Maintenance

The decrease in O&M expense is comprised of $32 million of lower payroll costs due to employee reductions, $16 million in cost reductions from Exelon's Cost Management Initiative and $24 million miscellaneous other net positive impacts, partially offset by $25 million in additional employee benefit costs, a $16 million net increase in environmental and remediation expense and a $14 million increase in injuries and damages expense.

Depreciation and Amortization

Depreciation and amortization expense decreased in 2002 as follows:

	2002	2001	Variance	% Change
Depreciation expense	$334	$353	$ (19)	(5.4)%
Recoverable transition costs amortization	102	108	(6)	(5.6)%
Other amortization expense	86	204	(118)	(57.8)%
Total depreciation and amortization	$522	$665	$ (143)	(21.5)%

The decrease in depreciation expense is due to a $48 million decrease related to lower depreciation rates partially offset by the effect of higher in-service 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 extension of the rate freeze in the second quarter of 2002. ComEd expects to fully recover these assets by the end of 2006.

The decrease in other amortization expense is primarily attributable to the discontinuation of amortization of goodwill as required by SFAS No. 142. During 2001, $126 million of goodwill was amortized.

Taxes Other Than Income

Taxes other than income decreased in 2002. The primary positive impact was the result of real estate tax refunds in the amount of $5 million.

Interest Charges

The decrease in interest charges was primarily attributable to the impact of lower interest rates for 2002 as compared to 2001, the early retirement of $196 million of First Mortgage Bonds in November of 2001, the retirement of $340 million in transitional trust notes during 2002, and $10 million of intercompany interest expense in 2001 relating to a payable in Generation, which was repaid during 2001.

Other Income and Deductions

The decrease in other income and deductions, excluding interest charges, 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 $31 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 $10 million decrease in various other income and deductions items.

Income Taxes

The effective income tax rate was 39.0% in 2002, compared to 45.5% in 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 other tax benefits recorded in 2002.

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, participation in the intercompany money pool or capital contributions from Exelon. ComEd's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to where ComEd no longer has access to external financing sources at reasonable terms, ComEd has access to a revolving credit facility that ComEd currently utilizes to support its commercial paper program. See the Credit Issues section of Liquidity and Capital Resources for further discussion. Capital resources are used primarily to fund ComEd's capital requirements, including construction, repayments of maturing debt, the payment of dividends and contributions to Exelon's pension plans.

As part of the implementation of The Exelon Way, ComEd identified 729 positions, including professional, managerial and union employees, for elimination by the end of 2004 and recorded a charge for salary continuance severance of $61 million before income taxes during 2003, which ComEd anticipates that the majority will be paid in 2004 and 2005. ComEd is considering whether there are additional positions to be eliminated in 2005 and 2006. ComEd may incur further severance-related costs associated with The Exelon Way if additional positions are identified to be eliminated. These costs will be recorded in the period in which the costs can be reasonably estimated.

Cash Flows from Operating Activities

ComEd's cash flow from operating activities primarily results from sales of electricity to a stable and diverse base of retail customers at fixed prices. ComEd'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. Cash flows from operations have been and are expected to continue to provide a reliable, steady source of cash flow, sufficient to meet operating and capital expenditures requirements. Operating cash flows after 2006 could be negatively affected by changes in ComEd's rate regulatory environment, although any effects are not expected to hinder ComEd's ability to fund its business requirements. See Business Outlook and Challenges in Managing our Business.

Cash flows provided by operations for the years ended December 31, 2003 and 2002 were $948 million and $1,664 million, respectively. Changes in ComEd's cash flows from operations are generally consistent with changes in its results of operations, as further adjusted by changes in working capital in the normal course of business.

In addition to the items mentioned in Results of Operations, ComEd's operating cash flows in 2003 were affected by the following items:

- Payments to Generation in 2003 for amounts owed under the PPA. At December 31, 2003 and 2002, ComEd had accrued payments due to Generation under the PPA of $171 million and $339 million, respectively.
- Discretionary contributions to Exelon's defined benefit pension plans of $178 million in 2003 compared to $82 million in 2002.

ComEd participates in Exelon's defined benefit pension plans. Exelon's plans currently meet the minimum funding requirements of the Employment Retirement Income Act of 1974; however, Exelon expects to make a discretionary pension plan contribution up to approximately $419 million in 2004, of which, $216 million is expected to be funded by ComEd.

Cash Flows from Investing Activities

Cash flows used in investing activities were $893 million in 2003 compared to $783 million in 2002. The increase in cash flows used in investing activities was primarily attributable to a $405 million investment in the Exelon intercompany money pool partially offset by the receipt of $213 million from Unicom Investments Inc. related to an intercompany note payable and a $68 million decrease in capital expenditures. ComEd's investing activities for the year ended December 31, 2003 were funded primarily through operating activities.

ComEd estimates that it will spend approximately $616 million in total capital expenditures for 2004. Approximately one half of the budgeted 2004 expenditures are for continuing efforts to improve the reliability of its transmission and distribution systems. The remaining amount 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 debt or 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 in 2003 were $37 million as compared to $888 million in 2002. The decrease in cash flows used in financing activities is primarily attributable to increased issuances of debt, including debt to affiliates and preferred securities, of $945 million, a $107 million increase in contributions from parent and a $69 million decrease in dividend payments to Exelon, partially offset by a $142 million change in

commercial paper activity, a $74 million increase in debt and preferred securities redemptions and increased interest-rate swap settlement of $35 million. ComEd paid a $401 million dividend to Exelon during 2003 compared to a $470 million dividend in 2002.

Credit Issues

Exelon Credit Facility. ComEd meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from Exelon's intercompany money pool. In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, ComEd's aggregate sublimit under the credit agreements was $100 million. Sublimits under the credit agreements can change upon written notification to the bank group. ComEd had approximately $80 million of unused bank commitments under the credit agreements at December 31, 2003. ComEd did not have any commercial paper outstanding at December 31, 2003. At December 31, 2002, ComEd's Consolidated Balance Sheet reflected $123 million in commercial paper outstanding of which $52 million was classified as long-term debt. Interest rates on the advances under the credit agreements are based on either the London Interbank Offering Rate (LIBOR) or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. The maximum adder would be 175 basis points.

For 2003, the average interest rate on notes payable was approximately 1.47%. Certain of the credit agreements to which ComEd is a party require it to maintain a cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratio excludes revenues and interest expenses attributed to securitization debt, certain changes in working capital, and distributions on preferred securities of subsidiaries. ComEd's threshold for the ratio reflected in the credit agreements cannot be less than 2.25 to 1 for the twelve-month period ended December 31, 2003. At December 31, 2003, ComEd was in compliance with the credit agreement thresholds.

Capital Structure. At December 31, 2003, ComEd's capital structure consisted of 34% long-term debt, 16% long-term debt to affiliates, and 50% common equity. At December 31, 2003, ComEd's capital structure, excluding the deduction from shareholders' equity of the $250 million receivable from Exelon (which amount is deducted for GAAP purposes but is excluded here to reflect amounts expected to be received by ComEd from Exelon to pay future taxes), consisted of 34% long-term debt, 15% long-term debt to affiliates, and 51% common equity. Long-term debt to affiliates includes obligations to ComEd Financing II, ComEd Financing III and the ComEd Transitional Funding Trust, which are no longer consolidated within the financial statements due to the adoption of FASB Interpretation No. 46-R "Consolidation of Variable Interest Entities" (FIN No. 46-R) as of December 31, 2003.

Intercompany Money Pool. To provide an additional short-term borrowing option that could 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 Exelon's corporate treasurer. ComEd and its subsidiary, Commonwealth Edison of Indiana, Inc. (ComEd of Indiana), PECO, Generation and BSC may participate in the money pool as lenders and borrowers, and Exelon Corporate may participate as a lender. Funding of, and borrowings from, the money pool are predicated on whether the contributions and borrowings result in economic benefits. Interest on borrowings is based on short-term market rates of interest, or, if from an external source, specific borrowing rates. ComEd's maximum amount of investment at any time during 2003 was $483 million. At December 31, 2003, ComEd's contribution outstanding was $405 million. During 2003, ComEd earned $2 million in interest on its investments in the intercompany money pool.

Security Ratings. 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. In the fourth quarter of 2003, Standard & Poor's Ratings Services affirmed ComEd's corporate credit ratings but revised its outlook to negative from stable. None of ComEd's borrowings is subject to default or prepayment as a result of a downgrading of securities ratings although such a downgrading could increase fees and interest charges under certain bank credit facilities. The following table shows ComEd's securities ratings at December 31, 2003:

Securities	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Senior secured debt	A3	A-	A-
Commercial paper	P2	A2	F2
Transition bonds (1)	Aaa	AAA	AAA

(1) Issued by ComEd Transitional Funding Trust, an unconsolidated affiliate of ComEd.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

Fund Transfer Restrictions. Under applicable federal law, ComEd can only pay dividends from retained or current earnings. Under Illinois law, ComEd may not pay any dividend on its stock unless "[its] earnings and earned surplus are sufficient to declare and pay same after provision is made for reasonable and proper reserves," or unless it has specific authorization from the ICC. ComEd has also agreed in connection with financings arranged through ComEd Financing II and ComEd Financing III (the Financing Trusts) that it will not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debt securities which were issued to the Financing Trusts; (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of the Financing Trusts; or (3) an event of default occurs under the Indenture under which the subordinated debt securities are issued. At December 31, 2003, ComEd had retained earnings of $883 million, of which $709 million had been appropriated for future dividend payments. ComEd is precluded from lending or extending credit or indemnity to Exelon.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations

ComEd's contractual obligations as of December 31, 2003 representing cash obligations that are considered to be firm commitments are as follows:

		Payment due within			
	Total	1 Year	2-3 Years	4-5 Years	Due after 5 Years
Long-term debt	$ 4,396	$ 236	$ 889	$ 644	$ 2,627
Long-term debt to affiliates	2,037	317	680	680	360
Operating leases	116	14	24	23	55
Chicago agreement (1)	54	6	12	12	24
Regulatory commitments	30	10	20	—	—
Total contractual obligations	$ 6,633	$ 583	$ 1,625	$ 1,359	$ 3,066

(1) On February 20, 2003, ComEd entered into separate agreements with Chicago and with Midwest Generation (Midwest Agreement). Under the terms of the agreement with Chicago, ComEd will pay Chicago $60 million over ten years to be relieved of a requirement, originally transferred to Midwest Generation upon the sale of ComEd's fossil stations in 1999, to build a 500-MW generation facility.

See ITEM 8. Financial Statements and Supplementary Data – ComEd Notes to Consolidated Financial Statements for additional information about:

- long-term debt, see Note 8

- operating leases, see Note 15
- Midwest Agreement, see Note 15
- regulatory commitments, see Note 2

See Note 15 to the Notes to Consolidated Financial Statements for discussion of ComEd's commercial commitments as of December 31, 2003.

IRS Refund Claims

ComEd entered into several agreements with a tax consultant related to the filing of refund claims with the Internal Revenue Service (IRS) and has made refundable prepayments of $11 million for potential fees associated with these agreements. The fees for these agreements are contingent upon a successful outcome and are based upon a percentage of the refunds recovered from the IRS, if any. As such, ultimate net cash flows to ComEd related to these agreements will either be positive or neutral depending upon the outcome of the refund claim with the IRS. These potential tax benefits and associated fees could be material to ComEd's financial position, results of operations and cash flows. ComEd's tax benefits for periods prior to the Merger would be recorded as a reduction of goodwill pursuant to a reallocation of the Merger purchase price. ComEd cannot predict the timing of the final resolution of these refund claims.

Variable Interest Entities

Effective December 31, 2003, ComEd Financing II, ComEd Financing III, ComEd Funding LLC and ComEd Transitional Funding Trust were deconsolidated from the financial statements of ComEd in conjunction with the adoption of FIN No. 46-R. Approximately $2 billion of debt issued by ComEd to these financing trusts was recorded as debt to affiliates within the Consolidated Balance Sheet as of December 31, 2003.

Critical Accounting Policies and Estimates

See ComEd, PECO and Generation – Critical Accounting Policies and Estimates above for a discussion of ComEd's critical accounting policies and estimates.

Business Outlook and the Challenges in Managing Our Business

ComEd conducts business in the electric transmission and distribution industry in the United States. That industry is in the midst of a fundamental and, at this point, uncertain transition from a fully regulated industry offering bundled service to an industry with unbundled services, some of which are regulated and others of which are priced in competitive markets. ComEd's energy delivery business remains highly regulated and is capital intensive.

The challenges affecting ComEd's businesses are discussed below. Further discussion of ComEd's liquidity position and capital resources and related challenges is included in the Liquidity and Capital Resources section.

ComEd's business is comprised of utility transmission and distribution operations, which provides electricity to customers in Illinois.

Illinois has adopted restructuring legislation designed to foster competition in the retail sale of electricity. As a result of these restructuring initiatives, ComEd is subject to rate freezes through a mandated restructuring transition period ending on December 31, 2006. During this period, ComEd's results of operations will depend on its ability to deliver energy in a cost-efficient manner and to offset infrastructure investments and inflation with cost savings initiatives. ComEd expects to continue to have long-term, full-requirements supply contracts with Generation, helping to mitigate the risk of changing energy supply costs during the transition period.

ComEd is also managing operations and maintenance costs by implementing The Exelon Way business model, while maintaining a focus on both reliability and safety in operating the business.

ComEd cannot currently predict the framework that will be used by the Illinois state regulators to establish rates after the transition period. ComEd also cannot predict the outcome of any new laws that may impact its business. Nevertheless, ComEd expects to retain significant POLR obligations, whereby it is required to provide service to customers in its service area. ComEd therefore must continue to ensure adequate supplies of electricity are available at reasonable costs. While ComEd does not have its own generation capabilities, ComEd believes its ongoing relationship with Generation will serve to lessen the supply and price risks associated with its expected ongoing power procurement responsibilities.

More detailed explanations for each of these and other challenges in managing the business are as follows:

ComEd must comply with numerous regulatory requirements in managing its business, which affect costs and responsiveness to changing events and opportunities.

ComEd's business is subject to regulation at the state and Federal levels. ComEd is regulated by the ICC, which regulates the rates, terms and conditions of service; various business practices and transactions; financing; and transactions between the utilities and its affiliates. ComEd is also subject to regulation by the FERC, which regulates transmission rates and certain other aspects of its business. The regulations adopted by the state and Federal agencies affect the manner in which ComEd does business, its ability to undertake specified actions, the costs of operations, and the level of rates charged to recover such costs.

ComEd must manage its costs due to the rate and equity return limitations imposed on its revenues.

Rate freezes and caps in effect at ComEd currently limit the ability to recover increased expenses and the costs of investments in new transmission and distribution facilities. As a result, ComEd's future results of operations will depend on the ability to deliver electricity in a cost-efficient manner and to realize cost savings under The Exelon Way to offset increased infrastructure investments and inflation.

***Rate limitations*.** ComEd is subject to a legislatively mandated rate freeze on bundled retail rates that will remain in effect until January 1, 2007.

Equity return limitation. ComEd is subject to a legislatively mandated cap on its return on common equity through the end of 2006. The cap is based on a two-year average of the U.S. Treasury long-term rates (25 years and above) plus 8.5% and is compared to a two-year average return on ComEd's common equity. The legislation requires customer refunds equal to one-half of any excess earnings above the cap. ComEd is allowed to include regulatory asset amortization in the calculation of earnings. ComEd has not triggered the earnings provision and currently does not expect to trigger the earnings sharing provision in the years 2004 through 2006.

ComEd's long-term purchased power agreements provide a partial hedge to its customers' demand.

To effectively manage its obligation to provide power to meet its customers' demand, ComEd has established full-requirements, power supply agreements with Generation which reduce exposure to the volatility of customer demand and market prices through 2006. These agreements fix the price of energy, and under the PPA, prices for energy vary depending upon the time of day and month of delivery. Market prices relative to ComEd's regulated rates still influence switching behavior among retail customers.

Effective management of capital projects is important to ComEd's business.

ComEd's business is capital intensive and requires significant investments in energy transmission and distribution facilities and in other internal infrastructure projects.

ComEd expects to continue to make significant capital expenditures to improve the reliability of its transmission and distribution systems in order to provide a high level of service to its customers. ComEd further expects those capital expenditures will exceed depreciation on its plant assets. ComEd's base rate freeze and caps will generally preclude incremental rate recovery on any of these incremental investments prior to January 1, 2007.

ComEd's business may be significantly affected by the end of the Illinois regulatory transition period.

Illinois electric utilities are allowed to collect CTCs from customers who choose an alternative supplier of electric generation service or choose ComEd's PPO. CTCs were intended to assist electric utilities, such as ComEd, in recovering stranded costs that might not otherwise be recoverable in a fully competitive market. The CTC charge represents the difference between the market value of delivered energy (the sum of generation service at market based prices and the regulated price of energy delivery) and recoveries under historical bundled rates, reduced by a mitigation factor. The CTC charges are updated annually. Over time, to facilitate the transition to a competitive market, the mitigation factor increases, thereby reducing the CTC charge.

In 2003 and 2002, ComEd collected approximately $300 million of CTC revenue annually. As a result of increasing mitigation factors, changes in energy prices and the ability of certain customers to establish fixed, multi-year CTC rates beginning in 2003, ComEd anticipates that this revenue source will decline to approximately $180 million to $200 million in each of the years 2004 through 2006. Under the current restructuring statute, no CTCs will be collected after 2006.

Through 2006, ComEd will continue to have an obligation to offer bundled service to all customers (except certain large customers with demand of three megawatts or more) at frozen price levels, under which a majority of its residential and small commercial customers are expected to continue to receive service. ComEd's current bundled service is generally provided under an all-inclusive rate that does not separately break out charges for energy generation service and energy delivery service, but charges a single set of prices. After the transition ends in 2006, ComEd's bundled rates may be reset through a regulatory approval process, which may include traditional or innovative pricing, including performance-based incentives to ComEd.

In order to address post-transition uncertainty, ComEd is continually working with Illinois state and business community leadership to facilitate the development of a competitive electricity market while providing system reliability. Transparent and liquid markets will help to minimize litigation over electricity prices and provide consumers assurance of equitable pricing. At the same time, ComEd is attempting to establish a regulatory framework for the post-2006 timeframe and ComEd is pursuing measures that will provide greater productivity, quality and innovation in its work practices. Currently, it is difficult to predict the framework for or the outcome of a potential regulatory proceeding to establish rates after 2006.

ComEd's ability to successfully manage the end of the transition period may affect its capital structure.

ComEd has approximately $4.7 billion of goodwill recorded at December 31, 2003. This goodwill was recognized and recorded in connection with the Merger. Under GAAP, the goodwill will remain at its recorded amount unless it is determined to be impaired, which is based upon an annual analysis of ComEd's cash flows. If an impairment is determined at ComEd, the amount of the impaired goodwill will be written off and expensed by ComEd. Under Illinois statute, any impairment of goodwill has no impact on the determination of ComEd's rate cap through the transition period.

Goodwill has not been impaired to date. However, based on certain anticipated reductions to cash flows (primarily CTCs) subsequent to ComEd's regulatory transition period, ComEd believes there is a reasonable possibility that goodwill will be impaired at ComEd in 2004 or later periods. The actual timing and amounts of goodwill impairments in future years, if any, will depend on many sensitive, interrelated and uncertain variables including, among others, changing interest rates, utility sector market performance, ComEd's capital structure,

market power prices, post-2006 rate regulatory structures, operating and capital expenditure requirements and other factors, some not yet known. See Critical Accounting Policies and Estimates for further discussion on goodwill impairments.

ComEd is and will continue to be involved in regulatory proceedings as a part of the process of establishing the terms and rates for services.

These regulatory proceedings typically involve multiple parties, including governmental bodies, consumer advocacy groups and various consumers of energy, who have differing concerns but who have the common objective of limiting rate increases or even reducing rates. The proceedings also involve various contested issues of law and fact and have a bearing upon the recovery of ComEd's costs through regulated rates. During the course of the proceedings, ComEd looks for opportunities to resolve contested issues in a manner that grants some certainty to all parties to the proceedings as to rates and energy costs.

ComEd must maintain the availability and reliability of its delivery systems to meet customer expectations.

Increases in both customers and the demand for energy require expansion and reinforcement of delivery systems to increase capacity and maintain reliability. Failures of the equipment or facilities used in those delivery systems could potentially interrupt energy delivery services and related revenues and increase repair expenses and capital expenditures. Such failures, including prolonged or repeated failures, also could affect customer satisfaction and may increase regulatory oversight and the level of ComEd's maintenance and capital expenditures. ComEd cannot predict what impact these failures, or failures that impact other utilities such as the blackout in the Northeastern United States and Canada on August 14, 2003 (August Blackout), will have on its anticipated capital expenditures.

Although ComEd was not directly affected by the August Blackout, ComEd may be indirectly affected going forward. Regulated utilities that are required to provide service to all customers within their service territory have generally been afforded liability protections against claims by customers relating to failure of service. Following the August Blackout, significant claims have been asserted against various other utilities on behalf of both customers and non-customers for damages resulting from the blackout. ComEd cannot predict whether these claims will be upheld or whether they or legislative or regulatory initiatives in response to the August Blackout will change the traditional liability protections of utilities in providing regulated service. In addition, under Illinois law, ComEd can be required to pay damages to its customers in the event of extended outages affecting large numbers of its customers.

ComEd has lost and may continue to lose energy customers to other generation suppliers, although it continues to provide delivery services and may have an obligation to provide generation service to those customers.

The revenues of ComEd will vary because of customer choice of generation suppliers. As a result of restructuring initiatives in Illinois, all of ComEd's retail electric customers may choose to purchase their generation supply from alternative electric generation suppliers. ComEd is generally obligated to provide generation and delivery service to customers in their service territories at fixed rates, or in some instances, market-derived rates. In addition, customers who take service from an alternative generation supplier may later return to ComEd, provided, however, that under Illinois law ComEd's obligation to provide generation may be eliminated over time if the ICC finds that competitive supply options are available to certain classes of customers. ComEd remains obligated to provide transmission and distribution service to all customers regardless of their generation suppliers. The number of customers taking service from alternative generation suppliers depends in part on the prices being offered by those suppliers relative to the fixed prices that ComEd is authorized to charge by the Illinois regulatory commission. To the extent that customers leave traditional bundled tariffs and select a different generation supplier, ComEd's revenues are likely to decline, and ComEd anticipates its revenues and gross margins could vary from period to period.

ComEd continues to serve as the POLR for energy for all customers in its service territories. Since ComEd customers can "switch," that is, within limits they can choose an alternative generation supplier and then return to ComEd and then go back to an alternative supplier, and so on, planning for ComEd has a higher level of uncertainty than that traditionally experienced due to weather and the economy. ComEd has no obligation to purchase power reserves to cover the load served by others. ComEd manages its POLR obligation through full-requirements contracts with Generation, under which Generation supplies ComEd's power requirements. Because of the ability of customers to switch generation suppliers, there is uncertainty regarding the amount of ComEd load for which Generation must prepare. This uncertainty increases Generation's costs and may limit Generation's sales opportunities.

ComEd has received ICC approval to phase out its obligation to provide fixed-price energy under bundled rates to approximately 350 of its largest energy customers, which ComEd believes partially mitigates its risk. These are commercial and industrial customers, including heavy industrial plants, large office buildings, government facilities and a variety of other businesses with demands of at least three MWs representing an aggregate of approximately 2,500 MWs of load. These customers accounted for 10% of ComEd's 2003 MWh deliveries.

Weather affects electricity usage and, consequently, ComEd's results of operations.

Temperatures above normal levels in the summer tend to further increase summer cooling electricity demand and revenues, and temperatures below normal levels in the winter tend to further increase winter heating electricity demand and revenues. Because of seasonal pricing differentials, coupled with higher consumption levels, ComEd typically reports higher revenues in the third quarter of its fiscal year. However, extreme summer conditions or storms may stress its transmission and distribution systems, resulting in increased maintenance costs and limiting its ability to meet peak customer demand. These extreme conditions may have detrimental effects on its operations.

Economic conditions and activity in ComEd's service territories directly affect the demand for electricity.

Higher levels of development and business activity generally increase the number of customers and their average use of energy. Periods of recessionary economic conditions generally adversely affect ComEd's results of operations. In the near term, retail sales growth on an annual basis is expected to be 1.2% in the service territory. Long-term retail sales growth for electricity is expected to be 1.5% per year for ComEd.

ComEd's business is affected by the restructuring of the energy industry.

The electric utility industry in the United States is in transition. As a result of both legislative initiatives as well as competitive pressures, the industry has been moving from a fully regulated industry, consisting primarily of vertically integrated companies that combine generation, transmission and distribution, to a partially restructured industry, consisting of competitive wholesale generation markets and continued regulation of transmission and distribution. These developments have been somewhat uneven across the states as a result of the reaction to the problems experienced in California in 2000, the August Blackout and the publicized problems of some energy companies. Illinois has adopted restructuring legislation designed to foster competition in the retail sale of electricity. A large number of states have not changed their regulatory structures.

Regional Transmission Organizations / Standard Market Platform. The FERC has required jurisdictional utilities to provide open access to their transmission systems. It has also sought the voluntary development of regional transmission organizations (RTOs) and the elimination of trade barriers between regions. The FERC also proposed rulemakings to implement protocols to create a standard wholesale market platform for the wholesale markets for energy and capacity. The RTO would become the provider of the transmission service, and the transmission owners would recover their revenue requirements through it. The transmission owners would remain responsible for maintaining and physically operating their transmission facilities. The wholesale market

platform proposal would also require RTOs to operate an organized bid-based wholesale market for those who wish to sell their generation through the market and to manage congestion on transmission lines preferably by means of a financially based system known as "locational marginal pricing." The FERC is likely to finalize its wholesale market platform rule during 2004.

ComEd and other Midwestern utilities are seeking to become fully integrated into the PJM RTO in 2004. When ComEd integrates into PJM, ComEd will recover its current transmission revenues through the PJM open-access transmission tariff (OATT), instead of ComEd's own OATT.

The FERC's RTO and standard market platform initiatives have generated substantial opposition by some state regulators and other governmental bodies. Efforts to develop an RTO have been abandoned in certain regions. ComEd supports both of these FERC initiatives but cannot predict whether they will be successful, what impact they may ultimately have on its transmission rates, revenues and operation of its transmission facilities, or whether they will ultimately lead to the development of large, successful regional wholesale markets. To the extent that ComEd has POLR obligations and may at some point no longer have long-term supply contracts with Generation or other suppliers for their loads, the ability of ComEd to cost effectively serve its POLR load obligations may depend on successful spot markets in its franchised service territories.

Proposed Federal Energy Legislation. One of the principal legislative initiatives of the Bush administration is the adoption of comprehensive federal energy legislation. In 2003, an energy bill was passed by the U.S. House of Representatives but was not voted on by the U.S. Senate. The energy bill, as currently written, would repeal the Public Utility Holding Company Act of 1935 (PUHCA), create incentives for the construction of transmission infrastructure, encourage but not mandate standardized competitive markets and expand the authority of the FERC to include overseeing the reliability of the bulk power system. ComEd cannot predict whether comprehensive energy legislation will be adopted and, if adopted, the final form of that legislation. ComEd would expect that comprehensive energy legislation would, if adopted, significantly affect the electric utility industry and ComEd's businesses.

Capital Markets and Financing Environment

In order to expand ComEd's operations and to meet the needs of current and future customers, ComEd invests in its business. The ability to finance ComEd's business and other necessary expenditures is affected by the capital-intensive nature of ComEd's operations and ComEd's current and future credit ratings. The capital markets also affect Exelon's benefit plan assets. Further discussions of ComEd's liquidity position can be found in the Liquidity and Capital Resources section above.

The ability to grow ComEd's business is affected by the ability to finance capital projects.

ComEd's business requires considerable capital resources. When necessary, ComEd secures funds from external sources by issuing commercial paper and, as required, long-term debt securities. ComEd actively manages its exposure to changes in interest rates through interest-rate swap transactions and its balance of fixed- and floating-rate instruments. Management currently anticipates primarily using internally generated cash flows and short-term financing through commercial paper to fund operations as well as long-term external financing sources to fund capital requirements as the needs and opportunities arise. The ability to arrange debt financing, to refinance current maturities and early retirements of debt, and the costs of issuing new debt are dependent on:

- credit availability from banks and other financial institutions,
- maintenance of acceptable credit ratings (see credit ratings in the credit issues section of Liquidity and Capital Resources above),
- investor confidence in ComEd and Exelon,
- general economic and capital market conditions,
- the success of current projects, and
- the perceived quality of new projects.

ComEd's credit ratings influence its ability to raise capital.

ComEd has investment grade ratings and has been successful in raising capital, which has been used to further its business initiatives. Failure to maintain investment grade ratings would cause ComEd to incur higher financing costs.

Market performance affects Exelon's benefit plan asset values.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy the future obligations under Exelon's pension and postretirement benefit plans, in which ComEd participates. ComEd has significant obligations in these areas and Exelon holds significant assets in these trusts to meet these obligations. A decline in the market value of those assets, as was experienced from 2000 to 2002, may increase Exelon's funding requirements for these obligations. ComEd may be required to fund a portion of these increased funding requirements.

ComEd's results of operations can be affected by inflation.

Inflation affects ComEd through increased operating costs and increased capital costs for transmission and distribution plant. As a result of the rate freezes that ComEd operates under and price pressures due to competition, ComEd may not be able to pass the costs of inflation through to customers.

Other

ComEd's financial performance will be affected by its ability to achieve the targeted cash savings under Exelon's new Exelon Way business model.

ComEd has begun to implement Exelon's new Exelon Way business model, which is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. Exelon has incurred expenses, including employee severance costs, associated with reaching these annual cash savings levels and is considering whether there are additional expenses to be recorded in future periods. Exelon's targeted annual cash savings do not reflect any expenses that may be incurred in future periods. Exelon's inability to realize these annual cash savings levels in the targeted timeframes could adversely affect future financial performance.

ComEd may incur substantial cost to fulfill its obligations related to environmental matters.

ComEd's business is subject to extensive environmental regulation by local, state and Federal authorities. These laws and regulations affect the manner in which ComEd conducts its operations and make its capital expenditures. ComEd is subject to liability under these laws for the costs of remediating environmental contamination of property now or formerly owned by ComEd and of property contaminated by hazardous substances ComEd generated. Management believes that it has a responsible environmental management and compliance program; however, ComEd has incurred and expects to incur significant costs related to environmental compliance, site remediation and clean-up. Remediation activities associated with manufactured gas plant operations conducted by predecessor companies will be one component of such costs. Also, ComEd is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2003, ComEd's reserve for environmental investigation and remediation costs was $69 million. ComEd has accrued and will continue to accrue amounts that management believes are prudent to cover these environmental liabilities, but ComEd cannot predict with any certainty whether these amounts will be sufficient to cover ComEd's environmental liabilities. Management cannot predict whether ComEd will incur other significant liabilities for any additional investigation and remediation costs at additional sites not currently identified by ComEd, environmental agencies or others, or whether such costs will be recoverable from third parties.

ComEd's financial performance is affected by increasing costs associated with additional security measures and obtaining adequate liability insurance.

Security. The electric industry has developed additional security guidelines. The electric industry, through the North American Electric Reliability Council (NERC), developed physical security guidelines, which were accepted by the U.S. Department of Energy. In 2003, the FERC issued minimum standards to safeguard the electric grid system control. These standards are expected to be effective in 2004 and fully implemented by January 2005. Exelon participated in the development of these guidelines and ComEd is using them as a model for its security program.

Insurance. ComEd, through Exelon, carries property damage and liability insurance for its properties and operations. As a result of significant changes in the insurance marketplace, due in part to terrorist acts, the available coverage and limits may be less than the amount of insurance obtained in the past and the recovery for losses due to terrorist acts may be limited. Exelon is self-insured to the extent that any losses may exceed the amount of insurance maintained.

The introduction of new technologies could increase competition in ComEd's market.

While demand for electricity is generally increasing throughout the United States, the rate of construction and development of new, more efficient, electric generating facilities and distribution methodologies may exceed increases in demand in some regional electric markets. The introduction of new technologies could increase competition, which could lower prices and have an adverse effect on ComEd's results of operations or financial condition.

New Accounting Pronouncements

See Note 1 of the Notes to Consolidated Financial Statements for information regarding new accounting pronouncements.

PECO

Executive Summary

2003 has been a year of operating accomplishments. PECO has focused on living up to its reliability and safety commitments while pursuing greater productivity, quality and innovation. Here are just a few of the 2003 highlights:

Financial Results. PECO experienced an overall decline in net income of 2% in 2003. This decline was primarily due to higher fuel and operating and maintenance expenses, including costs associated with implementing The Exelon Way, and depreciation and amortization expense. PECO's 2003 results were favorably affected by higher gas revenue, lower taxes other than income and lower interest expenses.

The Exelon Way. PECO implemented The Exelon Way, an aggressive, long-term operational plan defining how PECO will conduct business in years to come. The Exelon Way is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. PECO recorded severance and severance-related after-tax charges during 2003 associated with the implementation of The Exelon Way and is considering whether it will incur additional severance related costs in future periods.

Investment Strategy. PECO continued to invest in its infrastructure, spending over $250 million in 2003, and expects to invest $239 million in 2004.

Financing Activities. PECO refinanced or repaid $579 million of outstanding debt and equity securities in 2003 and repaid approximately $239 million of transition bonds and $154 million of commercial paper, resulting in annual interest savings of $38 million. PECO met all of its capital resource commitments with internally generated cash and expects to do so in the foreseeable future.

Operational Achievements. PECO's business focused on the core fundamentals of providing reliable delivery service. PECO, and Exelon's other operating affiliates combined resources to minimize the aftermath of Hurricane Isabel that affected the Philadelphia area and helped to prevent the potentially detrimental cascading effects of the August 14, 2003 blackout in the Northeastern United States and Canada (August Blackout) to its system and to its customers. Following several years of continued reliability improvement, PECO's performance dipped slightly in 2003 due to Hurricane Isabel.

Outlook for 2004 and Beyond. In the short term, PECO's financial results will be affected by weather conditions and the successful implementation of The Exelon Way. If weather is warmer than normal in the summer months or colder than normal in the winter months, operating revenues at PECO generally will be favorably affected.

Longer term, restructuring in the U.S. electric industry is at a crossroads at both the Federal and state levels, with continuing debate at the FERC on regional transmission organization (RTO) and standard market platform issues and in many states on the "post transition" format. Some states abandoned failed transition plans (like California), some states are adjusting current transition plans (like New Jersey and Ohio), and the state of Pennsylvania (by 2011) is considering options to preserve choice for large customers and rate stability for mass market customers, while ensuring the financial returns needed for continuing investments in reliability. PECO will continue to be an active participant in these policy debates, while continuing to focus on improving operations and controlling costs.

As PECO nears the end of the restructuring transition period for which its transmission and distribution rates are capped in Pennsylvania (2006), PECO will also continue to work with Federal and state regulators, state and local government, customer representatives and other interested parties to develop appropriate processes for establishing future rates in restructured electricity markets. As in the past, by working together with all interested

parties, PECO can successfully meet these objectives and obtain fair recovery of its costs for providing service to its customers. However, if PECO is unsuccessful, its results of operations and cash flows could be negatively affected.

While the U.S. economic recovery appears underway, PECO's current plan is based on moderate sales growth (1% to 2%). Successful implementation of The Exelon Way is needed to offset labor and material cost escalation, especially the double digit increases in health care costs. PECO's stable base of 1.5 million electric and 460, 000 gas customers will provide a solid platform with which to meet these challenges.

Results of Operations

Year Ended December 31, 2003 Compared To Year Ended December 31, 2002

Significant Operating Trends – PECO

	2003	2002	Variance	% Change
OPERATING REVENUES	$ 4,388	$ 4,333	$ 55	1.3%
OPERATING EXPENSES				
Purchased power	1,677	1,669	8	0.5%
Fuel	419	348	71	20.4%
Operating and maintenance	576	523	53	10.1%
Depreciation and amortization	487	456	31	6.8%
Taxes other than income	173	244	(71)	(29.1)%
Total operating expense	3,332	3,240	92	2.8%
OPERATING INCOME	1,056	1,093	(37)	(3.4)%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(324)	(370)	46	(12.4)%
Distributions on mandatorily redeemable preferred securities	(8)	(10)	2	(20.0)%
Other, net	2	32	(30)	(93.8)%
Total other income and deductions	(330)	(348)	18	(5.2)%
INCOME BEFORE INCOME TAXES	726	745	(19)	(2.6)%
INCOME TAXES	253	259	(6)	(2.3)%
NET INCOME	473	486	(13)	(2.7)%
Preferred stock dividends	5	8	(3)	(37.5)%
NET INCOME ON COMMON STOCK	$ 468	$ 478	$ (10)	(2.1)%

Net Income

The decrease in net income in 2003 was a result of higher fuel, operating and maintenance and depreciation and amortization expense, partially offset by higher gas revenue, lower taxes other than income and lower interest expense.

Operating Revenue

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

Retail Deliveries – (in gigawatthours (GWhs))	2003	2002	Variance	% Change
Bundled deliveries (1)				
Residential	11,358	10,365	993	9.6%
Small commercial & industrial	6,624	7,606	(982)	(12.9)%
Large commercial & industrial	14,739	14,766	(27)	(0.2)%
Public authorities & electric railroads	897	852	45	5.3%
	33,618	33,589	29	0.1%
Unbundled deliveries (2)				
Residential	900	1,971	(1,071)	(54.3)%
Small commercial & industrial	1,455	415	1,040	n.m.
Large commercial & industrial	780	557	223	40.0%
	3,135	2,943	192	6.5%
Total retail deliveries	36,753	36,532	221	0.6%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates.
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier.
n.m. - not meaningful

Electric Revenue	2003	2002	Variance	% Change
Bundled revenue (1)				
Residential	$ 1,444	$ 1,338	$ 106	7.9%
Small commercial & industrial	753	865	(112)	(12.9)%
Large commercial & industrial	1,090	1,086	4	0.4%
Public authorities & electric railroads	80	79	1	1.3%
	3,367	3,368	(1)	n.m.
Unbundled revenue (2)				
Residential	65	145	(80)	(55.2)%
Small commercial & industrial	75	21	54	n.m.
Large commercial & industrial	21	16	5	31.3%
	161	182	(21)	(11.5)%
Total electric retail revenues	3,528	3,550	(22)	(0.6)%
Wholesale and miscellaneous revenue (3)	215	234	(19)	(8.1)%
Total electric revenue	$ 3,743	$ 3,784	$ (41)	(1.1)%

(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 the distribution of the energy and a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive generation from an alternative supplier, which includes a distribution charge and a CTC charge.
(3) Wholesale and miscellaneous revenues include transmission revenue and other wholesale energy sales.

The changes in electric retail revenues in 2003, as compared to 2002, were attributable to the following:

	Variance
Rate mix	$ (25)
Customer choice	(12)
Volume	13
Weather	3
Other effects	(1)
Electric retail revenue	$ (22)

Rate Mix. The decrease in revenues from rate mix is due to changes in monthly usage patterns in all customer classes during 2003 compared to 2002.

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

For the year ended December 31, 2003, the energy provided by alternative electric generation suppliers was 3,135 GWhs or 8.5% as compared to 2,943 GWhs or 8.0% for the year ended December 31, 2002. As of December 31, 2003, the number of customers served by alternative electric generation suppliers was 312,600 or 20.4% as compared to 277,800 or 18.2% as of December 31, 2002. The decrease in electric retail revenue associated with customer choice primarily relates to small commercial and industrial customers selecting or being assigned to alternative electric generation suppliers.

Volume. Exclusive of weather impacts, higher delivery volume increased PECO's revenue $13 million compared to 2002, primarily related to increases in the residential customer class, reflecting customer growth, and increased usage in the small commercial and industrial customer classes.

Weather. The demand for electricity is affected by weather conditions. Very warm weather in summer months and very cold weather in other months are 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 slightly favorable compared to the prior year reflecting colder winter weather during the beginning of the year, largely offset by cooler summer weather and warmer winter weather during the end of the year. Heating degree days increased 16% in 2003 compared to 2002. Cooling degree days decreased 21% compared to 2002.

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

Deliveries to customers (in million cubic feet (mmcf))	2003	2002	Variance	% Change
Retail sales	61,858	54,782	7,076	12.9%
Transportation	26,404	30,763	(4,359)	(14.2)%
Total	88,262	85,545	2,717	3.2%

Revenue	2003	2002	Variance	% Change
Retail sales	$ 609	$ 490	$ 119	24.3%
Transportation	18	19	(1)	(5.3)%
Resales and other	18	40	(22)	(55.0)%
Total	$ 645	$ 549	$ 96	17.5%

The changes in gas retail revenue for 2003, as compared to 2002, were attributable to the following:

	Variance
Weather	$ 71
Rate changes	51
Volume	(3)
Gas retail revenue	$ 119

Weather. The weather impact was favorable in 2003 compared to 2002 reflecting colder winter weather during the beginning of the year, partly offset by warmer weather during the end of the year. Heating degree-days in PECO's service territory increased 16% in 2003 compared to 2002.

Rate Changes. The favorable variance in rates was attributable to increases in rates through the purchased gas adjustment clause that became effective March 1, 2003, June 1, 2003 and December 1, 2003. The average purchased gas cost rate per mmcf for 2003 was 11% higher than the rate in 2002. PECO's purchased gas cost rates are subject to periodic adjustments by the PUC and are designed to recover from or refund to customers the difference between the actual cost of purchased gas and the amount included in rates.

Lower gas resale and other revenues are attributable to a decrease in off-system sales, exchanges and capacity releases during 2003 compared to 2002.

Purchased Power

The increase in purchased power expense was attributable to $10 million for higher electric delivery volume and $7 million for higher prices, including higher PJM ancillary charges, partially offset by decreased purchases of $9 million primarily related to additional small commercial and industrial customers selecting or being assigned to alternative electric generation suppliers in 2003.

Fuel

The increase in fuel expense in 2003 was primarily attributable to a $55 million increase in purchased gas volumes to meet increased customer demand and a $39 million increase due to higher gas costs, partially offset by a $28 million decrease in fuel expense associated with lower resale sales.

Operating and Maintenance

The increase in O&M expense was primarily attributable to $30 million of severance and severance-related costs associated with The Exelon Way, $22 million of higher storm-related costs, $16 million of increased employee fringe benefits, $7 million related to additional uncollectible accounts expense, partially offset by $13 million of lower costs associated with the initial implementation of automated meter reading services in 2002, and $15 million of lower payroll expense due to a lower number of employees. During 2002, PECO decreased its reserve for uncollectible accounts by $17 million as a result of a change in estimate.

Depreciation and Amortization

Depreciation and amortization expense in 2003 increased as compared to 2002 as follows:

	2003	2002	Variance	% Change
Competitive transition charge amortization	$336	$308	$ 28	9.1%
Depreciation expense	130	125	5	4.0%
Other amortization expense	21	23	(2)	(8.7)%
Total depreciation and amortization	$487	$456	$ 31	6.8%

The additional amortization of the CTC is in accordance with PECO's original settlement under the Pennsylvania Competition Act. The increase in depreciation expense was due to additional plant in service.

Taxes Other Than Income

The decrease in taxes other than income in 2003 was primarily attributable to a $58 million reversal of real estate tax accruals in 2003, a $16 million decrease in real estate tax expense in 2003, a $12 million reversal of the use tax accrual due to an audit settlement, partially offset by a $14 million reversal of an overaccrual of Pennsylvania sales and use tax in 2002.

Interest Charges

Interest charges consisted of interest expense, interest expense to unconsolidated affiliates and distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership (COMPrS). The decrease in 2003 was primarily attributable to lower interest expense on long-term debt of $38 million as a result of less outstanding debt and refinancing of existing debt at lower interest rates, and the reversal of accrued interest expense on federal income taxes of $8 million in 2003.

Other Income and Deductions

The decrease in other income and deductions was primarily attributable to a reversal of interest expense on federal income taxes of $14 million and an $18 million IRS refund, both of which occurred during 2002.

Results of Operations

Year Ended December 31, 2002 Compared To Year Ended December 31, 2001

Significant Operating Trends – PECO

	2002	2001	Variance	% Change
OPERATING REVENUES	$ 4,333	$ 3,965	$ 368	9.3%
OPERATING EXPENSES				
Purchased power	1,669	1,352	317	23.4%
Fuel	348	450	(102)	(22.7)%
Operating and maintenance	523	587	(64)	(10.9)%
Depreciation and amortization	456	416	40	9.6%
Taxes other than income	244	161	83	51.6%
Total operating expense	3,240	2,966	274	9.2%
OPERATING INCOME	1,093	999	94	9.4%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(370)	(413)	43	(10.4)%
Distributions on mandatorily redeemable preferred securities	(10)	(10)	—	—
Other, net	32	46	(14)	(30.4)%
Total other income and deductions	(348)	(377)	29	(7.7)%
INCOME BEFORE INCOME TAXES	745	622	123	19.8%
INCOME TAXES	259	197	62	31.5%
NET INCOME	486	425	61	14.4%
Preferred stock dividends	8	10	(2)	(20.0)%
NET INCOME ON COMMON STOCK	$ 478	$ 415	$ 63	15.2%

Net Income

The increase in net income in 2002 was a result of higher sales volume, favorable rate adjustments, lower operating and maintenance expense and lower interest expense on debt partially offset by increased taxes other than income and increased depreciation and amortization expense.

Operating Revenue

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

Retail Deliveries – (in GWhs)	2002	2001	Variance	% Change
Bundled deliveries (1)				
Residential	10,365	8,073	2,292	28.4%
Small commercial & industrial	7,606	5,998	1,608	26.8%
Large commercial & industrial	14,766	12,960	1,806	13.9%
Public authorities & electric railroads	852	765	87	11.4%
	33,589	27,796	5,793	20.8%
Unbundled deliveries (2)				
Residential	1,971	3,105	(1,134)	(36.5)%
Small commercial & industrial	415	1,606	(1,191)	(74.2)%
Large commercial & industrial	557	2,352	(1,795)	(76.3)%
Public authorities & electric railroads	—	7	(7)	(100.0)%
	2,943	7,070	(4,127)	(58.4)%
Total retail deliveries	36,532	34,866	1,666	4.8%

(1) Bundled service reflects deliveries to customers taking electric service under tariffed rates.
(2) Unbundled service reflects customers electing to receive electric generation service from an alternative energy supplier.

Electric Revenue	2002	2001	Variance	% Change
Bundled revenue (1)				
Residential	$ 1,338	$ 1,028	$ 310	30.2%
Small commercial & industrial	865	682	183	26.8%
Large commercial & industrial	1,086	929	157	16.9%
Public authorities & electric railroads	79	72	7	9.7%
	3,368	2,711	657	24.2%
Unbundled revenue (2)				
Residential	145	235	(90)	(38.3)%
Small commercial & industrial	21	81	(60)	(74.1)%
Large commercial & industrial	16	64	(48)	(75.0)%
Public authorities & electric railroads	—	1	(1)	(100.0)%
	182	381	(199)	(52.2)%
Total Electric Retail Revenues	3,550	3,092	458	14.8%
Wholesale and miscellaneous revenue (3)	234	219	15	6.8%
Total electric revenue	$ 3,784	$ 3,311	$ 473	14.3%

(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 the distribution of the energy and a CTC charge.
(2) Unbundled revenue reflects revenue from customers electing to receive generation from an alternative supplier, which includes a distribution charge and a CTC charge.
(3) Wholesale and miscellaneous revenues include transmission revenue and other wholesale energy sales.

The changes in electric retail revenues in 2002, as compared to 2001, were attributable to the following:

	Variance
Customer choice	$ 226
Volume	133
Weather	63
Rate changes	45
Other effects	(9)
Electric retail revenue	$ 458

Customer Choice. As of December 31, 2002, the customer load served by alternative electric generation suppliers was 1,002 MW or 12.8% as compared to 1,003 MW or 13.0% as of December 31, 2001. The percent of PECO's total retail deliveries for which PECO was electric supplier was 92.0% in 2002, compared to 79.8% in 2001. As of December 31, 2002, the number of customers served by alternative electric generation suppliers was 277,805 or 18.2% as compared to December 31, 2001 of 371,500 or 24.4%. The increases in customers and the percentage of load served by PECO primarily resulted from customers selecting or returning to PECO as their electric generation supplier.

Volume. Exclusive of weather impacts, higher delivery volume increased PECO's revenue $133 million compared to 2001, primarily related to increased usage in the residential and small commercial and industrial customer classes.

Weather. The weather impact was favorable compared to the prior year as a result of warmer summer weather. Cooling degree-days increased 15% in 2002 compared to 2001. Heating degree-days increased 1% in 2002 compared to 2001.

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 $50 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.

As permitted by the Pennsylvania Competition Act, the Pennsylvania Department of Revenue calculated a 2002 Revenue Neutral Reconciliation (RNR) adjustment to gross receipts tax rate in order to neutralize the impact of electric restructuring on its tax revenues. In January 2002, the 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 increased both PECO's annual revenues and tax obligations by approximately $50 million in 2002. In December 2002, the PUC approved the inclusion of the RNR factor in PECO's base rates eliminating the need for an annual filing to obtain approval for recovery.

Other Effects. Other items affecting revenue include an $11 million settlement of CTC's by a large customer in the first quarter of 2001.

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

Deliveries to customers in mmcf	2002	2001	Variance	% Change
Retail sales	54,782	54,075	707	1.3%
Transportation	30,763	27,453	3,310	12.1%
Total	85,545	81,528	4,017	4.9%

Revenue	2002	2001	Variance	% Change
Retail sales	$ 490	$ 581	$ (91)	(15.7)%
Transportation	19	18	1	5.6%
Resales and other	40	55	(15)	(27.3)%
Total	$ 549	$ 654	$ (105)	(16.1)%

The changes in gas retail revenue for 2002, as compared to 2001, were attributable to the following:

	Variance
Rate changes	$ (108)
Weather	2
Volume	15
Gas retail revenue	$ (91)

Rate Changes. The unfavorable variance in rates was primarily attributable to a decrease in rates through the purchased gas adjustment clause that became effective in December 2001. The average purchased gas cost rate per mmcf for 2002 was 22% lower than the rate in 2001.

Weather. The weather impact was favorable, as a result of colder weather in 2002, as compared to 2001. Heating degree-days in PECO's service territory increased 1% in 2002 compared to 2001.

Volume. Exclusive of weather impacts, higher delivery volume increased revenue by $15 million in 2002 compared to 2001. Total deliveries to customers increased 5% in 2002 compared to 2001, primarily as a result of customer growth and higher transportation volumes.

Lower gas resale and other revenues are attributable to a decrease in off-system sales, exchanges and capacity releases during 2002 compared to 2001.

Purchased Power

The increase in purchased power expense was primarily attributable to $210 million from customers in Pennsylvania selecting or returning to PECO as their electric generation supplier, higher PJM ancillary charges of $41 million, $38 million from higher delivery volume primarily related to electric sales and $28 million as a result of favorable weather conditions.

Fuel

The decrease in fuel expense was primarily attributable to a $108 million decrease from lower gas prices.

Operating and Maintenance

The decrease in O&M expense in 2002 was primarily attributable to a $23 million reduction in the allowance for the uncollectible accounts during 2002, and $6 million related to lower corporate allocations. The

decrease is also attributable to $18 million of employee severance costs associated with the Merger, $12 million of incremental costs related to two storms, $7 million attributable to customer choice 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 $12 million related to additional costs associated with the deployment of automated meter reading technology during 2002.

Depreciation and Amortization

Depreciation and amortization expense in 2002 increased as compared to 2001 as follows:

	2002	2001	Variance	% Change
Competitive transition charge amortization	$308	$271	$ 37	13.7%
Depreciation expense	125	119	6	5.0%
Other amortization expense	23	26	(3)	(11.5)%
Total depreciation and amortization	$456	$416	$ 40	9.6%

The additional amortization of the CTC is in accordance with PECO's original settlement under the Pennsylvania Competition Act. The increase in depreciation expense was due to additional plant in service.

Taxes Other Than Income

The increase in taxes other than income in 2002 was primarily attributable to $72 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 $15 million related to an additional assessment of real estate taxes in 2002. These increases were partially offset by a decrease of $4 million for state sales and use tax in 2002.

Interest Charges

Interest charges consisted of interest expense and distributions on COMPrS. The decrease in 2002 was primarily attributable to lower interest expense on long-term debt of $35 million as a result of less outstanding debt and refinancing of existing debt at lower interest rates, and $8 million in interest expense on a loan from ComEd in 2001.

Other Income and Deductions

The decrease in other income and deductions in 2002 was primarily 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 34.8% in 2002 as compared to 31.7% in 2001. The increase in the effective tax rate was primarily attributable to an unfavorable tax adjustments recorded in 2002.

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, participation in the intercompany money pool or capital contributions from Exelon. PECO's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to where PECO no longer has access to external financing sources at reasonable terms, PECO has access to a revolving credit facility that PECO currently utilizes to support its commercial paper program. See the Credit Issues section of Liquidity and Capital Resources for further discussion. Capital resources are used primarily to fund PECO's capital requirements, including construction, repayments of maturing debt, the payment of dividends and contributions to Exelon's pension plans.

As part of the implementation of The Exelon Way, PECO identified approximately 166 positions for elimination by the end of 2004 and recorded a charge for salary continuance severance of $16 million before income taxes during 2003, which PECO anticipates that the majority will be paid in 2004 and 2005. PECO is considering whether there are additional positions to be eliminated in 2005 and 2006. PECO may incur further severance-related costs associated with The Exelon Way if additional positions are identified to be eliminated. These costs will be recorded in the period in which the costs can be reasonably estimated.

Cash Flows from Operating Activities

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. Cash flows from operations have been and are expected to continue to provide a reliable, steady source of cash flow, sufficient to meet operating and capital expenditures requirements for the foreseeable future. See Business Outlook and Challenges in Managing our Business.

Cash flows provided by operations for the years ended December 31, 2003 and 2002 were $814 million and $760 million, respectively. Changes in PECO's cash flows from operations are generally consistent with changes in its results of operations, as further adjusted by changes in working capital in the normal course of business.

In addition to the items mentioned in Results of Operation, PECO's operating cash flows in 2003 were affected by the following items:

- Purchases of natural gas at higher prices as well as slightly increased volumes during 2003 resulted in an increase in natural gas inventories of $32 million from December 31, 2002 and an increase in deferred natural gas costs of $50 million, resulting in a decrease to operating cash flows of $82 million during 2003. During 2002, changes in deferred natural gas costs of $25 million and a decrease in inventories during the year of $5 million, resulted in a $30 million increase to operating cash flows.
- Discretionary contributions to Exelon's defined benefit pension plans of $18 million in 2003. PECO did not contribute to the pension plans in 2002.

PECO participates in Exelon's defined benefit pension plans. Exelon's plans currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon expects to make a discretionary pension plan contribution up to approximately $419 million in 2004, of which, $8 million is expected to be funded by PECO.

Cash Flows from Investing Activities

Cash flows used in investing activities in 2003 were $246 million compared to $260 million in 2002. The decrease in cash flows used in investing activities was primarily attributable to a decrease in capital expenditures. PECO's investing activities during 2003 were funded primarily by operating activities.

PECO's projected capital expenditures for 2004 are $239 million. Approximately 60% of the budgeted 2004 expenditures are for additions to or upgrades of existing facilities, including reliability improvements. The remainder of the capital expenditures support customer and load growth. 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 in 2003 were $587 million compared to $469 million in 2002. Cash flows used in financing activities are primarily attributable to debt service and payment of dividends to Exelon. The increase in cash flows used in financing activities was primarily attributable to increased debt and preferred securities redemptions of $481 million, partially offset by additional issuances of long-term debt of $328 million. PECO paid a $322 million dividend to Exelon during 2003 compared to a $340 million dividend in 2002.

Credit Issues

Exelon Credit Facility. PECO meets its short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from Exelon's intercompany money pool. In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, PECO's aggregate sublimit under the credit agreements was $150 million. Sublimits under the credit agreements can change upon written notification to the bank group. PECO had approximately $148 million of unused bank commitments under the credit agreements at December 31, 2003. At December 31, 2003, commercial paper outstanding was $46 million. Interest rates on the advances under the credit facility are based on either the London Interbank Offering Rate (LIBOR) or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. The maximum adder would be 175 basis points.

For 2003, the average interest rate on notes payable was approximately 1.23%. Certain of the credit agreements to which PECO is a party require it to maintain a cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratio excludes revenues and interest expenses attributed to securitization debt, certain changes in working capital and distributions on preferred securities of subsidiaries. PECO's threshold for the ratio reflected in the credit agreement cannot be less than 2.25 to 1 for the twelve-month period ended December 31, 2003. At December 31, 2003, PECO was in compliance with the credit agreement thresholds.

Capital Structure. At December 31, 2003, PECO's capital structure consisted of 14% common equity, 1% notes payable, 1% preferred securities, and 84% long-term debt, including long-term debt to unconsolidated affiliates. Long-term debt included $4.0 billion of long-term debt to an unconsolidated affiliate, PECO Energy Transition Trust, which issued transition bonds representing 62% of capitalization. PECO's capital structure, excluding the deduction from shareholders' equity of the $1.6 billion receivable from Exelon (which amount is deducted for GAAP purposes but is excluded here to reflect amounts expected to be received by PECO from Exelon to pay future taxes), consisted of 31% common equity, 1% notes payable, 1% preferred securities, and 67% long-term debt, including long-term debt to unconsolidated affiliates.

Intercompany Money Pool. To provide an additional short-term borrowing option that could 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 Exelon's corporate treasurer. ComEd and its subsidiary, Commonwealth Edison of Indiana, Inc., PECO, Generation and BSC may participate in the money pool as lenders and borrowers, and Exelon Corporate may participate as a lender. Funding of, and borrowings from, the money pool are predicated on whether the contributions and borrowings result in economic benefits. Interest on borrowings is based on short-term market rates of interest, or, if from an external source, specific borrowing rates. PECO had no borrowings from the money pool during 2003. During 2003, PECO had various investments in the money pool. The maximum amount of PECO's investment at any time during 2003 was $59 million. At December 31, 2003, PECO had no amounts invested in the intercompany money pool. During 2003, PECO earned less than $1 million in interest from its investments in the intercompany money pool.

Security Ratings. PECO's access to the capital markets, including the commercial paper market, and its financing costs in those markets are dependent on its securities ratings. In the fourth quarter of 2003, Standard & Poor's Ratings Services affirmed PECO's corporate credit ratings but revised its outlook to negative from stable. None of PECO's borrowings is subject to default or prepayment as a result of a downgrading of securities ratings although such a downgrading could increase interest charges under certain bank credit facilities. The following table shows PECO's securities ratings at December 31, 2003:

Securities	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Senior secured debt	A2	A	A
Transition bonds (1)	Aaa	AAA	AAA
Commercial paper	P1	A2	F1

(1) Issued by PECO Energy Transition Trust, an unconsolidated affiliate of PECO.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

Fund Transfer Restrictions. Under applicable law, PECO is precluded from lending or extending credit or indemnity to Exelon and can pay dividends only from retained or current earnings. At December 31, 2003, PECO had retained earnings of $546 million.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations

PECO's contractual obligations as of December 31, 2003 representing cash obligations that are considered to be firm commitments are as follows:

		Payment due within			
(in millions)	Total	1 Year	2-3 Years	4-5 Years	Due after 5 Years
Long-term debt	$ 1,361	$ —	$ 124	$ 452	$ 785
Long-term debt to affiliates	4,033	153	949	1,270	1,661
Notes payable	46	46	—	—	—
Operating leases	14	4	6	2	2
Total contractual obligations	$ 5,454	$ 203	$ 1,079	$ 1,724	$ 2,448

See ITEM 8. Financial Statements and Supplementary Data – PECO, Notes to Consolidated Financial Statements for additional information about:

- long-term debt, including long-term debt due to affiliates, see Note 7
- notes payable, see Note 6
- operating leases, see Note 14

See Note 14 to the Notes to Consolidated Financial Statements for discussion of PECO's commercial commitments as of December 31, 2003.

Accounts Receivable Agreement. PECO is party to an agreement 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 until November 2005. PECO entered into this agreement to diversify its funding sources at favorable floating interest rates. At December 31, 2003, PECO had sold a $225 million interest in accounts receivable, consisting of a $176 million interest in accounts receivable, which PECO accounted for as a sale under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities – a Replacement of FASB Statement No. 125," and a $49 million interest in special-agreement accounts receivable, which was accounted for as a long-term note payable. See ITEM 8. Financial Statements and Supplementary Data – PECO Note 3 of the Notes to Consolidated Financial Statements. PECO must continue to service these receivables and must maintain the level of the accounts receivable at $225 million. If PECO fails to maintain that level, the cash that would otherwise be received by PECO under this program must be held in escrow until the level is met. At December 31, 2003 and 2002, PECO met this requirement and was not required to make any cash deposits.

IRS Refund Claims

PECO entered into several agreements with a tax consultant related to the filing of refund claims with the Internal Revenue Service (IRS) and have made refundable prepayments of $5 million for potential fees associated with these agreements. The fees for these agreements are contingent upon a successful outcome and are based upon a percentage of the refunds recovered from the IRS, if any. As such, ultimate net cash flows to PECO related to these agreements will either be positive or neutral depending upon the outcome of the refund claim with the IRS. These potential tax benefits and associated fees could be material to PECO's financial position, results of operations and cash flows. PECO cannot predict the timing of the final resolution of these refund claims.

Financing Trusts of ComEd and PECO. During June 2003, PECO issued $103 million of subordinated debentures to PECO Energy Capital Trust IV (PECO Trust IV) in connection with the issuance by PECO Trust IV of $100 million of preferred securities (see Note 16 of the Notes to Consolidated Financial Statements). Effective July 1, 2003, PECO Trust IV was deconsolidated from the financial statements of PECO in conjunction with FIN No. 46. The $103 million of subordinated debentures issued by PECO to PECO Trust IV was recorded as long-term debt to financing trusts within the Consolidated Balance Sheets.

Critical Accounting Policies and Estimates

See ComEd, PECO and Generation – Critical Accounting Policies and Estimates above for a discussion of PECO's critical accounting policies and estimates.

Business Outlook and the Challenges in Managing Our Business

PECO's business is comprised of utility transmission and distribution operations, which provides electricity and natural gas to customers in Pennsylvania. The electric industry in the United States is in the midst of a fundamental and, at this point, uncertain transition from a fully regulated industry offering bundled service to an industry with unbundled services, some of which are regulated and others of which are priced in competitive markets. PECO's energy delivery business remains highly regulated and is capital intensive.

The challenges affecting PECO's businesses are discussed below. Further discussion of PECO's liquidity position and capital resources and related challenges is included in the Liquidity and Capital Resources section.

Pennsylvania has restructuring legislation, the Pennsylvania Electric Generation Customer Choice and Competition Act (Competition Act), designed to foster competition in the retail sale of electricity. As a result, PECO is subject to rate caps for each of the transmission, distribution and energy components of its electric

service rates, through mandated restructuring transition periods as described below. During these periods, PECO's results of operations will depend on its ability to deliver energy in a cost-efficient manner and to offset infrastructure investments and inflation with cost savings initiatives. PECO has long-term, full-requirements supply contracts with Generation, helping to mitigate the risk of changing energy supply costs through December 31, 2010. PECO is also managing operations and maintenance costs by implementing The Exelon Way business model, while maintaining a focus on both reliability and safety in operating the business.

PECO cannot currently predict the framework that will be used by the Pennsylvania state regulators to establish rates after the transition periods. PECO also cannot predict the outcome of any new laws that may impact its business. PECO may retain significant POLR obligations which require PECO to provide service to customers in its service area. PECO therefore must continue to ensure adequate supplies of electricity and gas are available at reasonable costs. While PECO does not have its own generation capabilities, PECO believes its ongoing relationship with Generation will serve to lessen the supply and price risks associated with its expected ongoing power procurement responsibilities.

More detailed explanations for each of these and other challenges in managing the business are as follows:

PECO must comply with numerous regulatory requirements in managing the business, which affect costs and responsiveness to changing events and opportunities.

PECO's business is subject to regulation at the state and Federal levels. PECO is regulated by the PUC, which regulates the rates, terms and conditions of service; various business practices and transactions; financing; and transactions between the utilities and its affiliates. PECO is also subject to regulation by the FERC, which regulates transmission rates, gas pipelines and certain other aspects of the business. The regulations adopted by these state and Federal agencies affect the manner in which PECO does business, its ability to undertake specified actions and the costs of operations and the level of rates that may be charged to recover such costs.

PECO must manage its costs due to the rate limitations imposed on its revenues.

Electricity rate caps in effect at PECO currently limit the ability to recover increased expenses and the costs of investments in new transmission and distribution facilities. As a result, PECO's future results of operations will depend on the ability to deliver electricity, in a cost-efficient manner and to realize cost savings under The Exelon Way to offset increased infrastructure investments and inflation.

Rate limitations. PECO is subject to agreed-upon rate reductions of $200 million, in aggregate, for the period 2002 through 2005, including $80 million, in aggregate, for the years 2004 and 2005, and caps (subject to limited exceptions for significant increases in Federal or state income taxes or other significant changes in law or regulation that do not allow PECO to earn a fair rate of return) on its transmission and distribution rates through December 31, 2006, and on its energy rates through December 31, 2010, as a result of settlements previously reached with the PUC.

PECO's long-term purchased power agreement provides a hedge to its customers' demand.

To effectively manage its obligation to provide power to meet its customers' demand, PECO has established a full-requirements, power supply agreement with Generation which reduces PECO's exposure to the volatility of customer demand and market prices through 2010. Under this agreement, PECO remits to Generation the amounts collected from customers for the energy component of rates, net of gross receipts taxes and ancillary charges. Market prices relative to PECO's regulated rates still influence switching behavior among retail customers.

Effective management of capital projects is important to PECO's business.

PECO's business is capital intensive and requires significant investments in energy transmission and distribution facilities and in other internal infrastructure projects.

PECO expects to continue to make significant capital expenditures to improve the reliability of its transmission and distribution systems in order to provide a high level of service to its customers. PECO further expects those capital expenditures will exceed depreciation on its plant assets. PECO's transmission and distribution rate cap will generally preclude incremental rate recovery on any of these incremental investments prior to January 1, 2007.

PECO's business may be significantly affected by the end of the Pennsylvania regulatory transition period.

In Pennsylvania, the Competition Act provides for the imposition and collection of non-bypassable CTCs on customers' bills as a mechanism for utilities to recover their allowed stranded costs. CTCs are assessed to and collected from all retail customers who have been assigned stranded cost responsibility and access the utilities' transmission and distribution systems. As the CTCs are based on access to the utility's transmission and distribution system, they will be assessed regardless of whether such customer purchases electricity from the utility or an alternative electric generation supplier. The Competition Act provides, however, that the utility's right to collect CTCs is contingent on the continued operation, at reasonable availability levels, of the assets for which the stranded costs were awarded, except where continued operation is no longer cost efficient because of the transition to a competitive market.

PECO has been authorized by the PUC to recover stranded costs of $5.3 billion over a twelve-year period ending December 31, 2010, with a return on the unamortized balance of 10.75%. At December 31, 2003, approximately $4.3 billion remain to be recovered. Recovery of transition charges for stranded costs and PECO's allowed return on its recovery of stranded costs are included in revenues. Amortization of PECO's stranded cost recovery, which is a regulatory asset, is included in depreciation and amortization expense. PECO's results will be adversely affected over the remaining period ending December 31, 2010 by the steadily increasing amortization of stranded costs. The following table (amounts in millions) indicates the estimated revenues and amortization expense associated with CTC collection and stranded cost recovery through 2010.

Year	Estimated CTC Revenue	Estimated Stranded Cost Amortization
2004	$ 812	$ 367
2005	808	404
2006	903	550
2007	910	619
2008	917	697
2009	924	783
2010	932	879

By the end of 2010, PECO will have fully recovered all of the stranded costs authorized by the PUC. As a result, PECO expects that both its revenues and expenses will decrease in 2011. The end of the transition period involves uncertainties, including the nature of PECO's POLR obligations and the source and pricing of generation services to be provided by PECO. PECO expects to pursue resolution of these uncertainties during the remaining transition period.

PECO is and will continue to be involved in regulatory proceedings as a part of the process of establishing the terms and rates for services.

These regulatory proceedings typically involve multiple parties, including governmental bodies, consumer advocacy groups and various consumers of energy, who have differing concerns but who have the common objective of limiting rate increases or even reducing rates. The proceedings also involve various contested issues of law and fact and have a bearing upon the recovery of PECO's costs through regulated rates. During the course of the proceedings, PECO looks for opportunities to resolve contested issues in a manner that grants some certainty to all parties to the proceedings as to rates and energy costs.

PECO must maintain the availability and reliability of its delivery systems to meet customer expectations.

Increases in both customers and the demand for energy require expansion and reinforcement of delivery systems to increase capacity and maintain reliability. Failures of the equipment or facilities used in those delivery systems could potentially interrupt energy delivery services and related revenues and increase repair expenses and capital expenditures. Such failures, including prolonged or repeated failures, also could affect customer satisfaction and may increase regulatory oversight and the level of PECO's maintenance and capital expenditures. PECO cannot predict what impact these failures, or failures that impact other utilities such as the blackout in the Northeastern United States and Canada on August 14, 2003 (August Blackout), will have on its anticipated capital expenditures.

Although PECO was not directly affected by the August Blackout, PECO may be indirectly affected going forward. Regulated utilities that are required to provide service to all customers within their service territory have generally been afforded liability protections against claims by customers relating to failure of service. Following the August Blackout, significant claims have been asserted against various other utilities on behalf of both customers and non-customers for damages resulting from the blackout. PECO cannot predict whether these claims will be upheld or whether they or legislative or regulatory initiatives in response to the August Blackout will change the traditional liability protections of utilities in providing regulated service.

PECO has lost and may continue to lose electric energy customers to other generation suppliers, although it continues to provide delivery services and may have an obligation to provide generation service to those customers.

The revenues of PECO will vary because of customer choice of electric generation suppliers. As a result of restructuring initiatives in Pennsylvania, all of PECO's retail electric customers may choose to purchase their generation supply from alternative electric generation suppliers. In addition, since MST requirements for customers taking service from alternative generation suppliers agreed to by PECO were not met, PECO has been required to assign both commercial and residential customers to alternative generation suppliers. In addition, customers who take service from an alternative generation supplier may later return to PECO. PECO remains obligated to provide transmission and distribution service to all customers regardless of their generation supplier. The number of customers taking service from alternative generation suppliers depends in part on the prices being offered by those suppliers relative to the fixed prices that PECO is authorized to charge by the PUC. To the extent that customers leave traditional bundled tariffs and select a different generation supplier, PECO's revenues are likely to decline and revenues and gross margins could vary from period to period.

PECO continues to serve as POLR for electric energy for all customers in its service territories. Since PECO customers can "switch," that is, within limits they can choose an alternative generation supplier and then return to PECO and then go back to an alternative supplier, and so on, planning for PECO has a higher level of uncertainty than that traditionally experienced due to weather and the economy. PECO has no obligation to purchase power reserves to cover the load served by others. PECO manages its POLR obligation through full-requirements contracts with Generation, under which Generation supplies PECO's power requirements. Because of the ability of customers to switch generation suppliers, there is uncertainty regarding the amount of PECO load that Generation must prepare for. This uncertainty increases Generation's costs and may limit Generation's sales opportunities.

Weather affects electricity and gas usage and, consequently, PECO's results of operations.

Temperatures above normal levels in the summer tend to further increase summer cooling electricity demand and revenues, and temperatures below normal levels in the winter tend to further increase winter heating electricity and gas demand and revenues. Because of seasonal pricing differentials, coupled with higher consumption levels, PECO typically reports higher revenues in the third quarter of its fiscal year. However, extreme summer conditions or storms may stress its transmission and distribution system, resulting in increased

maintenance costs and limiting its ability to meet peak customer demand. These extreme conditions may have detrimental effects on its operations.

Economic conditions and activity in PECO's service territories directly affect the demand for electricity and gas.

Higher levels of development and business activity generally increase the number of customers and their average use of energy. Periods of recessionary economic conditions generally adversely affect PECO's results of operations. Sales growth from 2003 to 2004 on an annual basis is expected to be 1.3% in the service territory of PECO. Long-term retail sales growth for electricity is expected to be 1.0% per year for PECO.

PECO's business is affected by the restructuring of the energy industry.

The electric utility industry in the United States is in transition. As a result of both legislative initiatives as well as competitive pressures, the industry has been moving from a fully regulated industry, consisting primarily of vertically integrated companies that combine generation, transmission and distribution, to a partially restructured industry, consisting of competitive wholesale generation markets and continued regulation of transmission and distribution. These developments have been somewhat uneven across the states as a result of the reaction to the problems experienced in California in 2000, the August Blackout and the publicized problems of some energy companies. Pennsylvania has adopted restructuring legislation designed to foster competition in the retail sale of electricity.

Regional Transmission Organizations / Standard Market Platform. The FERC has required jurisdictional utilities to provide open access to their transmission systems. It has also sought the voluntary development of regional transmission organizations (RTOs) and the elimination of trade barriers between regions. The FERC also proposed rulemakings to implement protocols to create a standard wholesale market platform for the wholesale markets for energy and capacity.

PECO is a member of PJM Interconnection, LLC (PJM), an approved RTO operating in the Mid-Atlantic region.

The FERC's RTO and standard market platform initiatives have generated substantial opposition by some state regulators and other governmental bodies. Efforts to develop an RTO have been abandoned in certain regions. PECO supports both of these FERC initiatives but cannot predict whether they will be successful, what impact they may ultimately have on its transmission rates, revenues and operation of its transmission facilities, or whether they will ultimately lead to the development of large, successful regional wholesale markets. To the extent that PECO has POLR obligations and may at some point no longer have long-term supply contracts with Generation for their loads, the ability of PECO to cost effectively serve its POLR load obligations may depend on the continued operation of the PJM spot markets.

One of the principal legislative initiatives of the Bush administration is the adoption of comprehensive federal energy legislation. In 2003, an energy bill was passed by the U.S. House of Representatives but was not voted on by the U.S. Senate. The energy bill, as currently written, would repeal the Public Utility Holding Company Act of 1935 (PUHCA), create incentives for the construction of transmission infrastructure, encourage but not mandate standardized competitive markets and expand the authority of the FERC to include overseeing the reliability of the bulk power system. PECO cannot predict whether comprehensive energy legislation will be adopted and, if adopted, the final form of that legislation. PECO would expect that comprehensive energy legislation would, if adopted, significantly affect the electric utility industry and its businesses.

Capital Markets and Financing Environment

In order to expand PECO's operations and to meet the needs of its current and future customers, PECO invests in its business. PECO's ability to finance its business and other necessary expenditures is affected by the

capital intensive nature of its operations and PECO's current and future credit ratings. The capital markets also affect Exelon's benefit plan assets. Further discussions of PECO's liquidity position can be found in the Liquidity and Capital Resources section above.

PECO's ability to grow its business is affected by the ability to finance capital projects.

PECO's business requires considerable capital resources. When necessary, PECO secures funds from external sources by issuing commercial paper and, as required, long-term debt securities. PECO actively manages its exposure to changes in interest rates through interest-rate swap transactions and its balance of fixed- and floating-rate instruments. PECO currently anticipates primarily using internally generated cash flows and short-term financing through commercial paper to fund its operations as well as long-term external financing sources to fund capital requirements as the need arises. The ability to arrange debt financing, to refinance current maturities and early retirements of debt, and the costs of issuing new debt are dependent on:

- credit availability from banks and other financial institutions,
- maintenance of acceptable credit ratings (see credit ratings in the credit issues section of Liquidity and Capital Resources above),
- investor confidence in PECO and Exelon and,
- general economic and capital market conditions.

PECO's credit ratings influence its ability to raise capital.

PECO has investment grade ratings and has been successful in raising capital, which has been used to further its business initiatives. Failure to maintain investment grade ratings would cause PECO to incur higher financing costs.

Market performance affects Exelon's benefit plan asset values.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy the future obligations under Exelon's pension and postretirement benefit plans, in which PECO participates. PECO has significant obligations in these areas and Exelon holds significant assets in these trusts to meet these obligations. A decline in the market value of those assets, as was experienced from 2000 to 2002, may increase Exelon's funding requirements for these obligations. PECO may be required to fund a portion of these increased funding requirements.

PECO's results of operations can be affected by inflation.

Inflation affects PECO through increased operating costs and increased capital costs for transmission and distribution plant. As a result of the transmission and distribution rate cap that PECO operates under, PECO is not able to pass the costs of inflation through to customers.

Other

PECO's financial performance will be affected by its ability to achieve the targeted cash savings under Exelon's new Exelon Way business model.

PECO has begun to implement Exelon's new Exelon Way business model, which is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. Exelon has incurred expenses, including employee severance costs, associated with reaching these annual cash savings levels and is considering whether there are additional expenses to be recorded in future periods. Exelon's targeted annual cash savings do

not reflect any expenses that may be incurred in future periods. Exelon's inability to realize these annual cash savings levels in the targeted timeframes could adversely affect future financial performance.

PECO may incur substantial cost to fulfill its obligations related to environmental matters.

PECO's business is subject to extensive environmental regulation by local, state and Federal authorities. These laws and regulations affect the manner in which PECO conducts its operations and makes its capital expenditures. PECO is subject to liability under these laws for the costs of remediating environmental contamination of property now or formerly owned by PECO and of property contaminated by hazardous substances PECO generated. Management believes that it has a responsible environmental management and compliance program; however, PECO has incurred and expects to incur significant costs related to environmental compliance, site remediation and clean-up. Remediation activities associated with manufactured gas plant operations will be one component of such costs. Also, PECO is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2003, PECO's reserve for environmental investigation and remediation costs was $50 million. PECO has accrued and will continue to accrue amounts that management believes are prudent to cover these environmental liabilities, but PECO cannot predict with any certainty whether these amounts will be sufficient to cover PECO's environmental liabilities. Management cannot predict whether PECO will incur other significant liabilities for any additional investigation and remediation costs at additional sites not currently identified by PECO, environmental agencies or others, or whether such costs will be recoverable from third parties. PECO currently is recovering through regulated gas rates costs associated with the remediation of MGP sites.

PECO's financial performance is affected by increasing costs associated with additional security measures and obtaining adequate liability insurance.

Security. The electric and gas industries have developed additional security guidelines. The electric industry, through the North American Electric Reliability Council (NERC), developed physical security guidelines, which were accepted by the U.S. Department of Energy. In 2003, the FERC issued minimum standards to safeguard the electric grid system control. These standards will be effective in 2004 and fully implemented by January 2005. The gas industry, through the American Gas Association, developed physical security guidelines that were accepted by the U.S. Department of Transportation. Exelon participated in the development of these guidelines and PECO is using them as a model for its security program.

Insurance. PECO, through Exelon, carries property damage and liability insurance for its properties and operations. As a result of significant changes in the insurance marketplace, due in part to the terrorist acts, the available coverage and limits may be less than the amount of insurance obtained in the past, and the recovery for losses due to terrorists acts may be limited. PECO is self-insured to the extent that any losses may exceed the amount of insurance maintained.

The introduction of new technologies could increase competition within PECO's markets.

While demand for electricity is generally increasing throughout the United States, the rate of construction and development of new, more efficient, electric generating facilities and distribution methodologies may exceed increases in demand in some regional electric markets. The introduction of new technologies could increase competition, which could lower prices and have an adverse effect on PECO's results of operations or financial condition.

New Accounting Pronouncements

See Note 1 of the Notes to Consolidated Financial Statements for information regarding new accounting pronouncements.

Generation

Executive Summary

2003 has been a year of operating accomplishments and painful investment write-offs. Generation has focused on living up to its commitments while pursuing greater productivity, quality and innovation.

Financial Results. Generation realized a net loss of $133 million in 2003, a decline of $533 million from 2002 primarily due to a charge of $573 million (after-tax) related to the impairment of the long-lived assets of Boston Generating, LLC (Boston Generating), formerly known as Exelon Boston Generating, LLC. In addition, Generation incurred impairment and transaction-related charges of $180 million (after-tax) related to its investment in Sithe and severance and severance-related charges associated with The Exelon Way. Generation's 2003 results were favorably affected by modest improvements in wholesale energy prices, which increased its energy margins. Generation also recorded a one-time after-tax gain of $108 million upon the adoption of a new accounting standard that has a significant impact on how Generation accounts for its nuclear decommissioning obligation.

The Exelon Way. Generation implemented The Exelon Way, an aggressive plan defining how it will conduct business in years to come. The Exelon Way is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. In addition to the severance and severance-related charges Generation recorded during 2003, it may incur additional charges associated with The Exelon Way in future periods.

Investment Strategy. Generation continued to follow a disciplined approach to investing to maximize the earnings and cash flows from its assets and businesses and to sell those that do not meet its goals. Generation's 2003 highlights include:

- Generation announced its transition out of its ownership of Boston Generating in July 2003.
- Generation completed a series of transactions in November 2003 that restructured the ownership of Sithe, with Generation continuing to own a 50% interest in Sithe. Generation continues to pursue the divestiture of its investment in Sithe.

Generation purchased British Energy plc's 50% interest in AmerGen Energy Company, LLC (AmerGen) in December 2003. AmerGen, which owns the Clinton Power Station, Three Mile Island Nuclear Station Unit 1 and the Oyster Creek Generating Station representing about 2,500 megawatts of capacity, is now a wholly owned subsidiary.

Financing Activities. Generation issued $500 million of senior notes in 2003, and refinanced $17 million of outstanding pollution control bonds. Generation met all of its capital resource commitments with internally generated cash and expects to do so in the foreseeable future, absent new acquisitions.

Operational Achievements. Generation focused on the core fundamentals of providing efficient generation to its customers. Generation's nuclear business combined with other Exelon businesses to minimize the aftermath of Hurricane Isabel and helped to prevent the potentially detrimental cascading effects of the August 14, 2003 blackout in the Northeastern United States and Canada. Also, Generation's nuclear fleet achieved a 93.4% capacity factor in 2003 compared to 92.7% in 2002 while reducing the costs of nuclear generation to 1.25 cents per kilowatthour.

Outlook for 2004 and Beyond. In the short term, Generation's financial results will be affected by a number of factors, including weather conditions, wholesale market prices, successful implementation of The Exelon Way and Generation's ability to generate electricity at low costs. If weather is warmer than normal in the summer months or colder than normal in the winter months, demand for energy generally will be favorably affected. Operating revenues will also be favorably affected by increases in wholesale market prices. Generation's

continued transition out of ownership at Boston Generating, and the successful integration of the AmerGen acquisition into its nuclear fleet will continue to enhance its operations and overall investment return.

Longer term, restructuring in the U.S. electric industry is at a crossroads at both the Federal and state levels, whether debating regional transmission organization (RTO) or standard market platform issues at the FERC or the “post transition” format in many states. Some states abandoned failed transition plans (like California), some states are adjusting current transition plans (like New Jersey and Ohio), and the states of Illinois (by 2007) and Pennsylvania (by 2011) are considering options to preserve choice for large customers and rate stability for mass market customers, while ensuring the financial returns needed for continuing investments in reliability. Generation will continue to be an active participant in these policy debates, while continuing to focus on improving operations, controlling costs and providing a fair return to its investors.

While U.S. economic recovery appears underway, Generation’s current plans are based on continued softness in wholesale power markets. Successful implementation of The Exelon Way is needed to offset labor and material cost escalation, especially the double digit increases in health care costs. Despite these challenges, Generation’s diverse mix of generation (nuclear, coal, purchased power, natural gas, hydroelectric, wind and other renewables) and its position as a low-cost producer linked to a stable base of Exelon Energy Delivery customers will provide a solid platform from which it will strive to meet these challenges.

Results of Operations

Year Ended December 31, 2003 Compared To Year Ended December 31, 2002

Significant Operating Trends – Generation

	2003	2002	Variance	% Change
OPERATING REVENUES	$ 8,135	$ 6,858	$ 1,277	18.6%
OPERATING EXPENSES				
Purchased power	3,587	3,294	293	8.9%
Fuel	1,533	959	574	59.9%
Operating and maintenance	1,945	1,656	289	17.5%
Impairment of Boston Generating, LLC long-lived assets	945	—	945	n.m.
Depreciation	199	276	(77)	(27.9)%
Taxes other than income	120	164	(44)	(26.8)%
Total operating expense	8,329	6,349	1,980	31.2%
OPERATING INCOME (LOSS)	(194)	509	(703)	(138.1)%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(88)	(75)	(13)	17.3%
Equity in earnings of unconsolidated affiliates	49	87	(38)	(43.7)%
Other, net	(187)	83	(270)	n.m.
Total other income and deductions	(226)	95	(321)	n.m.
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(420)	604	(1,024)	(169.5)%
INCOME TAXES	(179)	217	(396)	(182.5)%
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(241)	387	(628)	(162.3)%
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, (net of income taxes)	108	13	95	n.m.
NET INCOME (LOSS)	$ (133)	$ 400	$ (533)	(133.3)%

n.m. not meaningful

Net Income

Net income was adversely affected by the after-tax impairment charges of $573 million relating to the long-lived assets of Boston Generating and $180 million relating to Generation's investment in Sithe Energies. Net income was favorably affected by increased revenue net fuel attributable to higher prices and volumes of wholesale energy, and the impact of the Exelon New England acquisition in 2002, slightly offset by decreased sales to affiliates.

Operating Revenues

Operating revenues increased in 2003 as compared to 2002. Generation's sales in 2003 and 2002 were as follows:

Revenue (in millions)	2003	2002	Variance	% Change
Energy Delivery and Exelon Energy Company	$ 4,036	$ 4,213	$ (177)	(4.2)%
Market sales	3,861	2,591	1,270	49.0%
Total energy sales revenue	7,897	6,804	1,093	16.1%
Trading portfolio	1	(29)	30	(103.4)%
Other revenue	237	83	154	185.5%
Total revenue	$ 8,135	$ 6,858	$ 1,277	18.6%

Sales (in GWhs) (1)	2003	2002	Variance	% Change
Energy Delivery and Exelon Energy Company	117,405	123,975	(6,570)	(5.3)%
Market sales	107,267	83,565	23,702	28.4%
Total sales	224,672	207,540	17,132	8.3%

(1) One GWh is the equivalent of one million kWhs.

Trading volumes of 32,584 GWhs and 69,933 GWhs for the years ended December 31, 2003 and 2002, respectively, are not included in the table above. The decrease in trading volume is a result of reduced volumetric and VAR trading limits in 2003, which are set by the Exelon Risk Management Committee and approved by the Board of Directors.

Generation's average revenues per MWh sold for the years ended December 31, 2003 and 2002 were as follows:

($/MWh)	2003	2002	% Change
Average revenue			
Energy Delivery and Exelon Energy Company	$ 34.38	$ 33.98	1.2%
Market sales	35.99	31.01	16.1%
Total - excluding the trading portfolio	35.15	32.78	7.2%

Exelon Delivery and Exelon Energy Company. Sales to affiliates decreased primarily due to lower volume sales to ComEd, offset by slightly higher prices. Revenues from PECO were lower, primarily due to lower prices, offset slightly by higher volumes. Sales to Exelon Energy Company decreased primarily due to the discontinuance of Exelon Energy Company operations in the PJM region. Effective January 1, 2004, Exelon Energy Company's competitive retail sales business became part of Generation.

Market Sales. Revenue from market sales increased due primarily to higher market prices and the realization of the effects of the Exelon New England acquisition.

Trading Revenues. Trading margin increased, reflecting a $1 million gain for the year ended December 31, 2003 as compared to a $29 million loss in the same period in 2002. The increase is primarily related to an increase in gas prices in April 2002, which negatively affected Generation's trading positions.

Other Revenue. Revenues also increased in 2003 as compared to 2002, as a result of a $76 million increase in sales of excess fossil fuel. The excess fossil fuel is a result of generating plants in Texas and New England operating at less than projected levels. Also, revenues increased by $62 million due to higher decommissioning revenue received from ComEd in 2003 compared to 2002.

Purchased Power and Fuel

Generation's supply of sales in 2003 and 2002, excluding the trading portfolio, was as follows:

Supply of Sales (in GWhs)	2003	2002	% Change
Nuclear generation (1)	117,502	115,854	1.4%
Purchases - non-trading portfolio (2)	82,860	78,710	5.3%
Fossil and hydroelectric generation	24,310	12,976	87.3%
Total supply	224,672	207,540	8.3%

(1) Excluding AmerGen.
(2) Including purchased power agreements with AmerGen.

($/MWh)	2003	2002	% Change
Average supply cost (1) – excluding trading portfolio	$ 22.79	$ 20.49	11.2%

(1) Average supply cost includes purchased power and fuel costs.

Generation's supply mix changed as a result of:

- Increased nuclear generation due to a lower number of refueling outages during 2003 as compared to 2002,
- Increased fossil generation due to the Exelon New England plants acquired in November 2002, which became operational in the second and third quarters of 2003 and account for an increase of 8,426 GWhs, and
- Additional purchase power of 3,320 GWhs due to the acquisition of Exelon New England, a new PPA with AmerGen which increased 3,049 GWhs in the second quarter of 2003, as well as 11,989 GWhs of other miscellaneous power purchases which more than offset a 14,208 GWh decrease in purchased power from Midwest Generation.

The increase in purchased power expense was primarily attributable to a 5.3% increase in purchased power volume and an increase of $3.50/MWh in the average market price of purchased power between 2003 and 2002.

Fuel expense increased in 2003 as compared to 2002, as summarized below:

(in millions)	2003	2002	Variance	% Change
Nuclear generation (1)	$ 502	$ 483	$ 19	3.9%
Fossil and hydroelectric generation	1,031	476	555	116.6%
Total supply	$ 1,533	$ 959	$ 574	59.9%

(1) Excluding AmerGen.

The increase was principally attributable to increased fossil fuel purchases related to generating asset acquisitions in Texas and New England in 2002, as well as increased peaking production due to summer demand and higher average prices.

Operating and Maintenance

The increase in operating and maintenance (O&M) expense in 2003 as compared to 2002 was primarily attributable to $60 million of severance and related postretirement health and welfare benefits accruals and pension and postretirement curtailment costs associated with The Exelon Way and $197 million of accretion expense related to the new decommissioning accounting policy as a result of implementing SFAS No. 143.

Accretion expense includes $153 million of accretion of the asset retirement obligation and $44 million to adjust the earnings impact of certain of the nuclear decommissioning revenues earned from ComEd and PECO, nuclear decommissioning trust fund investment income related to certain nuclear facilities, income taxes incurred on certain nuclear decommissioning trust fund activities, accretion of the asset retirement obligation and depreciation of the asset retirement cost asset to zero. The increase in O&M was also due to $54 million of additional employee payroll and benefits costs and $78 million of additional expenses due to generating asset acquisitions made in 2002. Also, Generation recorded an impairment charge of $7 million in 2003, of which $5 million is related to the pending retirement of Mystic Station Units 4, 5 and 6. These increases were partially offset by $49 million of lower nuclear refueling outage costs, including $19 million for Generation's ownership interest in Salem, which is operated by the co-owner, PSE&G, executive severance expense recorded in 2002 of $19 million, an $8 million reduction in worker's compensation expense and $31 million related to other non-recurring items.

	2003	2002
Nuclear fleet capacity factor (1)	93.4%	92.7%
Nuclear fleet production cost per MWh (1)	$ 12.53	$ 13.00
Average purchased power cost for wholesale operations per MWh	$ 43.29	$ 41.85

(1) Including AmerGen and excluding Salem.

The higher nuclear capacity factor and decreased production costs are primarily due to 56 fewer planned refueling outage days, resulting in a $36 million decrease in outage costs, including a $6 million decrease related to AmerGen, in 2003 as compared to 2002. The years ended 2003 and 2002 included 30 and 26 unplanned outages, respectively, resulting in a $2 million increase in non-refueling outage costs in 2003 as compared to 2002.

Depreciation and Amortization

The decrease in depreciation and amortization expense in 2003 as compared to 2002 was primarily attributable to a $130 million reduction in decommissioning expense net of ARC depreciation, as these costs are included in operating and maintenance expense after the adoption of SFAS No. 143 and a $12 million decrease due to life extensions of assets acquired in 2002. The decrease was partially offset by $65 million of additional depreciation expense on capital additions placed in service in 2002, of which $18 million of expense is related to plant acquisitions made after the third quarter of 2002.

Taxes Other Than Income

Taxes other than income decreased in 2003 compared to 2002 due primarily to a $20 million decrease in property taxes, a $13 million decrease in the Pennsylvania capital stock tax and Texas franchise tax, and a $6 million decrease in payroll taxes.

Interest Expense

The increase in interest expense in 2003 as compared to 2002 is due to $18 million of higher interest related to the Boston Generating project debt outstanding in 2003 as well as the outstanding Sithe note. The increase was partially offset by a $14 million decrease resulting from interest expense no longer being recorded to offset decommissioning interest income in 2003. This offset is currently included as accretion expense in operating and maintenance expense.

Equity in Earnings of Unconsolidated Affiliates

The decrease in equity in earnings of unconsolidated affiliates in 2003 as compared to 2002 was due to a decrease of $21 million in the equity in earnings of Sithe, which was primarily the result of the sale of Sithe New England's assets to Generation in November 2002. A decrease of $17 million in the equity in earnings of AmerGen also contributed to the overall decrease, which was primarily due to lower PPA revenues at AmerGen and increases in severance costs during 2003.

Other, Net

The decrease in other, net in 2003 as compared to 2002 was primarily a result of $255 million of impairment charges related to Generation's equity investment in Sithe due to an other-than-temporary decline in value and a $25 million loss resulting from the subsequent sale of 50% of the assets of Sithe to Reservoir (see Note 3 to Generation's Notes to Consolidated Financial Statements). These decreases were partially offset by $16 million increase in decommissioning trust fund investment income.

Income Taxes

The effective income tax rate was 42.6% for 2003 compared to 35.9% for 2002. This increase was primarily attributable to the impairments recorded in 2003 related to the long-lived assets of Boston Generating and Generation's investment in Sithe, which resulted in a pre-tax loss. Other adjustments that affected income taxes include a decrease in tax-exempt interest recorded in 2003 and an increase in nuclear decommissioning investment income for 2003.

Cumulative Effect of Changes in Accounting Principles

On January 1, 2003, Generation adopted SFAS No. 143 resulting in a benefit of $108 million (net of income taxes of $70 million).

On January 1, 2002, Generation adopted SFAS No. 142 resulting in a benefit of $13 million (net of income taxes of $9 million).

Year Ended December 31, 2002 Compared To Year Ended December 31, 2001

Significant Operating Trends – Generation

	2002	2001	Variance	% Change
OPERATING REVENUES	$ 6,858	$ 6,826	$ 32	0.5%
OPERATING EXPENSES				
Purchased power	3,294	3,106	188	6.1%
Fuel	959	889	70	7.9%
Operating and maintenance	1,656	1,528	128	8.4%
Depreciation	276	282	(6)	(2.1)%
Taxes other than income	164	149	15	10.1%
Total operating expense	6,349	5,954	395	6.6%
OPERATING INCOME	509	872	(363)	(41.6)%
OTHER INCOME AND DEDUCTIONS				
Interest expense	(75)	(115)	40	(34.8)%
Equity in earnings of unconsolidated affiliates	87	90	(3)	(3.3)%
Other, net	83	(8)	91	n.m.
Total other income and deductions	95	(33)	128	n.m.
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	604	839	(235)	(28.0)%
INCOME TAXES	217	327	(110)	(33.6)%
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	387	512	(125)	(24.4)%
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, (net of income taxes)	13	12	1	8.3%
NET INCOME	$ 400	$ 524	$ (124)	(23.7)%

n.m. not meaningful

Net Income

Net income in 2002 was adversely affected 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 the acquisition of two generating plants in April 2002, increased investment income, decreased depreciation expense and decreased interest expense.

Operating Revenues

Operating revenues increased in 2002 as compared to 2001. For 2002 and 2001, Generation's sales were as follows:

Revenue (in millions)	2002	2001	Variance	% Change
Energy Delivery and Exelon Energy Company	$ 4,213	$ 4,089	$ 124	3.0%
Market sales	2,591	2,676	(85)	(3.2)%
Total energy sales revenue	6,804	6,765	39	0.6%
Trading portfolio	(29)	7	(36)	n.m.
Other revenue	83	54	29	53.7%
Total revenue	$ 6,858	$ 6,826	$ 32	0.5%

n.m. – not meaningful

Sales (in GWhs)	2002	2001	% Change
Energy Delivery and Exelon Energy Company	123,975	123,793	0.1%
Market sales	83,565	72,333	15.5%
Total sales	207,540	196,126	5.8%

Trading volume of 69,933 GWhs and 5,754 GWhs for the years ended December 31, 2002 and 2001, respectively, is not included in the table above.

Generation's average revenue, supply cost, and margin on energy sales for the years ended December 31, 2002 and 2001 were as follows:

($/MWh)	2002	2001	% Change
Average revenue			
Energy Delivery and Exelon Energy Company	$ 33.98	$ 33.05	2.8%
Market sales	31.01	37.00	(16.2)%
Total - excluding the trading portfolio	32.78	34.51	(5.0)%

Exelon Delivery and Exelon Energy Company. Sales to affiliates increased by $124 million. The increase was primarily attributable to higher prices under PPAs. Also, Generation had higher volume sales to ComEd, offset by slightly lower volume sales to PECO and Exelon Energy Company.

Market Sales. Revenue from market sales decreased primarily due to a $6/MWh decrease in average market prices in 2002 compared to 2001. The decrease was partially offset by an increase in market sales volume.

Trading Revenues. Trading revenue decreased, reflecting a $29 million loss for the year ended December 31, 2002 as compared to a $7 million gain in the same period in 2001. The decrease was primarily related to an increase in gas prices in April 2002, which negatively affected Generation's trading positions.

Other Revenue. Other revenue increased $29 million in 2002 as compared to 2001, primarily as a result of increased gas sales resulting from the Texas generating asset acquisitions in April 2002.

Purchased Power and Fuel

Generation's supply of sales in 2002 and 2001, excluding the trading portfolio, were as follows:

Supply of Sales (in GWhs)	2002	2001	% Change
Nuclear generation (1)	115,854	116,839	(0.8)%
Purchases - non-trading portfolio (2)	78,710	67,942	15.8%
Fossil and hydroelectric generation	12,976	11,345	14.4%
Total supply	207,540	196,126	5.8%

(1) Excluding AmerGen.
(2) Including PPAs with AmerGen.

The increase in purchased power expense was primarily attributable to increased power supplied to Generation which resulted in a 15.8% increase in purchased power volume. This was partially offset by average purchased power cost decreasing by $4.11/MWh for 2002 as compared to 2001. This decrease in average purchased power cost was principally attributable to lower realized wholesale market prices and reduced transmission costs.

The increase in fuel expense in 2002 was primarily attributable to increased fossil fuel purchases related to generating asset acquisitions in Texas and New England, as well as increased peaking production due to summer demand.

Operating and Maintenance

The increase in O&M expense in 2002 as compared to 2001 was due to the additional expense of $80 million arising from an increased number of nuclear plant refueling outages during 2002 compared to 2001. Also, O&M expense increased $21 million due to plants acquired in 2002, as well as additional allocated corporate costs, including executive severance. These additional expenses were partially offset by other operating cost reductions, including $8 million related to fewer employees, a $10 million reduction in Generation's severance accrual and other cost reductions from an Exelon cost management initiative. The severance reduction represents a reversal of costs previously charged to operating expense.

	2002	2001
Nuclear fleet capacity factor (1)	92.7%	94.4%
Nuclear fleet production cost per MWh (1)	$ 13.00	$ 12.78
Average purchased power cost for wholesale operations per MWh	$ 41.85	$ 45.94

(1) Including AmerGen and excluding Salem.

Depreciation and Amortization

The decrease in depreciation and amortization expense in 2002 as compared to 2001 was due to a $42 million reduction in depreciation expense arising from the extension of the useful lives on certain generating facilities in 2001, partially offset by $32 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 in 2002 as compared to 2001 due primarily to an $8 million increase in property taxes.

Interest Expense

The decrease in interest expense in 2002 as compared to 2001 was due to a $19 million reduction in interest charges on the spent nuclear fuel obligation because of lower rates, and $33 million of lower affiliate interest expense. The decrease was partially offset by a $21 million increase in interest expense due to newly acquired long-term debt associated with Exelon New England.

Equity in Earnings of Unconsolidated Affiliates, net

The decrease in equity in earnings of unconsolidated affiliates in 2002 as compared to 2001 was due to a $5 million decrease in Generation's equity earnings in AmerGen, primarily due to an increase in pension, medical, and incentive cost, partially offset by an increase in revenue. This decrease was partially offset by an increase of $2 million in Generation's equity earnings in Sithe.

Other, Net

The increase in other, net in 2002 as compared to 2001 was primarily due to a $103 million increase in decommissioning trust fund investment income, partially offset by a $6 million decrease in affiliate interest income, and a $6 million decrease due to losses on the disposal and retirement of Generation assets.

Income Taxes

The effective income tax rate was 35.9% for 2002 compared to 39.0% for 2001. This decrease was primarily attributable to an increase in tax-exempt interest recorded in 2002 and other tax benefits recorded in 2002.

Cumulative Effect of Changes in Accounting Principles

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 financing, including the issuance of commercial paper, participation in the intercompany money pool and/or capital contributions from Exelon. Generation's working capital deficit is expected to be cured with its anticipated continuance of positive operating cash flows and the eventual elimination of its Boston Generating debt balance upon the transfer of its ownership of Boston Generating. We anticipate that the transfer of Boston Generating will be accomplished on a non-cash basis. Generation's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to where Generation no longer has access to external financing sources at reasonable terms, Generation has access to a revolving credit facility. See the Credit Issues section of Liquidity and Capital Resources for further discussion. Capital resources are used primarily to fund Generation's capital requirements, including construction, investments in new and existing ventures, repayments of maturing debt, the payment of distributions to Exelon and contributions to Exelon's pension plans. Any future acquisitions could require external financing or borrowings or capital contributions from Exelon.

As part of the implementation of The Exelon Way, Generation identified approximately 470 positions for elimination by the end of 2004 and recorded a charge for salary continuance severance of $33 million before income taxes during 2003, which Generation anticipates that the majority will be paid in 2004 and 2005. Generation is considering whether there are additional positions to be eliminated in 2005 and 2006. Generation may incur further severance-related costs associated with The Exelon Way if additional positions are identified to be eliminated. These costs will be recorded in the period in which the costs can be reasonably estimated.

Cash Flows from Operating Activities

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 operations have been and are expected to continue to provide a reliable, steady source of cash flow, sufficient to meet operating and capital expenditures requirements for the foreseeable future. See Business Outlook and Challenges in Managing our Business.

Cash flows provided by operations for the years ended December 31, 2003 and 2002 were $1,453 million and $1,150 million, respectively. Changes in Generation's cash flows from operations are generally consistent with changes in its results of operations, as further adjusted by changes in working capital in the normal course of business and non-cash charges.

In addition to the items mentioned in Results of Operation, Generation's operating cash flows in 2003 were affected by the following items:

- Sales to ComEd decreased in 2003 in line with the lower load requirements of the territory due to the customer choice initiative.
- Greater mark-to-market activity in 2002 resulted in higher cash inflows from proprietary trading activities in 2002 compared to 2003.
- Discretionary contributions to Exelon's defined benefit pension plans of $145 million in 2003 compared to $60 million in 2002.

Generation participates in Exelon's defined benefit pension plans. Exelon's plans currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon expects to make a discretionary pension plan contribution up to approximately $419 million in 2004, of which $170 million is expected to be funded by Generation. Of the $170 million expected to be contributed to the pension plan during 2004, $17 million is estimated to be needed to satisfy IRS minimum funding requirements for the pension plan obligations assumed in the AmerGen acquisition in December 2003.

Cash Flows from Investing Activities

Cash flows used in investing activities were $1,301 million in 2003, compared to $1,686 million in 2002. Capital expenditures, including investment in nuclear fuel, were $953 million in 2003, and primarily represent additions to nuclear fuel as well as the construction of three Boston Generating facilities with projected capacity of 2,288 MWs of energy and additions and upgrades to the existing facilities. Capital expenditures were offset by $92 million of liquidating damages received from Raytheon as a result of Raytheon not meeting the expected completion date and certain contractual performance criteria in connection with Raytheon's construction of the Boston Generating facilities.

On November 25, 2003, Generation, Reservoir, and Sithe completed a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe. See Contractual Obligations and Off-Balance Sheet Arrangements – Variable Interest Entities below for further information regarding this transaction. In addition, a note receivable was received from EXRES SHC, Inc. for $92 million. In December 2003, Generation purchased the 50% interest in AmerGen held by British Energy plc for $240 million, net of cash acquired of $36 million. The acquisition was funded with cash provided by operations.

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%. As of December 31, 2002, the balance of the loan to AmerGen was $35 million, which was repaid in its entirety during 2003. In April 2002, Generation purchased two natural-gas and oil-fired generating plants from TXU for $443 million. The purchase was funded with commercial paper, which Exelon issued and Generation repaid with cash flows from operations. In November 2002, Generation purchased Exelon New England, which resulted in a use of cash of $2 million, net of $12 million of cash acquired. The remainder of the purchase price was financed with a $534 million note payable to Sithe, which was subsequently increased to $536 million. At December 31, 2003, Generation had repaid $446 million of the note payable to Sithe, leaving a balance of $90 million, which is payable on the earlier of December 1, 2004, upon reaching certain Sithe liquidity requirements, or upon a change of control.

Capital expenditures for 2004 are projected to be $972 million. Generation anticipates that nuclear refueling outages will increase from eight in 2003 to ten in 2004. Generation's capital expenditures are expected to be funded by internally generated funds.

Cash Flows from Financing Activities

Cash flows used in financing activities were $52 million in 2003, compared to $370 million cash provided in 2002. The decrease in cash flows used in financing activities was primarily a result of the retirement of debt of $570 million and the repayment of the acquisition note payable to Sithe of $446 million. Additional decreases resulted from the payment of distributions totaling $189 million and lower borrowings from affiliates resulting in $242 million of the change from the prior year. This decrease was partially offset by the issuance of $500 million of unsecured notes in December 2003 and the bridge financing facility of $550 million.

Financing activities in 2003 exclude the $17 million non-cash distribution to PECO and in 2002 exclude the non-cash issuance of a $534 million note (subsequently increased to $536 million) issued to Sithe for the acquisition of the Sithe New England assets and approximately $1.0 billion of Sithe New England long-term debt, which is reflected in Generation's Consolidated Balance Sheets as of December 31, 2003 and 2002.

Credit Issues

Exelon Credit Facility. Generation meets its short-term liquidity requirements primarily through the issuance of commercial paper and intercompany borrowings from Exelon's intercompany money pool. In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, Generation's aggregate sublimit under the credit agreements was $250 million. Sublimits under the credit agreements can change upon written notification to the bank group. Generation had approximately $170 million of unused bank commitments under the credit agreements at December 31, 2003. Generation did not have any commercial paper outstanding at December 31, 2003. Interest rates on the advances under the credit facility are based on either the London Interbank Offering Rate (LIBOR) or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. The maximum adder would be 175 basis points.

Certain of the credit agreements to which Generation is a party require it to maintain a cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratio excludes certain changes in working capital and interest on Exelon New England's debt. Generation's threshold for the ratio reflected in the credit agreements cannot be less than 3.25 to 1 for the twelve-month period ended December 31, 2003. At December 31, 2003, Generation was in compliance with the credit agreement thresholds.

Capital Structure. At December 31, 2003, Generation's capital structure consisted of 48% member's equity, 8% notes payable and 44% long-term debt. Long-term debt includes $1.2 billion of senior unsecured notes and $1.0 billion Boston Generating project debt, representing 36% of capitalization.

Boston Generating Project Debt. Boston Generating has a $1.25 billion credit facility (Boston Generating Facility), which was entered into primarily to finance the development and construction of generating projects known as Mystic 8 and 9 and Fore River. Approximately $1.0 billion of debt was outstanding under the Boston Generating Facility at December 31, 2003, all of which was reflected in Generation's Consolidated Balance Sheets as a current liability due to certain events of default described below. The Boston Generating Facility is non-recourse to Generation and an event of default under the Boston Generating Facility does not constitute an event of default under any other of Generation's debt instruments or the debt instruments of its subsidiaries.

The Boston Generating Facility required that all of the projects achieve "Project Completion," as defined in the Boston Generating Facility (Project Completion) by July 12, 2003. Project Completion was not achieved by July 12, 2003, resulting in an event of default under the Boston Generating Facility. Mystic 8 and 9 and Fore River have begun commercial operation, although they have not yet achieved Project Completion.

Generation has commenced the process of an orderly transition out of the ownership of Boston Generating and the Mystic 8 and 9 and Fore River generating projects. Generation's decision to transition out of the projects was made as a result of its evaluation of the projects and discussions with the lenders under the Boston Generating Facility. We anticipate that this transition will occur in 2004.

Generation Revolving Credit Facilities. On September 29, 2003, Generation closed on an $850 million revolving credit facility that replaced a $550 million revolving credit facility that had originally closed on June 13, 2003. Generation used the facility to make the first payment to Sithe relating to the $536 million note that was used to purchase Exelon New England. This note was restructured in June 2003 to provide for a payment of $210 million of the principal on June 16, 2003, payment of $236 million of the principal on the earlier of December 1, 2003 or upon a change of control of Generation, and payment of the remaining principal on the earlier of December 1, 2004, upon reaching certain Sithe liquidity requirements, or upon a change of control of Generation. Generation paid $446 million on the note to Sithe in 2003. Generation terminated the $850 million revolving credit facility on December 22, 2003.

Intercompany Money Pool. To provide an additional short-term borrowing option that could 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 Exelon's corporate treasurer. ComEd and its subsidiary, Commonwealth Edison of Indiana, Inc., PECO, Generation and BSC may participate in the money pool as lenders and borrowers, and Exelon Corporate may participate as a lender. Funding of, and borrowings from, the money pool are predicated on whether the contributions and borrowings result in economic benefits. Interest on borrowings is based on short-term market rates of interest, or, if from an external source, specific borrowing rates. During 2003, Generation had various borrowings from the money pool. The maximum amount of borrowings outstanding at any time during 2003 by Generation was $395 million. As of December 31, 2003, Generation owed the money pool $301 million on these loans. For the year ended December 31, 2003, Generation paid $2 million in interest to the money pool.

Security Ratings. Generation's access to the capital markets, including the commercial paper market, and its financing costs in those markets are dependent on its securities ratings. In the fourth quarter of 2003, Standard & Poor's Ratings Services affirmed Generation's corporate credit ratings but revised its outlook to negative from stable. None of Generation's borrowings is subject to default or prepayment as a result of a downgrading of securities ratings although such a downgrading could increase fees and interest charges under certain bank credit facilities. The following table shows Generation's securities ratings at December 31, 2003:

Securities	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Senior unsecured debt	Baa1	A-	BBB+
Commercial paper	P2	A2	F2

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

As part of the normal course of business, Generation routinely enters into physical or financially settled contracts for the purchase and sale of capacity, energy, fuels and emissions allowances. These contracts either contain express provisions or otherwise permit Generation's counterparties and Generation to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable law, if Generation is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on Generation's net position with a counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed to provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of Generation's situation at the time of the demand. If Generation can reasonably claim that it is willing and financially able to perform its obligations, it may be possible to successfully argue that no collateral should be posted or that only an amount equal to two or three months of future payments should be sufficient.

Fund Transfer Restrictions. Under applicable law, Generation can only pay dividends from undistributed or current earnings. Generation is precluded from lending or extending credit or indemnity to Exelon. At December 31, 2003, Generation had undistributed earnings of $602 million.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations

Generation's contractual obligations as of December 31, 2003 are as follows:

		Payment Due within			
(in millions)	Total	1 Year	2-3 Years	4-5 Years	Due After 5 Years
Long-term debt	$ 2,728	$ 1,068	$ 23	$ 20	$ 1,617
Short-term note to Sithe	90	90	—	—	—
Intercompany money pool	301	301	—	—	—
Short-term obligation to Exelon	115	115	—	—	—
Operating leases	564	21	53	52	438
Power purchase obligations	10,475	2,635	1,827	1,410	4,603
Fuel purchase agreements	3,034	476	825	582	1,151
Other purchase commitments	54	19	22	13	—
Obligation to minority shareholders	54	3	6	6	39
Pension IRS minimum funding requirement	17	17	—	—	—
Spent nuclear fuel obligations	867	—	—	—	867
Total contractual obligations	$ 18,299	$ 4,745	$ 2,756	$ 2,083	$ 8,715

See ITEM 8. Financial Statements and Supplementary Data – Generation, Notes to Consolidated Financial Statements for additional information about:

- long-term debt, see Note 8
- short-term note to Sithe, see Note 15
- intercompany money pool, see Note 15
- short-term obligation to Exelon, see Note 15
- operating leases, see Note 13
- power purchase obligations, see Note 13
- obligation to minority shareholders, see Note 13
- pension IRS minimum funding requirement, see Note 11
- spent nuclear fuel obligation, see Note 10

Two affiliates of Exelon New England have long-term supply agreements through December 2022 with Distrigas for gas supply, primarily for the Boston Generating units. Under the agreements, prices are indexed to New England gas markets. Exelon New England has guaranteed these entities' financial obligations to Distrigas under the Distrigas agreements. It is currently anticipated that Exelon New England's guaranty to Distrigas will continue following the eventual transfer of the ownership interests in Boston Generating. This guaranty is non-recourse to Generation. At December 31, 2003, Exelon New England had net assets of approximately $70 million, exclusive of the Boston Generating net assets.

Generation has an obligation to decommission its nuclear power plants. Upon adoption of SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143), Generation was required to re-measure its decommissioning liabilities at fair value and recorded an asset retirement obligation of $2.4 billion on January 1, 2003. Increases in the asset retirement obligation are recorded as operating and maintenance expense. At December 31, 2003, the asset retirement obligation recorded within Generation's Consolidated Balance Sheet was $3.0 billion. Decommissioning expenditures are expected to occur primarily after the plants are retired and are currently estimated to begin in 2029 for plants currently in operation. To fund future decommissioning costs, Generation held $4.7 billion of investments in trust funds, including net unrealized gains and losses, at December 31, 2003. See ITEM 8. Financial Statements and Supplementary Data – Generation, Notes to Consolidated Financial Statements for further discussion of Generation's decommissioning obligation.

See Note 13 of the Notes to Consolidated Financial Statements for discussion of Generation's commercial commitments as of December 31, 2003.

Variable Interest Entities. Generation is a 50% owner of Sithe and accounts for the investment as an unconsolidated equity investment. Based on management's interpretation of FIN No. 46-R, it is reasonably possible that Generation will consolidate Sithe as of March 31, 2004. At December 31, 2003, Sithe had total assets of $1.5 billion (including the $90 million note from Generation) and total debt of $1.0 billion. The $1.0 billion of debt includes $588 million of subsidiary debt incurred primarily to finance the construction of six new generating facilities, $419 million of subordinated debt, $43 million of current portion of long-term debt, but excludes $469 million of non-recourse debt associated with Sithe's equity investments. For the year ended December 31, 2003, Sithe had revenues of $690 million and incurred a net loss of approximately $72 million. Generation contractually does not own any interest in Sithe International, a subsidiary of Sithe. As such, a portion of Sithe's net assets and results of operations would be eliminated from Generation's Consolidated Balance Sheets and Consolidated Statements of Income through a minority interest if Sithe is consolidated under FIN No. 46-R as of March 31, 2004. As of December 31, 2003, Generation had a $47 million investment in Sithe.

In 2003, Generation recorded impairment charges of $255 million (before income taxes) in other income and deductions within the Consolidated Statements of Income associated with a decline in the fair value of the Sithe investment, which was considered to be other-than-temporary. Generation considered various factors in the decision to impair this investment, including its negotiations to sell its interest in Sithe and the completion of the transactions described below. The discussions surrounding the sale and the resulting transactions indicated that the fair value of the Sithe investment was below its book value and, as such, an impairment was required.

On November 25, 2003, Generation, Reservoir and Sithe completed a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe. The series of transactions is described below. Immediately prior to these transactions, Sithe was owned 49.9% by Generation, 35.2% by Apollo Energy, LLC (Apollo), and 14.9% by subsidiaries of Marubeni Corporation (Marubeni).

Entities controlled by Reservoir purchased certain Sithe entities holding six U.S. generating facilities, each a qualifying facility under the Public Utility Regulatory Policies Act, in exchange for $37 million ($21 million in cash and a $16 million two-year note); and entities controlled by Marubeni purchased all of Sithe's entities and facilities outside of North America (other than Sithe Energies Australia (SEA) of which it purchased a 49% interest on November 24, 2003 for separate consideration) for $178 million. Marubeni agreed to acquire the remaining 51% of SEA in 90 days if a buyer is not found, although discussions regarding an extension are ongoing.

Following the sales of the above entities, Generation transferred its wholly owned subsidiary that held the Sithe investment to a newly formed holding company. The subsidiary holding the Sithe investment acquired the remaining Sithe interests from Apollo and Marubeni for $612 million using proceeds from a $580 million bridge financing and available cash. Generation sold a 50% interest in the newly formed holding company for $76 million to an entity controlled by Reservoir on November 25, 2003. On November 26, 2003, Sithe distributed $580 million of available cash to its parent, which then utilized the distributed funds to repay the bridge financing.

In connection with this transaction, Generation recorded obligations related to $39 million of guarantees in accordance with FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN No. 45). These guarantees were issued to protect Reservoir from credit exposure of certain counter-parties through 2015 and other indemnities. In determining the value of the FIN No. 45 guarantees, Generation utilized a probabilistic model to assess the possibilities of future payments under the guarantees.

Both Generation and Reservoir's 50% interests in Sithe are subject to put and call options that could result in either party owning 100% of Sithe. While Generation's intent is to fully divest Sithe, the timing of the put and call options vary by acquirer and can extend through March 2006. The pricing of the put and call options is dependent on numerous factors, such as the acquirer, date of acquisition and assets owned by Sithe at the time of exercise. Any closing under either the put or call options is conditioned upon obtaining state and federal regulatory approvals.

Other

Generation's cash-flow hedges are affected by commodity prices. These hedge contracts primarily represent forward sales of Generation's excess capacity that it expects to deliver. The majority of these contracts are for delivery within one year. These contracts have specified credit limits pursuant to standardized contract terms and require that cash collateral be posted when the limits are exceeded. When power prices increase relative to Generation's forward sales prices, it can be subject to collateral calls if Generation exceeds its credit limits. However, when power prices return to previous levels or when Generation delivers the power under its forward contracts, the collateral would be returned to Generation with no impact on its results of operations. Generation believes that it has sufficient capability to fund any collateral requirements that could be reasonably expected to occur.

Critical Accounting Policies and Estimates

See ComEd, PECO and Generation – Critical Accounting Policies and Estimates above for a discussion of Generation's critical accounting policies and estimates.

Business Outlook and the Challenges in Managing Our Business

The U.S. electric generation, transmission and distribution industry is in the midst of a fundamental and, at this point, uncertain transition from a fully regulated industry offering bundled service to an industry with unbundled services, some of which are regulated and others of which are priced in competitive markets. Generation operates in a highly competitive environment which is capital intensive.

The challenges affecting Generation's business are discussed below. Further discussion of Generation's liquidity position and capital resources and related challenges is included in the Liquidity and Capital Resources section.

Generation must effectively manage its power portfolio to meet its contractual commitments and to handle changes in the wholesale power markets.

The majority of Generation's portfolio is used to provide power under long-term PPAs to ComEd and PECO. To the extent the portfolio is not needed for that purpose, Generation's output is sold in the wholesale market. Generation's ability to grow is dependent upon its ability to cost-effectively meet the load requirements of ComEd and PECO, to manage its power portfolio and to effectively handle changes in the wholesale power markets.

The scope and scale of Generation's nuclear generation resources provide a cost advantage in meeting its contractual commitments and enable it to sell power in the wholesale markets.

Generation's resources include interests in 11 nuclear generation stations, consisting of 19 units. Generation's nuclear fleet, excluding AmerGen's three units, generated 117,502 GWhs, or more than half of its total supply, in 2003. As the largest generator of nuclear power in the United States, Generation can take advantage of its scale and scope to negotiate favorable terms for the materials and services that its business requires. Generation's nuclear plants benefit from stable fuel costs, minimal environmental impact from operations and a safe operating history.

Generation's financial performance may be affected by liabilities arising from its ownership and operation of nuclear facilities.

The ownership and operation of nuclear facilities involve risks, including:

- mechanical or structural problems;
- inadequacy or lapses in maintenance protocols;
- impairment of reactor operation and safety systems due to human error;
- costs of storage, handling and disposal of nuclear materials;
- limitations on the amounts and types of insurance coverage commercially available; and
- uncertainties regarding both technological and financial aspects of decommissioning nuclear facilities at the end of their useful lives.

The material risks known or currently anticipated that could affect Generation's ability to sustain its current levels of profitability are:

Nuclear capacity factors. Capacity factors, particularly nuclear capacity factors, significantly affect results of operations. Nuclear plant operations involve substantial fixed operating costs but produce electricity at low

variable costs due to low fuel costs. Consequently, to be successful, Generation must consistently operate its nuclear generating facilities at high capacity factors. Lower capacity factors would increase Generation's operating costs and could require Generation to generate additional energy from its fossil or hydroelectric facilities or purchase additional energy in the spot or forward markets in order to satisfy Generation's obligations to ComEd and PECO and other committed third-party sales. These sources generally are at a higher cost than Generation otherwise would have incurred to generate energy from its own nuclear stations.

Refueling outages. Outages at nuclear stations to replenish fuel require the station to be "turned off." Refueling outages are planned to occur once every 18 to 24 months and currently average approximately 26 days in duration. Generation has significantly decreased the length of refueling outages in recent years. However, when refueling outages last longer than anticipated or Generation experiences unplanned outages, Generation faces lower margins due to higher energy replacement costs and/or lower energy sales. Each twenty-six day outage, depending on the capacity of the station, will decrease the total nuclear annual capacity factor between 0.3% and 0.5%. The number of refueling outages, including AmerGen, will increase to ten in 2004 from nine in 2003. Maintenance expenditures are expected to increase by approximately $20 million in 2004 as compared to 2003 as a result of the increased number of nuclear refueling outages.

Nuclear fuel quality. The quality of nuclear fuel utilized by Generation can affect the efficiency and costs of its operations. Certain of Generation's nuclear units have been identified as having a limited number of fuel performance issues. Remediation actions, including those required to address performance issues, have resulted in increased costs due to accelerated fuel amortization and/or increased outage costs and could continue to do so. It is difficult to predict the total cost of these remediation procedures.

Life extensions. Generation's nuclear facilities are currently operating under 40-year NRC licenses. Generation has applied for 20-year extensions for the licenses that will be expiring in the next ten years, excluding licenses for the AmerGen facilities. Generation anticipates filing a request for a license extension for Oyster Creek and is evaluating the other AmerGen facilities for possible extension. Generation has received a 20-year extension of the license for the Peach Bottom units, but Generation cannot predict whether any of the other pending extensions will be granted. Generation intends to evaluate opportunities, as permitted by the NRC, to apply for life extensions to some or all of the remaining licenses. If the extensions are granted, Generation cannot be sure that it will be willing to operate the facilities for all or any portion of the extended license. If the NRC does not extend the operating licenses for Generation's nuclear stations, its results of operations could be adversely affected by increased depreciation rates and accelerated future decommissioning payments.

Regulatory risk. The NRC may modify, suspend or revoke licenses, shut down a nuclear facility and impose civil penalties for failure to comply with the Atomic Energy Act, related regulations or the terms of the licenses for nuclear facilities. A change in the Atomic Energy Act or the applicable regulations or licenses may require a substantial increase in capital expenditures or may result in increased operating or decommissioning costs and significantly affect Generation's results of operation or financial position. Events at nuclear plants owned by others, as well as those owned by Generation, may cause the NRC to initiate such actions.

Operational risk. Operations at any of Generation's nuclear generation plants could degrade to the point where Generation has to shut down the plant or operate at less than full capacity. If this were to happen, identifying and correcting the causes may require significant time and expense. Generation may choose to close a plant rather than incur the expense of restarting it or returning the plant to full capacity. In either event, Generation may lose revenue and incur increased fuel and purchased power expense to meet supply commitments. For plants operated but not wholly owned by Generation, Generation may also incur liability to the co-owners.

Nuclear accident risk. Although the safety record of nuclear reactors generally, including Generation's, has been very good, accidents and other unforeseen problems have occurred both in the United States and elsewhere. The consequences of an accident can be severe and include loss of life and property damage. Any resulting

liability from a nuclear accident may exceed Generation's resources, including insurance coverages, and significantly affect Generation's results of operation or financial position.

Nuclear liability insurance. The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. The limit as of January 1, 2004 is $10.9 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. As required by the Price-Anderson Act, Generation carries the maximum available amount of nuclear liability insurance (currently $300 million for each operating site). Claims exceeding that amount are covered through mandatory participation in a financial protection pool. The Price-Anderson Act expired on August 1, 2002 and was subsequently extended to the end of 2003 by the U.S. Congress. Only facilities applying for NRC licenses subsequent to expiration of the Price-Anderson Act are affected. Existing commercial generating facilities, such as those owned and operated by Generation, remain subject to the provisions of the Price-Anderson Act and are unaffected by its expiration.

Decommissioning. Generation has an obligation to decommission its nuclear power plants. Based on estimates of decommissioning costs for each of the nuclear facilities in which Generation has an ownership interest, other than the AmerGen facilities, the ICC permits ComEd, and the PUC permits PECO, to collect from their customers and deposit in nuclear decommissioning trust funds maintained by Generation amounts which, together with earnings thereon, will be used to decommission such nuclear facilities. The ICC permitted ComEd to recover $73 million per year from retail customers for decommissioning for the years 2001 through 2004, and, depending upon the portion of the output of certain generating stations taken by ComEd, up to $73 million annually in 2005 and 2006. Subsequent to 2006, there will be no further recoveries of decommissioning costs from ComEd's customers. Effective January 1, 2004, PECO will be permitted to recover $33 million annually for nuclear decommissioning. Generation expects that these collections will continue through the operating license life of each of the former PECO units, with adjustments every five years to reflect changes in cost estimates and decommissioning trust fund performance. Decommissioning expenditures are expected to occur primarily after the plants are retired and are currently estimated to begin in 2029 for plants currently in operation. To fund future decommissioning costs, Generation held $4.7 billion of investments in trust funds, including net unrealized gains and losses, at December 31, 2003.

NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in certain minimum amounts at the end of the life of the facility to decommission the facility. Generation is required to provide to the NRC a biennial report by unit (annually for Generation's four retired units) addressing Generation's ability to meet the NRC-estimated funding levels (NRC Funding Levels) with scheduled contributions to and earnings on the decommissioning trust funds. As of December 31, 2003, Generation had a number of units, which, at current market levels, are being funded at a rate less than anticipated with respect to the NRC's Funding Levels. Generation will submit its next biennial report to the NRC at the end of March 2005. At that time, Generation will address potential actions, in accordance with NRC requirements, to assure that Generation will remain adequately funded compared to the NRC Funding Levels.

In 2003, the General Accounting Office (GAO) published a study on the NRC's need for more effective analyses to ensure the adequate accumulation of funds to decommission nuclear power plants in the United States. As it has in the past, the GAO concluded that accumulated and future proposed funding was inadequate to achieve NRC Funding Levels at a number of U.S. nuclear plants, including a number of Generation's plants. Generation has reviewed the GAO's report and believe that, in reaching its conclusions, the GAO did not consider all aspects of Generation's decommissioning strategy, such as fund growth during the decommissioning period. The inclusion of estimated earnings growth on Generation's nuclear trust funds during the decommissioning period virtually eliminates any funding shortfalls identified in the GAO report.

In spite of any temporary shortfall in NRC Funding Levels, Generation currently believes that the amounts in nuclear decommissioning trust funds and future collections from ratepayers, together with earnings thereon, will provide adequate funding to decommission its nuclear facilities in accordance with regulatory requirements. Forecasting investment earnings and costs to decommission nuclear generating stations requires significant

judgment, and actual results may differ significantly from current estimates. Ultimately, when decommissioning activities are initiated, if the investments held by Generation's nuclear decommissioning trusts are not sufficient to fund the decommissioning of Generation's nuclear plants, Generation may be required to identify other means of funding its decommissioning obligations.

Generation relies on electric transmission facilities that it does not own or control. If operations at these facilities are disrupted or do not provide Generation with adequate transmission capacity, it may not be able to deliver its wholesale electric power to the purchasers of the power.

Generation depends on transmission facilities owned and operated by other companies to deliver the power that it sells at wholesale. If transmission at these facilities is disrupted, or transmission capacity is inadequate, Generation may not be able to sell and deliver its wholesale power. While Generation was not significantly affected by the failure in the transmission grid that served a large portion of the Northeastern United States and Canada on August 14, 2003, the North American transmission grid is highly interconnected and, in extraordinary circumstances, disruptions at a point within the grid can cause a systemic response that results in an extensive power outage. If a region's power transmission infrastructure is inadequate, Generation's recovery of wholesale costs and profits may be limited. In addition, if restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure.

The FERC has issued electric transmission initiatives that require electric transmission services to be offered unbundled from commodity sales. Although these initiatives are designed to encourage wholesale market transactions for electricity, access to transmission systems may in fact not be available if transmission capacity is insufficient because of physical constraints or because it is contractually unavailable. Generation also cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

Generation is directly affected by price fluctuations and other risks of the wholesale power market.

Generation fulfills its energy commitments from the output of the generating facilities that it owns as well as through buying electricity in both the wholesale bilateral and spot markets. The excess or deficiency of energy owned or controlled by Generation compared to its obligations exposes Generation to the risks of rising and falling prices in those markets, and Generation's cash flows may vary accordingly. To the extent Generation does not supply power to serve the needs of ComEd and PECO, Generation's cash flows will largely be determined by wholesale prices of electricity and its ability to successfully market energy, capacity and ancillary services. In the event that lower wholesale prices of electricity reduce Generation's current or forecasted cash flows, the carrying value of Generation's generating units may be determined to be impaired.

The wholesale spot market price of electricity for each hour is generally determined by the cost of supplying the next unit of electricity to the market during that hour. Many times, the next unit of electricity supplied would be supplied from generating stations fueled by fossil fuels, primarily natural gas. Consequently, the open-market wholesale price of electricity may reflect the cost of natural gas plus the cost to convert natural gas to electricity. Therefore, changes in the supply and cost of natural gas generally affect the open market wholesale price of electricity.

Credit Risk. In the bilateral markets, Generation is exposed to the risk that counterparties that owe Generation money or energy as a result of market transactions will not perform their obligations. For example, energy supplied by third-party generators, including Sithe, under long-term agreements represents a significant portion of Generation's overall capacity. These generators face operational risks, such as those that Generation faces, and their ability to perform depends on their financial condition. In the event the counterparties to these arrangements fail to perform, Generation might be forced to honor the underlying commitment at then-current market prices and incur additional losses, to the extent of amounts, if any, already paid to the counterparties. In the spot markets, Generation is exposed to the risks of whatever default mechanisms exist in that market, some of

which attempt to spread the risk across all participants, which may or may not be an effective way of lessening the severity of the risk and the amounts at stake. Generation is also a party to agreements with entities in the energy sector that have experienced rating downgrades or other financial difficulties.

In order to evaluate the viability of Generation's counterparties, Generation has implemented credit risk management procedures designed to mitigate the risks associated with these transactions. These policies include counterparty credit limits and, in some cases, require deposits or letters of credit to be posted by certain counterparties. Generation's 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. Generation has entered into payment netting agreements or enabling agreements that allow for payment netting with the majority of its large counterparties. These agreements reduce Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. The credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

Immature Markets. The wholesale spot markets are new and evolving markets that vary from region to region and are still developing practices and procedures. While the FERC has proposed initiatives to standardize wholesale spot markets, Generation cannot predict whether that effort will be successful, what form any of these markets will eventually take or what roles Generation will play in them. Problems in or the failure of any of these markets, as was experienced in California in 2000, could adversely affect Generation's business.

Hedging. The Power Team buys and sells energy and other products in the wholesale markets and enters into financial contracts to manage risk and hedge various positions in Generation's power generation portfolios. This activity, along with the effects of any specialized accounting for trading contracts, may cause volatility in Generation's future results of operations.

Weather. Generation's operations are affected by weather, which affects demand for electricity as well as operating conditions. Generation plans its business based upon normal weather assumptions. To the extent that weather is warmer in the summer or colder in the winter than assumed, Generation may require greater resources to meet its contractual requirements to ComEd and PECO. Extreme summer conditions or storms may affect the availability of generation capacity and transmission, limiting Generation's ability to source or send power to where it is sold. These conditions, which may not have been fully anticipated, may have an adverse affect by causing Generation to seek additional capacity at a time when wholesale markets are tight or to seek to sell excess capacity at a time when those markets are weak. Generation incorporates contingencies into its planning for extreme weather conditions, including potentially reserving capacity to meet summer loads at levels representative of warmer-than-normal weather conditions.

Excess capacity. Energy prices are also affected by the amount of supply available in a region. In the markets where Generation sells power, there has been a significant increase in the number of new power plants commencing commercial operations which has driven down power prices over the last few years. In fact, an excess supply situation currently exists in many parts of the country which has reduced prices in the wholesale markets and adversely affected Generation's profitability. We cannot predict when these regions will return to more normal levels in the supply-demand balance.

Generation's business is also affected by the restructuring of the energy industry.

Regional Transmission Organizations / Standard Market Platform. Generation is dependent on wholesale energy markets and open transmission access and rights by which Generation delivers power to its wholesale customers, including ComEd and PECO. Generation uses the wholesale regional energy markets to sell power that Generation does not need to satisfy its long-term contractual obligations, to meet long-term obligations not provided by its own resources and to take advantage of price opportunities.

Wholesale markets have only been implemented in certain areas of the country and each market has unique features that may create trading barriers among the markets. The FERC has proposed initiatives, including Order 2000 and the proposed wholesale market platform rule, to encourage the development of large regional, uniform markets and to eliminate trade barriers. These initiatives, however, have not yet led to the development of such markets in all areas of the country. PJM's market strongly resembles the FERC's proposal, and both the New England Independent System Operator (NE-ISO) and the New York Independent System operator (NYISO) are implementing market reforms. Generation strongly encourages the development of standardized energy markets and supports the FERC's standardization efforts as being essential to wholesale competition in the energy industry and to Generation's ability to compete on a national basis and to meet its long-term contractual commitments efficiently.

Approximately 27% of Generation's generating assets, which includes directly owned assets and capacity obtained through long-term contracts, are located in the region encompassed by PJM. If the PJM market is expanded to the Midwest, 79% of Generation's generating assets would be located within that market. The PJM market has been the most successful and liquid regional market. Generation's future results of operations may be affected by the successful expansion of that market to the Midwest and the implementation of any market changes mandated by the FERC.

Provider of Last Resort. As discussed above, ComEd and PECO each have POLR obligations that they have effectively transferred to Generation through full-requirements contracts. Because the choice of electricity generation supplier lies with the customer, planning to meet these obligations has a higher level of uncertainty than that traditionally experienced due to weather and the economy. It is difficult for Generation to plan the energy demand of ComEd and PECO customers. The uncertainty regarding the amount of ComEd and PECO load for which Generation must prepare increases Generation's costs. A significant under-estimation of ComEd's and PECO's electric-load requirements could result in Generation not having enough power to cover its supply obligation, in which case Generation would be required to buy power from third parties or in the spot markets at prevailing market prices. Those prices may not be as favorable or as manageable as Generation's long-term supply expenses and thus could increase total costs.

Effective management of capital projects is important to Generation's business.

Generation's business is capital intensive and requires significant investments in energy generation. The inability of Generation to effectively manage its capital projects could adversely affect its results from operations.

In 2002, Generation purchased the assets of Sithe New England Holdings, LLC (now known as Exelon New England), a subsidiary of Sithe, and related power marketing operations. Due to the reduction in power prices and delays in construction completion, in July 2003, Generation commenced the process of an orderly transition out of the ownership of the Boston Generating assets. Generation recorded an impairment charge of $945 million before income taxes related to the long-lived assets of Boston Generating as a result of its decision to exit these facilities. Charges could result from decisions to exit other investments or projects in the future. These charges could have a significant impact on Generation's results of operations.

Generation's financial performance depends on its ability to respond to competition in the energy industry.

As a result of industry restructuring, numerous generation companies created by the disaggregation of vertically integrated utilities have become active in the wholesale power generation business. In addition, independent power producers (IPP) have become prevalent in the wholesale power industry. In recent years, IPPs and the generation companies of disaggregated utilities have installed new generating capacity at a pace greater than the growth of electricity demand. These new generating facilities may be more efficient than Generation's

facilities. The introduction of new technologies could increase competition, which could lower prices and have an adverse effect on Generation's results of operations or financial condition. Generation's financial performance depends on its ability to respond to competition in the energy industry.

Power Team's risk management policies cannot fully eliminate the risk associated with its power trading activities.

Power Team's power trading (including fuel procurement and power marketing) activities expose Generation to risks of commodity price movements. Generation attempts to manage its exposure through enforcement of established risk limits and risk management procedures. These risk limits and risk management procedures may not always be followed or may not work as planned and cannot eliminate the risks associated with these activities. Even when Generation's policies and procedures are followed, and decisions are made based on projections and estimates of future performance, results of operations may be diminished if the judgments and assumptions underlying those decisions prove to be wrong or inaccurate. Factors such as future prices and demand for power and other energy-related commodities become more difficult to predict and the calculations become less reliable the further into the future estimates are made. As a result, Generation cannot predict the impact that its power trading and risk management decisions may have on its business, operating results or financial position.

Capital Markets and Financing Environment

In order to expand Generation's operations and to meet the needs of current and future customers, Generation invests in its business. The ability to finance Generation's business and other necessary expenditures is affected by the capital-intensive nature of Generation's operations and Generation's current and future credit ratings. The capital markets also affect Exelon's benefit plan assets and Generation's decommissioning trust funds. Further discussions of Generation's liquidity position can be found in the Liquidity and Capital Resources section above.

The ability to grow Generation's business is affected by the ability to finance capital projects.

Generation's business requires considerable capital resources. When necessary, Generation secures funds from external sources by issuing commercial paper and, as required, long-term debt securities. Generation actively manages its exposure to changes in interest rates through interest-rate swap transactions and its balance of fixed- and floating-rate instruments. Management currently anticipates primarily using internally generated cash flows and short-term financing through commercial paper to fund operations as well as long-term external financing sources to fund capital requirements as the needs and opportunities arise. The ability to arrange debt financing, to refinance current maturities and early retirements of debt, and the costs of issuing new debt are dependent on:

- credit availability from banks and other financial institutions,
- maintenance of acceptable credit ratings (see credit ratings in the credit issues section of Liquidity and Capital Resources above),
- investor confidence in Generation and Exelon,
- investor confidence in regional wholesale power markets,
- general economic and capital market conditions,
- the success of current projects, and
- the perceived quality of new projects.

Generation's credit ratings influence its ability to raise capital.

Generation has investment grade ratings and has been successful in raising capital, which has been used to further its business initiatives. Also, from time to time, Generation enters into energy commodity and other

contracts that require the maintenance of investment grade ratings. Failure to maintain investment grade ratings would cause Generation to incur higher financing costs and, in some instances, might allow certain energy commodity counterparties to close-out and terminate their contracts. Also, the failure to maintain investment grade ratings would restrict Generation's access to the wholesale energy markets.

Market performance affects Generation's decommissioning trust funds and Exelon's benefit plan asset values.

The performance of the capital markets affects the values of the assets that are held in trust to satisfy Generation's future obligations under pension and postretirement benefit plans and to decommission its nuclear generation plants. Generation has significant obligations in these areas and hold significant assets in these trusts. A decline in the market value of those assets, as was experienced from 2000 to 2002, may increase funding requirements for these obligations.

Other

Generation's financial performance will be affected by its ability to achieve the targeted cash savings under Exelon's new Exelon Way business model.

Generation has begun to implement Exelon's new Exelon Way business model, which is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. Exelon's targeted annual cash savings range from approximately $300 million in 2004 to approximately $600 million in 2006. Exelon has incurred expenses, including employee severance costs, associated with reaching these annual cash savings levels and is considering whether there are additional expenses to be recorded in future periods. Exelon's targeted annual cash savings do not reflect any expenses that may be incurred in future periods. Exelon's inability to reach these annual cash savings levels in the targeted timeframes could adversely affect its future financial performance.

Regulations imposed by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 affect Generation's business operations.

Generation is subject to regulation by the Securities and Exchange Commission (SEC) under PUHCA. That regulation affects Generation's ability to:

- diversify, by generally restricting investments to traditional electric and gas utility businesses and related businesses;
- issue securities, by requiring the prior approval of the SEC;
- engage in transactions among affiliates without the SEC's prior approval and, then, only at cost, since the PUHCA regulates business between affiliates in a utility holding company system; and
- make dividend payments in specified situations.

Generation's financial performance is affected by increasing costs associated with additional security measures and obtaining adequate liability insurance.

Security. Generation does not fully know the impact that future terrorist attacks or threats of terrorism may have on the industry in general and on Generation in particular. Generation has initiated security measures to safeguard its employees and critical operations from threats of terrorism and is actively participating in industry initiatives to identify methods to maintain the reliability of its energy production and delivery systems. Generation fully expects to meet or exceed all NRC-mandated measures on or before the dates specified by requirements promulgated in 2003. These requirements will necessitate additional security expenditures in 2004. Additionally, Generation is in full compliance with all pre-2003 NRC security measures. On a continuing basis,

Generation is evaluating enhanced security measures at certain critical locations, enhanced response and recovery plans and assessing long-term design changes and redundancy measures. Additionally, the energy industry is working with governmental authorities to ensure that emergency plans are in place and critical infrastructure vulnerabilities are addressed in order to maintain the reliability of the country's energy systems. These measures will involve additional expense to develop and implement but will provide increased assurances as to Generation's ability to continue to operate under difficult times.

The electric industry has also developed additional security guidelines as the result of various terrorist attacks or threats of terrorism. The electric industry, through the North American Electric Reliability Council (NERC), developed physical security guidelines, which were accepted by the U.S. Department of Energy. In 2003, the FERC issued minimum standards to safeguard the electric grid system control. These standards are expected to be effective in 2004 and fully implemented by January 2005. Generation participated in the development of these guidelines and is using them as a model for its security program.

Insurance. In addition to nuclear liability insurance, Generation also carries property damage and liability insurance for its properties and operations. As a result of significant changes in the insurance marketplace, due in part to terrorist acts, the available coverage and limits may be less than the amount of insurance obtained in the past, and the recovery for losses due to terrorist acts may be limited. Generation is self-insured for deductibles and to the extent that any losses may exceed the amount of insurance maintained.

A claim that exceeds the amounts available under Generation's property damage and liability insurance, together with the deductible, would negatively affect results of operations. Nuclear Electric Insurance Limited (NEIL), a mutual insurance company to which Generation belongs, provides property and business interruption insurance for Generation's nuclear operations. In recent years, NEIL has made distributions to its members. Generation's distribution for 2003 was $32 million, which was recorded as a reduction to operating and maintenance expenses in its Consolidated Statements of Income. Generation cannot predict the level of future distributions or if they will continue at all.

Generation may incur substantial cost to fulfill obligations related to environmental matters.

Generation's business is subject to extensive environmental regulation by local, state and Federal authorities. These laws and regulations affect the manner in which Generation conducts its operations and makes its capital expenditures. These regulations affect how Generation handles air and water emissions and solid waste disposal and are an important aspect of its operations. In addition, Generation is subject to liability under these laws for the costs of remediating environmental contamination of property now or formerly owned by Generation and of property contaminated by hazardous substances it generates. Generation believes that it has a responsible environmental management and compliance program; however, Generation has incurred and expects to incur significant costs related to environmental compliance, site remediation and clean-up. Also, Generation is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2003, Generation's reserve for environmental investigation and remediation costs was $10 million, exclusive of decommissioning liabilities. Generation has accrued and will continue to accrue amounts that it believes are prudent to cover these environmental liabilities, but cannot predict with any certainty whether these amounts will be sufficient to cover its environmental liabilities. Generation cannot predict whether it will incur other significant liabilities for any additional investigation and remediation costs at additional sites not currently identified by Generation, environmental agencies or others, or whether such costs will be recoverable from third parties.

Taxation has a significant impact on Generation's results of operations.

Tax reserves and the recoverability of deferred tax assets. Generation is required to make judgments regarding the potential tax effects of various financial transactions and its ongoing operations to estimate its

obligations to taxing authorities. These tax obligations include income, real estate and employment-related taxes and ongoing appeals related to these tax matters. These judgments include reserves for potential adverse outcomes regarding tax positions that Generation has taken. Generation must also assess its ability to generate capital gains in future periods to realize tax benefits associated with capital losses expected to be generated in future periods. Capital losses may be deducted only to the extent of capital gains realized during the year of the loss or during the three prior or five succeeding years. As of December 31, 2003, Generation has not recorded an allowance against its deferred tax assets associated with impairment losses which will become capital losses when realized for income tax purposes. Generation believes these deferred tax assets will be realized in future periods. The ultimate outcome of such matters could result in additional adjustments to its consolidated financial statements and such adjustments could be material.

Increases in state income taxes. Due to the revenue needs of the states in which Generation operates, various state income tax and fee increases have been proposed or are being contemplated. Generation cannot predict whether legislation or regulation will be introduced, the form of any legislation or regulation, whether any such legislation or regulation will be passed by the state legislatures or regulatory bodies, and, if enacted, whether any such legislation or regulation would be effective retroactively or prospectively. If enacted, these changes could increase state income tax expense and could have a negative impact on Generation's results of operations and cash flows.

Generation's results of operations may be affected by its ability to strategically divest certain businesses.

Generation is actively pursuing opportunities to dispose of businesses, such as its investments in Sithe and Boston Generating, which are either unprofitable or do not advance Generation's strategic goals. Generation may incur significant costs in divesting these businesses. Generation also may be unable to successfully implement its divestiture strategy of certain businesses for a number of reasons, including an inability to locate appropriate buyers or to negotiate acceptable terms for the transactions. The inability to divest certain businesses could negatively affect Generation's results of operations. In addition, the amounts that may be realized from a divestiture are subject to fluctuating market conditions that may contribute to pricing and other terms that are materially different than expected and could result in a loss on the sale.

The introduction of new technologies could increase competition within the markets that Generation operates.

While demand for electricity is generally increasing throughout the United States, the rate of construction and development of new, more efficient, electric generating facilities and distribution methodologies may exceed increases in demand in some regional electric markets. The introduction of new technologies could increase competition, which could lower prices and have an adverse affect on Generation's results of operations or financial condition.

Generation may make acquisitions that do not achieve the intended financial results.

Generation continues to opportunistically pursue investments that fit its strategic objectives and improve its financial performance. Generation's future performance will depend in part upon a variety of factors related to these investments, including its ability to successfully integrate them into existing operations. These new investments, as well as existing investments, may not achieve the financial performance that are anticipated.

New Accounting Pronouncements

See Note 1 of the Notes to Consolidated Financial Statements for information regarding new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exelon

The information required by this Item is incorporated herein by reference to the information appearing under the subheading "Quantitative and Qualitative Disclosures About Market Risk" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99-3 to Exelon's Current Report on Form 8-K dated February 20, 2004.

ComEd

ComEd is exposed to market risks associated with credit, interest rates and commodity price. The inherent risk in market-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices, counterparty credit, and interest rates. Exelon's RMC sets forth risk management policy and objectives for Exelon and its subsidiaries 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, vice president of strategy, vice president of audit services and officers from each of the business units. The RMC reports to the Exelon Board of Directors on the scope of ComEd's derivative activities.

Credit Risk

Credit risk for ComEd is managed by ComEd's credit and collection policies, which are consistent with state regulatory requirements. ComEd is currently obligated to provide service to all electric customers within its respective franchised territories. For the year ended December 31, 2003, ComEd's ten largest customers represented approximately 2% of its retail electric revenues. ComEd records a provision for uncollectible accounts, based upon historical experience and third-party studies, to provide for the potential loss from nonpayment by these customers.

Midwest Generation. ComEd is a party to various transactions with Midwest Generation, a subsidiary of Edison Mission Energy (EME) and Edison Mission Midwest Holdings (EMMH). Although earlier public filings in 2003 by EME indicated credit issues, a filing in December 2003 indicated that EMMH had secured financing and re-paid its significant current debts. Thus, ComEd's credit contingency risk associated with Midwest Generation has decreased during the fourth quarter of 2003.

Interest Rate Risk

ComEd uses 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. ComEd also utilizes forward-starting interest-rate swaps and treasury-rate locks to lock in interest-rate levels in anticipation of future financing. These strategies are employed to maintain the lowest cost of capital. As of December 31, 2003, a hypothetical 10% increase in the interest rates associated with variable-rate debt would result in a less than $1 million decrease in pre-tax earnings for 2004.

ComEd has entered into fixed-to-floating interest-rate swaps in order to maintain its targeted percentage of variable-rate debt, associated with debt issuances in the aggregate amount of $485 million fixed-rate obligation. At December 31, 2003, these interest-rate swaps had an aggregate fair market value of $33 million based on the present value difference between the contract and market rates at December 31, 2003. If these derivative instruments had been terminated at December 31, 2003, this estimated fair value represents the amount that would be paid by 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 decrease in the spot yield at December 31, 2003 is estimated to be $39 million.

If these derivative instruments had been terminated at December 31, 2003, this estimated fair value represents the amount that would 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 December 31, 2003 is estimated to be $28 million. If these derivative instruments had been terminated at December 31, 2003, this estimated fair value represents the amount to be paid by the counterparties to ComEd.

In 2003, ComEd entered into forward-starting interest-rate swaps in the aggregate notional amount of $440 million to lock in interest-rate levels in anticipation of future financings. The debt issuances that these swaps were hedging were considered probable; therefore, ComEd accounted for these interest-rate swap transactions as hedges. In connection with the 2003 issuances of First Mortgage Bonds, forward-starting interest-rate swaps with an aggregate notional amount of $1,070 million were settled with net cash proceeds to counterparties of $45 million that has been deferred in regulatory assets and is being amortized over the life of the First Mortgage Bonds as a net increase to interest expense. At December 31, 2003, ComEd has settled all of its interest-rate swaps, designated as cash-flow hedges.

Commodity Price Risk

ComEd has entered into a PPA with Generation to meet its retail customer obligations at fixed prices. ComEd's principal exposure to commodity price risk is in relation to revenues collected from customers who elect to purchase energy from an ARES or the ComEd PPO. Revenues collected from customers electing the PPO include commodity charges at market-based prices and CTC revenues which are calculated to provide the customer with a credit for the market price for electricity. Because the change in revenues from customers electing the PPO is significantly offset by the change in CTC revenues, ComEd does not believe that its exposure to such a market price decrease would be material.

CTC revenues are also collected from customers who elect to purchase energy from an ARES. CTC rates are reset once a year in the spring, and customers can elect to lock in their CTC rates for a one-, two- or three-year term. Based on the current customers who have elected the one-year CTC rates, ComEd has performed a sensitivity analysis to determine the net impact of a 10% increase in the average market price of electricity which would result in a $14 million decrease in CTC revenues. A 10% decrease in market prices would result in a $14 million increase in CTC revenues. The result may be significantly affected if additional customers elect to purchase energy from an ARES or if customers elect to purchase their energy from ComEd.

PECO

PECO is exposed to market risks associated with credit and interest rates. The inherent risk in market-sensitive instruments and positions is the potential loss arising from adverse changes in counterparty credit and interest rates. Exelon's corporate RMC sets forth risk management policy 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 the chief risk officer and includes the chief financial officer, general counsel, treasurer, vice president of corporate planning, vice president of strategy, vice president of audit services and officers from each of the business units. The RMC reports to the Exelon Board of Directors on the scope of Exelon's derivative activities. As a result of the PPA with Generation and its purchased gas adjustment clause, PECO does not believe it is subject to material commodity price risk.

Credit Risk

Credit risk for PECO is managed by its credit and collection policies, which are consistent with state regulatory requirements. PECO is obligated to provide service to all electric customers within its franchised

service territories. As a result, PECO has a broad customer base. For the year ended December 31, 2003, PECO's ten largest customers represented approximately 7% of its retail electric and gas revenues. PECO records a provision for uncollectible accounts, based upon historical experience and third-party studies, to provide for the potential loss from nonpayment by these customers.

Under the Competition Act, licensed entities, including alternative electric generation suppliers, may act as agents to provide a single bill and provide associated billing and collection services to retail customers located in PECO's retail electric service territory. Currently, there are no third parties providing billing of PECO's charges to customers or advanced metering. However, if this occurs, PECO would be subject to credit risk related to the ability of the third parties to collect such receivables from the customers.

Interest Rate Risk

In 2003, PECO entered into forward-starting interest-rate swaps in the aggregate notional amount of $360 million to lock in interest-rate levels in anticipation of future financings, in connection with the issuance of First and Refunding Mortgage Bonds. The debt issuances that these swaps were hedging were considered probable; therefore, PECO accounted for these interest-rate swap transactions as hedges. PECO settled these swaps for net cash proceeds of $1 million, which was recorded in other comprehensive income and is being amortized over the life of the debt issuance.

PETT has entered into floating-to-fixed interest-rate swaps to manage interest-rate exposure associated with the floating rate series of transition bonds issued to securitize PECO's stranded cost recovery. These interest-rate swaps were designated as cash-flow hedges. These interest-rate swaps had an aggregate fair market value exposure of $11 million at December 31, 2003. As of December 31, 2003 PETT, a wholly owned subsidiary, was deconsolidated from the financial statements of PECO.

Generation

Generation is 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 RMC sets forth risk management policy 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, vice president of strategy, vice president of audit services and officers from each of the Exelon business units. The RMC reports to the Exelon Board of Directors on the scope of Generation's 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 other factors. Trading activities and non-trading marketing activities include the purchase and sale of electric capacity, energy and fossil fuels, including oil, gas, coal and emission allowances. The availability and prices of energy and energy-related commodities are subject to fluctuations due to factors such as weather, governmental environmental policies, changes in supply and demand, state and Federal regulatory policies and other events.

Normal Operations and Hedging Activities. Electricity available from Generation's owned or contracted generation supply in excess of its obligations to customers, including Energy Delivery's retail load, is sold into the wholesale markets. To reduce price risk caused by market fluctuations, Generation enters into physical contracts as well as derivative contracts, including forwards, futures, swaps, and options, with approved counterparties to hedge its anticipated exposures. The maximum length of time over which cash flows related to energy commodities are currently being hedged is three years. Generation has an estimated 89% hedge ratio in

2004 for its energy marketing portfolio. This hedge ratio represents the percentage of Generation's forecasted aggregate annual generation supply that is committed to firm sales, including sales to ComEd's and PECO's retail load. ComEd's and PECO's retail load assumptions are based on forecasted average demand. The hedge ratio is not fixed and will vary from time to time depending upon market conditions, demand, and energy market option volatility and actual loads. During peak periods, the amount hedged declines to meet the commitment to ComEd and PECO. Market price risk exposure is the risk of a change in the value of unhedged positions. Absent any opportunistic efforts to mitigate market price exposure, the estimated market price exposure for Generation's non-trading portfolio associated with a ten percent reduction in the annual average around-the-clock market price of electricity is approximately a $32 million decrease in net income. This sensitivity assumes an 89% hedge ratio and that price changes occur evenly throughout the year and across all markets. The sensitivity also assumes a static portfolio. Generation expects to actively manage its portfolio to mitigate market price exposure. Actual results could differ depending on the specific timing of, and markets affected by, price changes, as well as future changes in Generation's portfolio.

Proprietary Trading Activities. Generation began to use financial contracts for proprietary trading purposes in the second quarter of 2001. Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure. These activities are accounted for on a mark-to-market basis. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a very small portion of its overall energy marketing activities. For example, the limit on open positions in electricity for any forward month represents less than one percent of Generation's owned and contracted supply of electricity. The trading portfolio is subject to a risk management policy that includes stringent risk management limits, including volume, stop-loss and value-at-risk limits to manage exposure to market risk. Additionally, the Exelon risk management group and Exelon's RMC monitor the financial risks of the power marketing activities.

Generation's energy contracts are accounted for under SFAS No. 133. Most non-trading contracts qualify for the normal purchases and normal sales exemption to SFAS No. 133 discussed in Critical Accounting Policies and Estimates. Those that do not 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 (OCI), 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 and the ineffective portion of hedge contracts are recognized in earnings on a current basis.

The following detailed presentation of the trading and non-trading marketing activities at Generation is included to address the recommended disclosures by the energy industry's Committee of Chief Risk Officers. Generation does not consider its proprietary trading to be a significant activity in its business; however, Generation believes it is important to include these risk management disclosures.

The following table describes the drivers of Generation's energy trading and marketing business and gross margin included in the income statement for the years ended December 31, 2003 and 2002. Normal operations and hedging activities represent the marketing of electricity available from Generation's owned or contracted generation, including ComEd's and PECO's retail load, sold into the wholesale market. As the information in this table highlights, mark-to-market activities represent a small portion of the overall gross margin for Generation. Accrual activities, including normal purchases and sales, account for the majority of the gross margin. The mark-to-market activities reported here are those relating to changes in fair value due to external movement in prices. Further delineation of gross margin by the type of accounting treatment typically afforded each type of activity is also presented (i.e., mark-to-market vs. accrual accounting treatment).

For the year ended December 31, 2003	Normal Operations and Hedging Activities (a)	Proprietary Trading	Total
Mark-to-market activities:			
Unrealized mark-to-market gain/(loss)			
Origination unrealized gain/(loss) at inception	$ —	$ —	$ —
Changes in fair value prior to settlements (b)	207	1	208
Changes in valuation techniques and assumptions	—	—	—
Reclassification to realized at settlement of contracts	(223)	(4)	(227)
Total change in unrealized fair value	(16)	(3)	(19)
Realized net settlement of transactions subject to mark-to-market	223	4	227
Total mark-to-market activities gross margin	$ 207	$ 1	$ 208
Accrual activities:			
Accrual activities revenue	$ 5,187	$ —	$ 5,187
Hedge gains reclassified from OCI	2,358	—	2,358
Total revenue – accrual activities	7,545	—	7,545
Purchased power and fuel	2,107	—	2,107
Hedges of purchased power and fuel reclassified from OCI	2,631	—	2,631
Total purchased power and fuel	4,738	—	4,738
Total accrual activities gross margin	2,807	—	2,807
Total gross margin (c)	$ 3,014	$ 1	$ 3,015

(a) Normal Operations and Hedging Activities only include derivative contracts Power Team enters into to hedge anticipated exposures related to its owned and contracted generation supply, but excludes its owned and contracted generating assets.
(b) Includes hedge ineffectiveness, recorded in earnings of $1 million.
(c) Total Gross Margin represents revenue, net of purchased power and fuel expense for Generation.

For the year ended December 31, 2002	Normal Operations and Hedging Activities (a)	Proprietary Trading	Total
Mark-to-market activities:			
Unrealized mark-to-market gain/(loss)			
Origination unrealized gain/(loss) at inception	$ —	$ —	$ —
Changes in fair value prior to settlements	26	(29)	(3)
Changes in valuation techniques and assumptions	—	—	—
Reclassification to realized at settlement of contracts	(20)	20	—
Total change in unrealized fair value	6	(9)	(3)
Realized net settlement of transactions subject to mark-to-market	20	(20)	—
Total mark-to-market activities gross margin	$ 26	$ (29)	$ (3)
Accrual activities:			
Accrual activities revenue	$ 6,785	$ —	$ 6,785
Hedge gains reclassified from OCI	76	—	76
Total revenue – accrual activities	6,861	—	6,861
Purchased power and fuel	4,230	—	4,230
Hedges of purchased power and fuel reclassified from OCI	23	—	23
Total purchased power and fuel	4,253	—	4,253
Total accrual activities gross margin	2,608	—	2,608
Total gross margin (b)	$ 2,634	$ (29)	$ 2,605

(a) Normal Operations and Hedging Activities only include derivative contracts Power Team enters into to hedge anticipated exposures related to its owned and contracted generation supply, but excludes its owned and contracted generating assets.

(b) Total Gross Margin represents revenue, net of purchased power and fuel expense for Generation.

The following table provides detail on changes in Generation's mark-to-market net asset (liability) balance sheet position from January 1, 2002 to December 31, 2003. It indicates the drivers behind changes in the balance sheet amounts. This table will incorporate the mark-to-market activities that are immediately recorded in earnings, as shown in the previous table, as well as the settlements from OCI to earnings and changes in fair value for the hedging activities that are recorded in accumulated other comprehensive income on the Consolidated Balance Sheets.

	Normal Operations and Hedging Activities	Proprietary Trading	Total
Total mark-to-market energy contract net assets at January 1, 2002	$ 78	$ 14	$ 92
Total change in fair value during 2002 of contracts recorded in earnings	26	(29)	(3)
Reclassification to realized at settlement of contracts recorded in earnings	(20)	20	—
Reclassification to realized at settlement from OCI	(53)	—	(53)
Effective portion of changes in fair value – recorded in OCI	(210)	—	(210)
Purchase/sale of existing contracts or portfolios subject to mark-to-market	11	—	11
Total mark-to-market energy contract net assets (liabilities) at December 31, 2002	(168)	5	(163)
Total change in fair value during 2003 of contracts recorded in earnings	206	—	206
Reclassification to realized at settlement of contracts recorded in earnings	(223)	(4)	(227)
Reclassification to realized at settlement from OCI	273	—	273
Effective portion of changes in fair value – recorded in OCI	(305)	—	(305)
Purchase/sale of existing contracts or portfolios subject to mark-to-market	—	—	—
Total mark-to-market energy contract net assets (liabilities) at December 31, 2003	$ (217)	$ 1	$ (216)

The following table details the balance sheet classification of the mark-to-market energy contract net assets (liabilities) recorded as of December 31, 2003:

	Normal Operations and Hedging Activities	Proprietary Trading	Total
Current assets	$ 319	$ 3	$ 322
Noncurrent assets	99	1	100
Total mark-to-market energy contract assets	418	4	422
Current liabilities	(502)	(3)	(505)
Noncurrent liabilities	(133)	—	(133)
Total mark-to-market energy contract liabilities	(635)	(3)	(638)
Total mark-to-market energy contract net assets (liabilities)	$ (217)	$ 1	$ (216)

The following table details the balance sheet classification of the mark-to-market energy contract net assets (liabilities) recorded as of December 31, 2002:

	Normal Operations and Hedging Activities	Proprietary Trading	Total
Current assets	$ 186	$ 6	$ 192
Noncurrent assets	46	—	46
Total mark-to-market energy contract assets	232	6	238
Current liabilities	(276)	—	(276)
Noncurrent liabilities	(124)	(1)	(125)
Total mark-to-market energy contract liabilities	(400)	(1)	(401)
Total mark-to-market energy contract net assets (liabilities)	$ (168)	$ 5	$ (163)

The majority of Generation's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily 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, region and 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. The fair values in each category reflect the level of forward prices and volatility factors as of December 31, 2003 and may change as a result of changes in these factors. 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. It is possible, however, 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.

The following table, which presents maturity and source of fair value of mark-to-market energy contract net liabilities, provides two fundamental pieces of information. First, the table provides the source of fair value used in determining the carrying amount of Generation's total mark-to-market asset or liability. Second, this table provides the maturity, by year, of Generation's net assets/liabilities, giving an indication of when these mark-to-market amounts will settle and either generate or require cash.

	Maturities within						
	2004	2005	2006	2007	2008	2009 and Beyond	Total Fair Value
Normal Operations, qualifying cash-flow hedge contracts (1):							
Actively quoted prices	$ 32	$ —	$ —	$ —	$ —	$ —	$ 32
Prices provided by other external sources	(219)	(23)	(8)	—	—	—	(250)
Total	$ (187)	$ (23)	$ (8)	$ —	$ —	$ —	$ (218)
Normal Operations, other derivative contracts (2):							
Actively quoted prices	$ 23	$ —	$ —	$ —	$ —	$ —	$ 23
Prices provided by other external sources	(26)	9	5	—	—	—	(12)
Prices based on model or other valuation methods	7	(5)	(9)	(3)	—	—	(10)
Total	$ 4	$ 4	$ (4)	$ (3)	$ —	$ —	$ 1
Proprietary Trading, other derivative contracts (3):							
Actively quoted prices	$ 1	$ —	$ —	$ —	$ —	$ —	$ 1
Prices provided by other external sources	(1)	1	—	—	—	—	—
Prices based on model or other valuation methods	—	—	—	—	—	—	—
Total	$ —	$ 1	$ —	$ —	$ —	$ —	$ 1
Average tenor of proprietary trading portfolio (4)							1 year

(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.
(4) Following the recommendations of the Committee of Chief Risk Officers, the average tenor of the proprietary trading portfolio measures the average time to collect value for that portfolio. Generation measures the tenor by separating positive and negative mark-to-market values in its proprietary trading portfolio, estimating the mid-point in years for each and then reporting the highest of the two mid-points calculated. In the event that this methodology resulted in significantly different absolute values of the positive and negative cash flow streams, Generation would use the mid-point of the portfolio with the largest cash flow stream as the tenor.

The table below provides details of effective cash-flow hedges under SFAS No. 133 included in the balance sheet as of December 31, 2003. The data in the table gives an indication of the magnitude of SFAS No. 133 hedges Generation has in place; however, since under SFAS No. 133 not all hedges are recorded in OCI, the table does not provide an all-encompassing picture of Generation's hedges. The table also includes a roll-forward of Accumulated Other Comprehensive Income on the Consolidated Balance Sheets related to cash-flow hedges for the years ended December 31, 2003 and December 31, 2002, providing insight into the drivers of the changes (new hedges entered into during the period and changes in the value of existing hedges). Information related to energy merchant activities is presented separately from interest-rate hedging activities.

	Total Cash-Flow Hedge Other Comprehensive Income Activity, Net of Income Tax		
	Power Team Normal Operations and Hedging Activities	Interest-Rate and Other Hedges	Total Cash Flow Hedges
Accumulated OCI, January 1, 2002	$ 47	$ (2)	$ 45
Changes in fair value	(128)	(3)	(131)
Reclassifications from OCI to net income	(33)	—	(33)
Accumulated OCI, December 31, 2002	(114)	(5)	(119)
Changes in fair value	(186)	(8)	(194)
Reclassifications from OCI to net loss	167	—	167
Accumulated OCI derivative loss at December 31, 2003	$ (133)	$ (13)	$ (146)

Generation uses a Value-at-Risk (VaR) model to assess the market risk associated with financial derivative instruments entered into for proprietary trading purposes. The measured VaR represents an estimate of the potential change in value of Generation's proprietary trading portfolio.

The VaR estimate includes a number of assumptions about current market prices, estimates of volatility and correlations between market factors. These estimates, however, are not necessarily indicative of actual results, which may differ because actual market rate fluctuations may differ from forecasted fluctuations and because the portfolio may change over the holding period.

Generation estimates VaR using a model based on the Monte Carlo simulation of commodity prices that captures the change in value of forward purchases and sales as well as option values. Parameters and values are back tested daily against daily changes in mark-to-market value for proprietary trading activity. VaR assumes that normal market conditions prevail and that there are no changes in positions. Generation uses a 95% confidence interval, one-day holding period, one-tailed statistical measure in calculating its VaR. This means that Generation may state that there is a one in 20 chance that, if prices move against its portfolio positions, its pre-tax loss in liquidating its portfolio in a one-day holding period would exceed the calculated VaR. To account for unusual events and loss of liquidity, Generation uses stress tests and scenario analysis.

For financial reporting purposes only, Generation calculates several other VaR estimates. The higher the confidence interval, the less likely the chance that the VaR estimate would be exceeded. A longer holding period considers the effect of liquidity in being able to actually liquidate the portfolio. A two-tailed test considers potential upside in the portfolio in addition to the potential downside in the portfolio considered in the one-tailed test. The following table provides the VaR for all proprietary trading positions of Generation as of December 31, 2003.

	Proprietary Trading VaR
95% Confidence level, one-day holding period, one-tailed	
Period end	$ —
Average for the period	(0.1)
High	(0.2)
Low	—
95% Confidence level, ten-day holding period, two-tailed	
Period end	$ (0.1)
Average for the period	(0.5)
High	(0.9)
Low	(0.1)
99% Confidence level, one-day holding period, two-tailed	
Period end	$ —
Average for the period	(0.2)
High	(0.3)
Low	—

Credit Risk

Generation has credit risk associated with counterparty performance on energy contracts which includes, but is not limited to, the risk of financial default or slow payment. Generation manages counterparty credit risk through established policies, including counterparty credit limits, and in some cases, requiring deposits and letters of credit to be posted by certain counterparties. Generation's 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. Generation has entered into payment netting agreements or enabling agreements that allow for payment netting with the majority of its large counterparties, which reduce Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty**.** The credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

The following tables provide information on Generation's credit exposure, net of collateral, as of December 31, 2003 and 2002. Credit exposure, in the below table, is defined as net accounts receivable as well as any net in-the-money forward mark-to-market exposure. Exposures are shown net, if such agreements with counterparties are in place. It further delineates that exposure by the credit rating of the counterparties and provides guidance on the concentration of credit risk to individual counterparties and an indication of the maturity of a company's credit risk by credit rating of the counterparties. The figures in the table below do not include sales to Generation's affiliates or exposure through Independent System Operators (ISOs) which are discussed below.

Rating as of December 31, 2003	Total Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number Of Counterparties Greater than 10% of Net Exposure	Net Exposure Of Counterparties Greater than 10% of Net Exposure
Investment grade	$ 116	$ —	$ 116	1	$ 20
Non-investment grade	22	7	15	—	—
No external ratings					
Internally rated – investment grade	13	—	13	—	—
Internally rated – non-investment grade	1	—	1	—	—
Total	$ 152	$ 7	$ 145	1	$ 20

Rating as of December 31, 2002	Total Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number Of Counterparties Greater than 10% of Net Exposure	Net Exposure Of Counterparties Greater than 10% of Net Exposure
Investment grade	$ 156	$ —	$ 156	2	$ 71
Non-investment grade	17	11	6	—	—
No external ratings					
Internally rated – investment grade	27	4	23	4	16
Internally rated – non-investment grade	4	2	2	—	—
Total	$ 204	$ 17	$ 187	6	$ 87

	Maturity of Credit Risk Exposure			
Rating as of December 31, 2003	Less than 2 Years	2-5 Years	Exposure Greater than 5 Years	Total Exposure Before Credit Collateral
Investment grade	$ 101	$ 15	$ —	$ 116
Non-investment grade	22	—	—	22
No external ratings				
Internally rated – investment grade	13	—	—	13
Internally rated – non-investment grade	1	—	—	1
Total	$ 137	$ 15	$ —	$ 152

Dynegy. Generation is a counterparty to Dynegy in various energy transactions. In early July 2002, the credit ratings of Dynegy were downgraded to below investment grade by two credit rating agencies. Generation has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,028-MW gas-fired facility that has an energy-only long-term tolling agreement with Dynegy, with a related financial swap arrangement. Sithe has entered into a contract to purchase the remaining 40% interest of the Sithe Independence Power Project (Independence) generating station. As of

December 31, 2003, Sithe had recognized an asset on its balance sheet related to the fair market value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy were unable to fulfill the terms of this agreement, Sithe would be required to impair this financial swap asset. As a 50% owner of Sithe, Generation's estimated impairment would result in an after-tax reduction of equity earnings of approximately $5 million.

In addition to the impairment of the financial swap asset, if Dynegy were unable to fulfill its obligations under the financial swap agreement and the tolling agreement, Sithe would likely incur a further impairment associated with the Independence plant. Depending upon the timing of Dynegy's failure to fulfill its obligations and the outcome of any restructuring initiatives, Exelon could realize an after-tax charge of up to $30 million, net of a FIN No. 45 quarantee recorded in connection with Generation's sale of 50% of Sithe to Reservoir. In the event of a sale of Exelon's investment in Sithe to a third party, proceeds from the sale could be negatively affected by up to $74 million, which would represent an after-tax loss of up to $43 million.

Additionally, the future economic value of AmerGen's purchased power arrangement with Illinois Power Company, a subsidiary of Dynegy, could be affected by events related to Dynegy's financial condition. On February 3, 2004, Dynegy announced an agreement to sell its subsidiary Illinois Power Company to a third party, which, upon closing of the transaction, would reduce Generation's credit risk associated with Dynegy.

Midwest Generation. Generation is party to various transactions with Midwest Generation, a subsidiary of EME and EMMH. Although earlier public filings in 2003 by EME indicated credit issues, a filing in December 2003 indicated that EMMH had secured financing and re-paid its significant current debts. Thus, Generation's credit contingency risk associated with Midwest Generation decreased during the fourth quarter of 2003.

Collateral. As part of the normal course of business, Generation routinely enters into physical or financially settled contracts for the purchase and sale of capacity, energy, fuels and emissions allowances. These contracts either contain express provisions or otherwise permit Generation's counterparties and Generation to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable law, if Generation is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance. Depending on Generation's net position with a counterparty, the demand could be for the posting of collateral. In the absence of expressly agreed to provisions that specify the collateral that must be provided, the obligation to supply the collateral requested will be a function of the facts and circumstances of Generation's situation at the time of the demand. If Generation can reasonably claim that it is willing and financially able to perform its obligations, it may be possible to successfully argue that no collateral should be posted or that only an amount equal to two or three months of future payments should be sufficient.

ISOs. Generation participates in the following established, real-time energy markets, which are administered by ISOs: PJM, New England ISO, New York ISO, California ISO, Midwest ISO, Inc., Southwest Power Pool, Inc. and Texas, which is administered by the Electric Reliability Council of Texas. In these areas, power is traded through bilateral agreements between buyers and sellers and on the spot markets that are operated by the ISOs. In areas where there is no spot market, electricity is purchased and sold solely through bilateral agreements. For sales into the spot markets administered by the ISOs, 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 Generation's financial condition, results of operations or net cash flows.

Interest Rate Risk

Generation uses a combination of fixed-rate and variable-rate debt to reduce interest-rate exposure. Generation also uses interest-rate swaps when deemed appropriate to adjust exposure based upon market

conditions. These strategies are employed to achieve a lower cost of capital. As of December 31, 2003, a hypothetical 10% increase in the interest rates associated with variable-rate debt would result in a $1 million decrease in pre-tax earnings for 2004.

Under the terms of the Boston Generating Facility, Boston Generating is required to effectively fix the interest rate on 50% of borrowings under the facility through its maturity in 2007. As of December 31, 2003, Boston Generating had entered into interest-rate swap agreements that effectively fixed the interest rate on $861 million of notional principal, or 83% of borrowings outstanding under the Boston Generating credit facility at December 31, 2003. The fair market value exposure of these swaps, designated as cash-flow hedges, was $77 million.

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 December 31, 2003 is estimated to be $89 million. If the derivative instruments had been terminated at December 31, 2003, this estimated fair value represents the amount Generation would pay to the counterparties.

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 increase in the spot yield at December 31, 2003 is estimated to be $65 million. If the derivative instruments had been terminated at December 31, 2003, this estimated fair value represents the amount Generation would pay to the counterparties.

In January 2004, the counterparties terminated the interest-rate swaps with Boston Generating. The total net value of these swaps as of the respective termination dates was $82 million, which is a net payable to the counterparties.

In 2003, Generation entered into forward-starting interest-rate swaps in the aggregate notional amount of $500 million to lock in interest-rate levels in anticipation of future financings. The debt issuances that these swaps are hedging were considered probable; therefore, Generation accounted for these interest-rate swap transactions as hedges. In connection with Generation's December 2003 issuance of Senior Notes, Generation settled swaps with an aggregate notional amount of $500 million for net cash proceeds of $1 million, which was recorded in other comprehensive income and is being amortized over the life of the debt issuance.

Equity Price Risk

Generation maintains trust funds, as required by the NRC, to fund certain costs of decommissioning its nuclear plants. As of December 31, 2003, Generation's decommissioning trust funds are reflected at fair value on its Consolidated Balance Sheet. The mix of securities in the trust funds is designed to provide returns to be used to fund decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities in the trust funds are exposed to price fluctuations in equity markets, and the value of fixed-rate, fixed-income securities are exposed to changes in interest rates. Generation actively monitors the investment performance of the trust funds and periodically reviews asset allocation in accordance with its nuclear decommissioning trust fund investment policy. A hypothetical 10% increase in interest rates and decrease in equity prices would result in a $303 million reduction in the fair value of the trust assets. See Defined Benefit Pension and Other Postretirement Welfare Benefits section of ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Generation – Critical Accounting Policies and Estimates for information regarding the pension and other postretirement benefit trust assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Exelon

The information required by this Item is incorporated herein by reference to the Consolidated Statements of Income for the years 2003, 2002 and 2001; Consolidated Statements of Cash Flows for the years 2003, 2002 and 2001; Consolidated Balance Sheets as of December 31, 2003 and 2002; Consolidated Statements of Changes in Shareholders' Equity for the years 2003, 2002 and 2001 and Consolidated Statements of Comprehensive Income for the years 2003, 2002 and 2001; and Notes to Consolidated Financial Statements appearing in Exhibit 99-4 to Exelon's Current Report on Form 8-K dated February 20, 2004.

ComEd

Report of Independent Auditors

To the Shareholders and Board of Directors of
Commonwealth Edison Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(2)(i) present fairly, in all material respects, the financial position of Commonwealth Edison Company and Subsidiary Companies (ComEd) at December 31, 2003 and 2002 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of ComEd's management; our responsibility is to express an opinion on these financial statements and financial statement schedule 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 1 to the consolidated financial statements, ComEd changed its method of accounting for goodwill as of January 1, 2002 and its method of accounting for variable interest entities as of December 31, 2003; and as discussed in Note 10 to the consolidated financial statements, ComEd changed its method of accounting for asset retirement obligations as of January 1, 2003.

PricewaterhouseCoopers LLP

Chicago, Illinois
January 28, 2004

Commonwealth Edison Company and Subsidiary Companies

Consolidated Statements of Income

(in millions)	For the Years Ended December 31, 2003	2002	2001
Operating revenues			
Operating revenues	$ 5,749	$ 6,061	$ 6,125
Operating revenues from affiliates	65	63	81
Total operating revenues	5,814	6,124	6,206
Operating expenses			
Purchased power and fuel	22	26	14
Purchased power from affiliate	2,479	2,559	2,656
Operating and maintenance	957	828	846
Operating and maintenance from affiliates	136	136	135
Depreciation and amortization	386	522	665
Taxes other than income	267	287	296
Total operating expenses	4,247	4,358	4,612
Operating income	1,567	1,766	1,594
Other income and deductions			
Interest expense	(423)	(480)	(555)
Interest expense to affiliates	—	(4)	(10)
Distributions on mandatorily redeemable preferred securities	(26)	(30)	(30)
Interest income from affiliates	25	31	79
Other, net	24	13	35
Total other income and deductions	(400)	(470)	(481)
Income before income taxes and cumulative effect of a change in accounting principle	1,167	1,296	1,113
Income taxes	465	506	506
Income before cumulative effect of a change in accounting principle	702	790	607
Cumulative effect of a change in accounting principle (net of income taxes of $0)	5	—	—
Net income	$ 707	$ 790	$ 607

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies

Consolidated Statements of Cash Flows

(in millions)	For the Years Ended December 31, 2003	2002	2001
Cash flows from operating activities			
Net income	$ 707	$ 790	$ 607
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	386	522	665
Cumulative effect of a change in accounting principle (net of income taxes)	(5)	—	—
Deferred income taxes and amortization of investment tax credits	7	118	14
Provision for uncollectible accounts	46	50	42
Gain on sale of investment	(3)	—	—
Reversal of provision for revenue refunds	—	—	(15)
Midwest independent system operator exit fees	—	—	(36)
Other operating activities	64	103	45
Changes in assets and liabilities:			
Accounts receivable	57	(72)	76
Inventories	14	(9)	16
Other current assets	(17)	1	2
Accounts payable, accrued expenses and other current liabilities	(1)	135	149
Change in receivables and payables to affiliates	(155)	117	(274)
Pension and non-pension postretirement benefits obligation payments	(48)	(68)	6
Other noncurrent assets and liabilities	(104)	(23)	(36)
Net cash flows provided by operating activities	948	1,664	1,261
Cash flows from investing activities			
Capital expenditures	(712)	(780)	(869)
Investment in affiliate money pool	(405)	—	—
Notes receivable from affiliates	213	14	400
Change in restricted cash	(15)	(24)	19
Proceeds from sale of investments	5	—	—
Other investing activities	21	7	11
Net cash flows used in investing activities	(893)	(783)	(439)
Cash flows from financing activities			
Issuance of long-term debt, net of issuance costs	1,497	752	—
Retirement of long-term debt	(1,425)	(1,551)	(542)
Issuance of mandatorily redeemable preferred securities	200	—	—
Retirement of mandatorily redeemable preferred securities	(200)	—	—
Change in short-term debt	(71)	71	—
Dividends paid on common stock	(401)	(470)	(483)
Contributions from parent	451	344	125
Settlement of cash-flow hedges	(45)	(10)	—
Other financing activities	(43)	(24)	(40)
Net cash flow used in financing activities	(37)	(888)	(940)
Increase (decrease) in cash and cash equivalents	18	(7)	(118)
Cash and cash equivalents at beginning of period	16	23	141
Cash and cash equivalents at end of period	$ 34	$ 16	$ 23

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Balance Sheets

(in millions)	December 31, 2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 34	$ 16
Restricted cash	20	65
Accounts receivable, net		
Customer	683	782
Other	68	72
Inventories, at average cost	43	65
Deferred income taxes	6	20
Receivables from affiliates	428	15
Other	31	14
Total current assets	1,313	1,049
Property, plant and equipment, net	9,096	8,689
Deferred debits and other assets		
Investments	36	42
Investments in affiliates	59	—
Goodwill	4,719	4,916
Receivables from affiliates	2,271	1,300
Other	457	320
Total deferred debits and other assets	7,542	6,578
Total assets	$ 17,951	$ 16,316
Liabilities and shareholders' equity		
Current liabilities		
Commercial paper	$ —	$ 71
Long-term debt due within one year	236	698
Long-term debt to ComEd Transitional Funding Trust due within one year	317	—
Accounts payable	170	201
Accrued expenses	540	538
Payables to affiliates	207	416
Customer deposits	78	81
Other	9	18
Total current liabilities	1,557	2,023
Long-term debt	4,167	5,268
Long-term debt to ComEd Transitional Funding Trust	1,359	—
Long-term debt to affiliates	361	—
Deferred credits and other liabilities		
Deferred income taxes	1,672	1,650
Unamortized investment tax credits	48	51
Pension obligation	—	91
Non-pension postretirement benefits obligation	190	138
Payables to affiliates	28	224
Regulatory liabilities	1,891	486
Other	336	297
Total deferred credits and other liabilities	4,165	2,937
Total liabilities	11,609	10,228
Commitments and contingencies		
Mandatorily redeemable preferred securities	—	330
Shareholders' equity		
Common stock	1,588	1,588
Preference stock	7	7
Other paid in capital	4,115	4,239
Receivable from parent	(250)	(615)
Retained earnings	883	577
Accumulated other comprehensive income (loss)	(1)	(38)
Total shareholders' equity	6,342	5,758
Total liabilities and shareholders' equity	$ 17,951	$ 16,316

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(in millions)	Common Stock	Preferred and Preference Stock	Other Paid In Capital	Receivable from Parent	Retained Earnings Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2000	$ 2,678	$ 7	$ 5,388	$ —	$ 133	$ —	$ —	$ (2,023)	$ 6,183
Net income	—	—	—	—	607	—	—	—	607
Receivable from parent	—	—	1,062	(1,062)	—	—	—	—	—
Repayment of receivable from parent	—	—	—	125	—	—	—	—	125
Retirement of treasury shares	(630)	—	(1,393)	—	—	—	—	2,023	—
Merger fair value adjustments	—	—	24	—	—	—	—	—	24
Corporate restructuring	—	—	(24)	—	—	—	—	(1,344)	(1,368)
Common stock dividends	—	—	—	—	(483)	—	—	—	(483)
Other comprehensive income, net of income taxes of $(1)	—	—	—	—	—	—	(5)	—	(5)
Balance, December 31, 2001	2,048	7	5,057	(937)	257	—	(5)	(1,344)	5,083
Net income	—	—	—	—	790	—	—	—	790
Repayment of receivable from parent	—	—	—	322	—	—	—	—	322
Allocation of tax benefit from parent	—	—	28	—	—	—	—	—	28
Retirement of treasury shares	(460)	—	(884)	—	—	—	—	1,344	—
Merger fair value adjustments	—	—	38	—	—	—	—	—	38
Common stock dividends	—	—	—	—	(470)	—	—	—	(470)
Other comprehensive income, net of income taxes of $(23)	—	—	—	—	—	—	(33)	—	(33)
Balance, December 31, 2002	1,588	7	4,239	(615)	577	—	(38)	—	5,758
Net income	—	—	—	—	707	—	—	—	707
Repayment of receivable from parent	—	—	—	365	—	—	—	—	365
Allocation of tax benefit from parent	—	—	86	—	—	—	—	—	86
Appropriation of Retained Earnings for future dividends	—	—	—	—	(709)	709	—	—	—
Common stock dividends	—	—	—	—	(401)	—	—	—	(401)
Adoption of SFAS No. 143	—	—	(210)	—	—	—	—	—	(210)
Other comprehensive income, net of income taxes of $23	—	—	—	—	—	—	37	—	37
Balance, December 31, 2003	$ 1,588	$ 7	$ 4,115	$ (250)	$ 174	$ 709	$ (1)	$ —	$ 6,342

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies

Consolidated Statements of Comprehensive Income

(in millions)	For the Years Ended December 31, 2003	2002	2001
Net income	$ 707	$ 790	$ 607
Other comprehensive income (loss)			
Cash-flow hedge adjustment, net of income taxes of $21, $(21) and $0, respectively	$ 31	$ (30)	$ (1)
Foreign currency translation adjustment, net of income taxes of $0 and $0, respectively	3	—	(1)
Unrealized gain (loss) on marketable securities, net of income taxes of $2, $(1), and $(1), respectively	3	(3)	(3)
Total other comprehensive income (loss)	37	(33)	(5)
Total comprehensive income	$ 744	$ 757	$ 602

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, unless otherwise noted)

1. Significant Accounting Policies and Changes in Accounting Estimates

Description of Business

Commonwealth Edison Company (ComEd) is engaged principally in the purchase, transmission, distribution and sale of electricity to a diverse base of residential, commercial, industrial and wholesale customers in northern Illinois. ComEd's retail service territory has an area of approximately 11,300 square miles and an estimated population of eight million. The service territory includes the City of Chicago, an area of about 225 square miles with an estimated population of three million. ComEd has approximately 3.6 million customers.

Basis of Presentation

On October 20, 2000, Exelon Corporation (Exelon) became the parent corporation of PECO Energy Company (PECO) and ComEd as a result of the completion of the transactions contemplated by an Agreement and Plan of Exchange and Merger, as amended (Merger), among PECO, Unicom Corporation, and Exelon. As a result of the Merger, ComEd, a regulated electric utility, is a principal subsidiary of Exelon, which owns 99.9% of ComEd's common stock. During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses at ComEd and PECO. As part of the restructuring, the generation-related operations and assets and liabilities of ComEd were transferred to Exelon Generation Company, LLC (Generation). Additionally, certain operations and assets and liabilities of ComEd were transferred to Exelon Business Services Company (BSC). As a result, effective January 1, 2001, the operations of ComEd consist of its retail electricity distribution and transmission business in northern Illinois.

The consolidated financial statements include the accounts of ComEd, Commonwealth Edison Company of Indiana, Inc., Edison Development Canada Inc., Edison Finance Partnership, Commonwealth Research Corporation, and Edison Development Company. All intercompany transactions have been eliminated. Effective December 31, 2003 the accounts of ComEd Financing II, ComEd Financing III, ComEd Funding LLC (ComEd Funding) and ComEd Transitional Funding Trust (ComEd Funding Trust) are no longer consolidated. The accounts of ComEd Funding and ComEd Funding Trust, which are Special Purpose Entities (SPEs), are separate legal entities from ComEd. The assets of the SPEs are not available to creditors of ComEd and the transitional property held by the SPEs are not assets of ComEd.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. Areas in which significant estimates have been made include, but are not limited to, the accounting for unbilled revenue, derivatives, asset and goodwill impairment, environmental costs, allowance for doubtful accounts, fixed asset depreciation, taxes and pension and other postretirement costs.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Accounting for the Effects of Regulation

ComEd is regulated by the Illinois Commerce Commission (ICC), the Federal Energy Regulatory Commission (FERC) and the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA). ComEd accounts for its regulated electric operations in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," (SFAS No. 71) which requires ComEd to record in the financial statements the effects of the rate regulation. Use of SFAS No. 71 is applicable to the utility operations of ComEd that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable assumption that all costs will be recoverable from customers through rates. ComEd believes that it is probable that regulatory assets and liabilities associated with these operations will be recovered or settled. If a separable portion of ComEd's business no longer meets the provisions of SFAS No. 71, ComEd would be required to eliminate the financial statement effects of regulation for that portion.

Segment Information

ComEd operates in one segment—energy delivery. Energy delivery consists of the retail electricity distribution and transmission business of ComEd in northern Illinois.

Variable Interest Entities

The FASB issued FASB Interpretation (FIN) No. 46 "Consolidation of Variable Interest Entities" in January 2003 and issued its revision in FASB Interpretation No. 46-R "Consolidation of Variable Interest Entities" (FIN No. 46-R) in December 2003, which addressed the requirements for consolidating certain variable interest entities. FIN No. 46-R was effective December 31, 2003 for ComEd's variable interest entities that are considered to be special-purpose entities. FIN No. 46-R applies to all other variable interest entities as of March 31, 2004.

As of December 31, 2003, the financing trusts of ComEd (ComEd Financing II, ComEd Financing III, ComEd Funding, and ComEd Funding Trust) were no longer consolidated within the financial statements of ComEd pursuant to the provisions of FIN No. 46-R. Amounts of $2.0 billion owed to these financing trusts were recorded as debt to affiliates and debt to ComEd Transitional Funding Trust within the Consolidated Balance Sheet. This change in presentation had no significant impact on the results of operations or financial position of ComEd. In accordance with FIN No. 46-R, prior periods have not been restated.

Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS No. 150). SFAS No. 150 requires that certain instruments that have characteristics of both liabilities and equity be classified as liabilities in the statement of financial position. SFAS No. 150 affects the accounting for three types of freestanding financial instruments: mandatorily redeemable shares, instruments that do or may require the issuer to buy some of its shares in exchange for cash or other assets, and obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominately to a variable such as a market index, or varies inversely with the value of the issuer's shares.

Most of the guidance of SFAS No. 150 was effective for all financial instruments entered into or modified after May 31, 2003, and otherwise was effective for ComEd as of July 1, 2003. As a result of the implementation of FIN No. 46-R and the subsequent deconsolidated of certain financing subsidiaries of ComEd, the implementation of SFAS No. 150 had no impact for the year ended December 31, 2003 on ComEd's financial position or results of operations.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Revenues

Operating revenues are generally recorded as service is rendered or energy is delivered to customers. At the end of each month, ComEd accrues an estimate for the unbilled amount of energy delivered or services provided to its customers. See Note 3 – Accounts Receivable for further discussion.

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123" (SFAS No. 148). ComEd adopted the additional disclosure requirements of SFAS No. 148 in 2002 and continues to account for its stock-compensation plans under the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The table below shows the effect on net income had ComEd elected to account for its stock-based compensation plans using the fair-value method under SFAS No. 123 for the years ended December 31, 2003, 2002 and 2001:

	2003	2002	2001
Net income – as reported	$ 707	$ 790	$ 607
Deduct: Total stock-based compensation expense determined under fair-value method for all awards, net of income taxes	5	13	10
Pro forma net income	$ 702	$ 777	$ 597

Income Taxes

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax carryforwards. Investment tax credits previously used for income tax purposes have been deferred on ComEd's Consolidated Balance Sheets and are recognized in book income over the life of the related property. ComEd and its subsidiaries file consolidated Federal and state income tax returns with Exelon. Income taxes of the Exelon consolidated group are allocated to ComEd based on the separate return method (see Note 9 – Income Taxes).

ComEd is a party to an agreement (the "Tax Sharing Agreement") that provides for the allocation of consolidated tax liabilities. The Tax Sharing Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the party receiving the benefit.

Gains and Losses on Reacquired Debt

Recoverable gains and losses on reacquired debt related to regulated operations are deferred and amortized to interest expense over the life of new debt issued to finance the debt redemption consistent with rate recovery for ratemaking purposes.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to shareholders. Comprehensive income is reflected in the Consolidated Statements of Changes in Shareholders' Equity and the Consolidated Statements of Comprehensive Income.

Cash and Cash Equivalents

ComEd considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Restricted Cash

As of December 31, 2003, ComEd's restricted cash relates to proceeds from a pollution control bond offering in December 2003 which were applied to redeem pollution control bonds that matured in January 2004. See Note 19 – Subsequent Events. Prior to the adoption of FIN No. 46-R, the restricted cash of ComEd Funding Trust was included in ComEd's Consolidated Balance Sheets. As of December 31, 2002, the restricted cash reflected escrowed cash to be applied to the principal and interest payments on the debt issued by ComEd Funding Trust.

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. At December 31, 2003 and 2002, ComEd had no held-to-maturity or trading securities.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. ComEd evaluates the carrying value of property, plant and equipment and other long-term assets for impairment whenever circumstances indicate the carrying value of those assets may not be recoverable under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Upon retirement, the cost of regulated property, net of salvage, is charged to accumulated depreciation and removal costs reduce the related regulatory liability in accordance with the provisions of SFAS No. 71. See Note 16 – Supplemental Financial Information. For unregulated property, the cost and accumulated depreciation of the property, plant and equipment retired or otherwise disposed of are removed from the related accounts and included in the determination of any gain or loss on disposition. See Note 4 – Property, Plant and Equipment.

Capitalized Software Costs

Costs incurred during the application development stage of software projects that are developed or obtained for internal use are capitalized. At December 31, 2003 and 2002, capitalized software costs totaled $222 million and $192 million, respectively, and $72 million and $39 million in accumulated amortization, respectively. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed 10 years. Certain capitalized software is being amortized over 15 years pursuant to regulatory approval. During 2003, 2002 and 2001, ComEd amortized capitalized software costs of $33 million, $23 million, and $14 million, respectively.

Depreciation and Amortization

Depreciation, including a provision for estimated removal costs as authorized by the ICC, is provided over the estimated service lives of property, plant, and equipment on a straight-line basis. Annual depreciation provisions for financial reporting purposes, expressed as a percentage of average service life for each asset category are presented below:

Asset Category	2003	2002	2001
Electric — transmission and distribution	3.20%	3.74%	5.20%
Other property and equipment	7.14%	7.92%	5.95%

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Amortization of regulatory assets is provided over the recovery period specified in the related legislation or regulatory agreement. Goodwill associated with the Merger was amortized on a straight-line basis over 40 years in 2001. Accumulated amortization of goodwill was $149 million at December 31, 2001. Effective January 1, 2002, under SFAS No. 142 “Goodwill and Other Intangible Assets” (SFAS 142), goodwill recorded by ComEd is no longer subject to amortization. See Note 5 – Goodwill.

Allowance for Funds Used During Construction

Allowance for Funds Used During Construction (AFUDC) is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC of $15 million, $18 million, and $17 million in 2003, 2002 and 2001, respectively, was recorded as a charge to construction work in progress and as a non-cash credit to AFUDC which is included in other income and deductions within the Consolidated Statements of Income. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. As of January 1, 2002, ComEd adopted SFAS No. 142. Pursuant to SFAS No. 142, goodwill is no longer amortized but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. Prior to January 1, 2002, goodwill was amortized using the straight-line method over its estimated period of benefit. Goodwill associated with the Merger was amortized on a straight-line basis over 40 years in 2001. See Note 5 – Goodwill.

Derivative Financial Instruments

ComEd accounts for derivative financial instruments pursuant to 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 and normal sales exception. Changes in the fair value of the derivative financial instrument are recognized in earnings unless specific hedge accounting criteria are met, in which case those changes are recorded in other comprehensive income.

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.

The initial adoption of SFAS No. 133, as amended, on January 1, 2001 had no financial statement impact on ComEd. 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 liability measured at their fair value through earnings, with special accounting permitted for certain qualifying hedges.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

In connection with Exelon's Risk Management Policy, ComEd enters into derivatives to effectively manage its exposure to fluctuations in interest rates, including interest rate fluctuations related to planned future debt issuances prior to their actual issuance, as well as exposure to changes in the fair value of outstanding debt which is planned for early retirement.

New Accounting Pronouncements

Through Exelon's postretirement benefit plans, ComEd provides retirees with prescription drug coverage. On December 8, 2003 the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Prescription Drug Act) was enacted. The Prescription Drug Act introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. In response to the enactment of the Prescription Drug Act, the FASB issued FASB Staff Position (FSP) FAS 106-1 (FSP FAS 106-1) in January 2004, which permits a plan sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer the accounting for the effects of the Prescription Drug Act. Exelon has made the one-time election allowed by FSP FAS 106-1. Thus, ComEd's financial statements and Note 11 – Retirement Benefits do not reflect the effects of the Prescription Drug Act on ComEd's allocated portion Exelon's postretirement plans. Exelon is evaluating what impact the Prescription Drug Act will have on its postretirement benefit plans and whether it will be eligible for a Federal subsidy beginning in 2006. Specific authoritative guidance on the accounting for the Federal subsidy is pending, and that guidance, when issued, could require ComEd to change previously reported information.

As discussed above, FIN No. 46-R was effective December 31, 2003 for ComEd's variable interest entities that are considered to be special-purpose entities. FIN No. 46-R applies to all other variable interest entities as of March 31, 2004. ComEd continues to review other entities with which ComEd and its subsidiaries have business arrangements to determine if those entities are variable interest entities under FIN No. 46-R and, if so, whether consolidation of these entities will be required as of March 31, 2004.

2. Regulatory Issues

Delivery service rates. On March 3, 2003, ComEd entered into and the ICC subsequently entered orders to implement an agreement (Agreement) with various Illinois retail market participants and other interested parties that settled, among other things, delivery service rates and the market value index proceeding and facilitates competitive service declarations for large-load customers and an extension of the purchased power agreement (PPA) with Generation. The effect of the Agreement is lower competitive transition charge (CTC) collections that ComEd charges customers who take electricity from an alternative retail electric supplier (ARES) or under the power purchase option (PPO) through 2006. The Agreement also allows customers to lock in current CTC charges for multiple years. A non-party to the Agreement has appealed one of the ICC's orders which, if ultimately successful, may impact the Agreement on a going-forward basis.

The annual market price adjustments to the CTC effective in June 2002 and the impacts of the Agreement in June 2003 had the effect of significantly increasing the CTC charge in June 2002, and subsequently significantly reducing the CTC charge in June 2003. In 2003 and 2002, ComEd collected $304 million and $306 million in CTC revenues, respectively. Based on the changes in the CTC as part of the Agreement and on current assumptions about the competitive price of delivered energy and customers' choice of electric supplier, ComEd estimates that CTC revenue will be approximately $180 million to $200 million in each of the years 2004 through 2006.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

In 2003, ComEd recorded a charge to earnings associated with the required funding of specified programs and initiatives associated with the Agreement of $51 million (before income taxes) on a present value basis. This amount was partially offset by the reversal of a $12 million (before income taxes) reserve established in the third quarter of 2002 for a potential capital disallowance in ComEd's delivery services rate proceeding and a credit of $10 million (before income taxes) related to the capitalization of employee incentive payments provided for in the delivery services order. The charge of $51 million and the credit of $10 million were recorded in operating and maintenance expense and the reversal of the $12 million reserve was recorded in other, net within ComEd's Consolidated Statements of Income. The net charge for these items was $29 million (before income taxes). In accordance with the Agreement, ComEd made payments of $23 million during 2003.

Customer Choice. All ComEd's retail customers are eligible to choose an ARES and non-residential customers can also elect the PPO that allows the purchase of electric energy from ComEd at market-based prices. As of December 31, 2003, no ARES had sought approval from the ICC, and no electric utilities have chosen, to enter the ComEd residential market for the supply of electricity. At December 31, 2003, approximately 20,300 non-residential customers, representing approximately 31% of ComEd's annual retail kilowatthour sales, had elected to purchase their electric energy from an ARES or had chosen the PPO. Customers who receive energy from an alternative supplier continue to pay a delivery charge.

Competitive Service Declarations. On November 14, 2002, the ICC allowed ComEd, by operation of law, to revise its provider of last resort obligation to be the back-up energy supplier at market based rates for customers with energy demands of at least three megawatts (MWs). About 370 of ComEd's largest energy customers are affected, representing an aggregate supply obligation or load of approximately 2,500 MWs. These customers accounted for 10% of ComEd's 2003 MWh deliveries. These customers will not have a right to take bundled service after June 2006 or to come back to bundled rates if they choose an alternative supplier. The parties to the Agreement have committed, if specified market conditions exist, not to oppose a process to be initiated in June 2004 or thereafter for achieving a similar competitive declaration for customers having energy demands of one to three MWs.

On March 28, 2003, the ICC approved changes to ComEd's real-time pricing tariff, which would be made available to customers who choose not to go to the competitive market to procure their electric power and energy. An appeal to each of the ICC's orders is pending and ComEd cannot predict the outcome of those appeals.

ComEd cannot predict the long-term impact of customer choice on its result of operations.

Rate Reductions and Return on Common Equity Threshold. The Illinois restructuring legislation as amended required a 15% residential base rate reduction effective August 1, 1998 and an additional 5% residential base rate reduction effective October 1, 2001. In addition, a base rate freeze, reflecting the residential base rate reductions, is in effect through January 1, 2007. A utility may request a rate increase during the rate freeze period only when necessary to ensure the utility's financial viability. Under the Illinois legislation, if the two-year average of the earned return on common equity of a utility through December 31, 2006 exceeds an established threshold, one-half of the excess earnings must be refunded to customers. The threshold rate of return on common equity is based on a two-year average of the Monthly Treasury Bond Long-Term Average Rates (25 years and above) plus 8.5% in the years 2000 through 2006. Earnings for purposes of ComEd's threshold include ComEd's net income calculated in accordance with GAAP and reflect the amortization of regulatory assets. As a result of the Illinois legislation, at December 31, 2003, ComEd had a regulatory asset with an unamortized balance of $131 million that it expects to fully recover and amortize by the end of 2006. ComEd did not trigger the earnings sharing provision in 2001, 2002 or 2003 and does not currently expect to trigger the earnings sharing provisions in the years 2004 through 2006.

(Dollars in millions, unless otherwise noted)

Nuclear Decommissioning Costs. In connection with the transfer of ComEd's nuclear generating stations to Generation, the ICC permitted ComEd to recover $73 million per year from retail customers for decommissioning for the years 2001 through 2004 and, depending upon the portion of the output from those stations taken by ComEd, up to $73 million annually in 2005 and 2006. Subsequent to 2006, there will be no further recoveries of decommissioning costs from customers. Any surplus funds after a nuclear station is decommissioned must be refunded to ComEd's customers. Amounts collected from customers are remitted to Generation. See Note 10 – Nuclear Decommissioning.

Open Access Transmission Tariff. On November 10, 2003, the FERC issued an order allowing ComEd to put into effect beginning April 12, 2004, subject to refund and rehearing, new transmission rates designed to reflect nearly $500 million of infrastructure investments made since 1998. However, because of the Illinois retail rate freeze and the method for calculating CTCs, the increase is not expected to significantly increase operating revenues. ComEd is unable to predict the ultimate outcome of the associated rehearing or settlement negotiations.

3. Accounts Receivable

Customer accounts receivable at December 31, 2003 and 2002 included unbilled operating revenues of $225 million and $250 million, respectively. The allowance for uncollectible accounts at December 31, 2003 and 2002 was $16 million and $23 million, respectively.

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 2002.

4. Property, Plant and Equipment

A summary of property, plant and equipment by classification as of December 31, 2003 and 2002 is as follows:

	2003	2002
Electric — transmission & distribution	$ 8,297	$ 7,671
Construction work in progress	365	373
Other property, plant and equipment	1,205	1,098
Total property, plant and equipment	9,867	9,142
Less accumulated depreciation	771	453
Property, plant and equipment, net	$ 9,096	$ 8,689

ComEd's depreciation expense, which is included in cost of service for rate purposes, includes an estimated cost of dismantling and removing plant from service upon retirement. Beginning in 2003, in accordance with regulatory accounting practice, collections for future removal costs are recorded as a regulatory liability. Prior periods have been reclassified for comparative purposes. For more information, see Note 16 – Supplemental Financial Information.

Effective July 1, 2002, ComEd decreased 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 was $96 million.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

5. Goodwill

As of December 31, 2003 and 2002, ComEd had recorded goodwill of approximately $4.7 billion and $4.9 billion, respectively. The changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2003 were as follows:

Balances as of January 1, 2002	$ 4,902
Resolution of certain tax matters	21
Merger severance adjustment	(7)
Balances as of January 1, 2003	4,916
Adoption of SFAS No. 143:(a)	
Reduction of asset retirement obligation	(210)
Cumulative effect of change in accounting principle	5
Resolution of certain tax matters	8
Balances as of December 31, 2003	$ 4,719

(a) See Note 10—Nuclear Decommissioning.

Effective January 1, 2002, ComEd adopted SFAS No. 142. Pursuant to SFAS No. 142, goodwill is no longer amortized; however, goodwill is subject to an assessment for impairment at least annually, or more frequently, if events or circumstances indicate that goodwill might be impaired. The impairment assessment is performed using a two-step, fair-value based test. The first step compares the fair value of the 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 estimated 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.

ComEd performed impairment assessments upon adoption of SFAS No. 142 on January 1, 2002, and annually as of November 1, 2002 and 2003, and has determined in each case that its goodwill was not impaired.

In its assessments to estimate the fair value of the ComEd reporting unit, ComEd used a probability-weighted, discounted cash flow model with multiple scenarios. The determination of the fair value is dependent on many sensitive, interrelated and uncertain variables including changing interest rates, utility sector market performance, ComEd's capital structure, market power prices, post-2006 rate regulatory structures, operating and capital expenditure requirements and other factors. Changes in these variables or in how they interrelate could result in a future impairment of goodwill at ComEd, which could be material. In addition, based on certain anticipated reductions to cash flows subsequent to ComEd's regulatory transition period (primarily CTCs), ComEd believes there is a reasonable possibility that goodwill will be impaired at ComEd in 2004 or future years, and such impairment may be significant. The actual timing and amounts of goodwill impairments in future years, if any, will depend on the variables discussed above.

Under Illinois statute, any impairment of goodwill has no impact on the determination of the cap on ComEd's allowed equity return during the electricity industry restructuring transition period through 2006. See Note 2 – Regulatory Issues for further discussion of ComEd's earnings provisions.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

6. Severance Accounting

Exelon provides severance and health and welfare benefits to terminated employees pursuant to pre-existing severance plans primarily based upon each individual employee's years of service with Exelon and compensation level. Exelon accounts for its ongoing severance plans in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43" (SFAS No. 112) and SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and accrues amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

As part of the implementation of Exelon's new business model referred to as The Exelon Way, during 2003, ComEd identified 729 positions, including professional, managerial and union employees, for elimination by the end of 2004. ComEd recorded a charge for salary continuance severance of $61 million during 2003, which represented salary continuance severance costs that were probable and could be reasonably estimated as of December 31, 2003. During 2003, ComEd recorded a charge of $28 million associated with special health and welfare severance benefits offered through The Exelon Way. In addition to cash and health and welfare severance benefits, ComEd incurred curtailment costs associated with pension and postretirement benefit plans of $48 million as a result of personnel reductions due to The Exelon Way. In total, ComEd recorded charges of $137 million in 2003 associated with The Exelon Way. See Note 11 – Retirement Benefits for a description of the curtailment charges for the pension and postretirement benefit plans.

ComEd based its estimate of the number of positions to be eliminated on management's current plans and its ability to determine the appropriate staffing levels to effectively operate the business. ComEd may incur further severance costs associated with The Exelon Way if additional positions are identified for elimination. These costs will be recorded in the period in which the costs can be reasonably estimated.

The following table details ComEd's total salary continuance severance expense recorded as an operating and maintenance expense within the Consolidated Statements of Income. During 2002 and 2001, no amounts were recorded as severance expense.

Salary continuance severance charges	
Expense recorded - 2003	$ 61
Expense recorded - 2002	—
Expense recorded - 2001	—

The following table provides a roll forward of ComEd's salary continuance severance obligation from January 1, 2002 through December 31, 2003. The salary continuance severance obligation as of January 1, 2002 and amounts paid in 2002 relate to severance associated with the Merger.

Salary continuance severance obligation	
Balance as of January 1, 2002	$ 64
Severance charges recorded	—
Cash payments	(41)
Other adjustments	(8)
Balance as of January 1, 2003	$ 15
Severance charges recorded	61
Cash payments	(21)
Balance as of December 31, 2003	$ 55

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

7. Notes Payable and Short-Term Debt

	2003	2002	2001
Average borrowings	$ 4	$ 14	—
Maximum borrowings outstanding	123	146	—
Average interest rates, computed on a daily basis	1.47%	1.75%	—
Average interest rates, at December 31	—	1.69%	—

In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, ComEd's aggregate sublimit under the credit agreements was $100 million. Sublimits under the credit agreements can change upon written notification to the bank group. ComEd had approximately $80 million of unused bank commitments under the credit agreements at December 31, 2003. ComEd did not have any commercial paper outstanding at December 31, 2003. At December 31, 2002, ComEd had $123 million of commercial paper outstanding of which $52 million had been classified as long-term debt under the provisions of SFAS No. 6, "Classification of Short-Term Obligations Expected to be Refinanced" (SFAS No. 6). Interest rates on the advances under the credit agreements are based on either the London Interbank Offering Rate or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreements at the time of borrowing. The maximum adder would be 175 basis points.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

8. Long-Term Debt

	December 31, 2003		December 31,	
	Rates	Maturity Date	2003	2002
Securitized long-term debt (e)				
ComEd Transitional Trust Notes Series 1998-A:			$ —	$ 2,040
Other long-term debt				
First and Refunding Mortgage Bonds (a) (b):				
Fixed rates	3.70%-9.875%	2004-2033	3,311	2,612
Floating rates	1.07%-1.30%	2013-2020	252	100
Notes payable				
Fixed rates	6.40%-9.20%	2004-2018	816	816
Floating rates			—	250
Pollution control bonds:				
Fixed rates			—	42
Floating rates			—	92
Sinking fund debentures	3.125%-4.75%	2004-2011	17	20
Commercial paper (c)			—	52
Total long-term debt (d)			4,396	6,024
Unamortized debt discount and premium, net			(26)	(99)
Fair-value hedge carrying value adjustment, net			33	41
Due within one year			(236)	(698)
Long-term debt			$ 4,167	$ 5,268
Long-term debt to affiliates (e)				
Subordinated debentures to ComEd Financing II (f)	8.50%	2027	$ 155	$ —
Subordinated debentures to ComEd Financing III (f)	6.35%	2033	206	—
Payable to ComEd Transitional Funding Trust (f)	5.44%-5.74%	2004-2008	1,676	—
Total long-term debt to affiliates (f)			2,037	—
Due within one year			(317)	—
Long-term debt to affiliates			$ 1,720	$ —

(a) Utility plant of ComEd is subject to the liens of its mortgage indenture.
(b) Includes pollution control bonds collateralized by first mortgage bonds issued under ComEd's mortgage indenture.
(c) Classified as long-term at December 31, 2002 since it was refinanced with long-term debt in January 2003.
(d) Long-term debt maturities in the period 2004 through 2008 and thereafter are as follows:

2004	$ 236
2005	462
2006	427
2007	152
2008	492
Thereafter	2,627
Total	$ 4,396

(e) Effective December 31, 2003, ComEd Financing II, ComEd Financing III and ComEd Funding Trust were deconsolidated from the financial statements of ComEd in conjunction with the adoption of FIN No. 46-R.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Amounts owed to these financing trusts are recorded as debt to affiliates within the Consolidated Balance Sheets.

(f) Long-term debt to affiliates maturities in the period 2004 through 2008 and thereafter are as follows:

2004	$ 317
2005	340
2006	340
2007	340
2008	340
Thereafter	360
Total	$2,037

During 2003, the following long-term debt was issued:

Type	Rate	Maturity	Amount
First Mortgage Bonds	4.70%	April 15, 2015	$ 395
First Mortgage Bonds	3.70%	February 1, 2008	350
First Mortgage Bonds	5.875%	February 1, 2033	350
First Mortgage Bonds	4.74%	August 15, 2010	250
Pollution Control Revenue Bonds (b)	Variable	March 1, 2020	50
Pollution Control Revenue Bonds (b)	Variable	November 1, 2019	42
Pollution Control Revenue Bonds (b)	Variable	May 15, 2017	40
Pollution Control Revenue Bonds (a)(b)	Variable	January 15, 2014	20
Total issuances			$ 1,497

(a) As of December 31, 2003, the proceeds from the issuance of these pollution control revenue bonds were held in escrow for the redemption of pollution control revenue bonds in January 2004. The proceeds are included in restricted cash in ComEd's Consolidated Balance Sheets.

(b) These pollution control bonds are collateralized by first mortgage bonds issued under ComEd's mortgage indenture.

During 2003, payments were made on the following long-term debt:

Type	Rate	Maturity	Amount
Commercial paper classified as long-term debt	1.69%	2003	$ 52
First Mortgage Bonds	8.375%	February 15, 2023	236
First Mortgage Bonds	8.00%	April 15, 2023	160
First Mortgage Bonds	7.75%	July 15, 2023	150
First Mortgage Bonds	6.625%	July 15, 2003	100
Pollution Control Revenue Bonds	Variable	March 1, 2009	50
Pollution Control Revenue Bonds	5.875%	May 15, 2007	42
Pollution Control Revenue Bonds	Variable	October 15, 2014	42
Medium term notes	Variable	September 30, 2003	250
Sinking fund debentures	3.125%-4.740%	2003	3
ComEd Transitional Funding Trust Notes	5.390%-5.44%	2003	340
Total payments			$ 1,425

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Prepayment premiums of $21 million and $24 million and net unamortized premiums, discounts and debt issuance expenses of $38 million and $3 million associated with the early retirement of debt in 2003 and 2002, respectively, have been deferred in regulatory assets and will be amortized to interest expense over the life of the related new debt issuance consistent with regulatory recovery.

See Note 12 – Fair Value of Financial Assets and Liabilities for additional information regarding interest-rate swaps. See Note 13 – Preferred Securities of Subsidiaries for additional information regarding mandatorily redeemable preferred securities and preferred stock.

9. Income Taxes

Income tax expense (benefit) is comprised of the following components:

	For the Year Ended December 31,		
	2003	2002	2001
Included in operations:			
Federal			
Current	$362	$308	$400
Deferred	19	110	16
Investment tax credit, net	(3)	(4)	(4)
State			
Current	96	80	92
Deferred	(9)	12	2
	$465	$506	$506

The effective income tax rate varies from the U.S. Federal statutory rate principally due to the following:

	For the Year Ended December 31,		
	2003	2002	2001
U.S. Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
Plant basis differences	(0.2)	(1.3)	0.3
State income taxes, net of Federal income tax benefit	4.8	4.6	5.5
Amortization of goodwill	—	—	4.0
Amortization of investment tax credit	(0.3)	(0.3)	(0.4)
Amortization of regulatory asset	0.5	1.2	1.4
Other, net	—	(0.2)	(0.3)
Effective income tax rate	39.8%	39.0%	45.5%

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The tax effect of temporary differences giving rise to significant portions of ComEd's deferred tax assets and liabilities as of December 31, 2003 and 2002 are presented below:

	2003	2002
Deferred tax liabilities:		
Plant basis difference	$ 1,851	$ 1,823
Deferred investment tax credits	48	51
Deferred debt refinancing costs	49	67
Total deferred tax liabilities	1,948	1,941
Deferred tax assets:		
Deferred pension and postretirement obligations	(85)	(104)
Other, net	(151)	(156)
Total deferred tax assets	(236)	(260)
Deferred income tax liabilities (net) on the Consolidated Balance Sheets	$ 1,712	$ 1,681

In accordance with regulatory treatment of certain temporary differences, ComEd has recorded a net regulatory liability associated with deferred income taxes, pursuant to SFAS No. 71 and SFAS No. 109, "Accounting for Income Taxes," of $61 million and $68 million at December 31, 2003 and 2002, respectively. See Note 16 – Supplemental Financial Information for more information of regulatory liabilities associated with deferred income taxes.

ComEd has taken certain tax positions, which have been disclosed to the Internal Revenue Service (IRS), to defer the tax gain on the 1999 sale of its fossil generating assets. As of December 31, 2003 and 2002, a deferred tax liability of approximately $848 million and $860 million, respectively, related to the fossil plant sale is reflected on ComEd's Consolidated Balance Sheets. Changes in IRS interpretations of existing primary tax authority or challenges to ComEd's positions could have the impact of accelerating future income tax payments and increasing interest expense related to the deferred tax gain that becomes current. ComEd's management believes an adequate reserve for interest has been established in the event that such positions are not sustained. The Federal tax returns covering the period of the 1999 sale are anticipated to be under IRS audit beginning in 2004. Final resolution of this matter is not anticipated for several years.

Certain ComEd tax returns are under review at the audit or appeals level of the IRS and certain state authorities. These reviews by the governmental taxing authorities are not expected to have an adverse impact on the financial condition or result of operations at ComEd.

In 2003 and 2002, ComEd received $86 million and $28 million, respectively, from Exelon related to ComEd's allocation of tax benefits under Exelon's Tax Sharing Agreement.

10. Nuclear Decommissioning

SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) provides accounting requirements for retirement obligations (whether statutory, contractual or as a result of principles of promissory estoppel) associated with tangible long-lived assets. ComEd was required to adopt SFAS No. 143 as of January 1, 2003.

Exelon was required to re-measure the decommissioning liabilities at fair value using the methodology prescribed by SFAS No. 143. The transition provisions of SFAS No. 143 required Exelon to apply this re-measurement back to the historical periods in which asset retirement obligations (ARO) were incurred, resulting in a re-measurement of these obligations at the date the related assets were acquired. Since the nuclear plants previously owned by ComEd were acquired by Exelon on October 20, 2000 (Merger Date) as a result of the Merger, Exelon's historical accounting for its ARO has been revised as if SFAS No. 143 had been in effect at the Merger Date.

For the former ComEd plants, the calculation of the SFAS No. 143 ARO yielded decommissioning obligations lower than the value of the corresponding trust assets. ComEd has previously collected amounts from customers (which were subsequently transferred to Generation) in advance of Generation's recognition of decommissioning expense under SFAS No. 143. While it is expected that the trust assets will ultimately be used entirely for the decommissioning of the plants, the current measurement required by SFAS No. 143 results in an excess of assets over related ARO liabilities. As such, in accordance with regulatory accounting practices and a December 2000 ICC Order, a regulatory liability of $948 million and a corresponding receivable from Generation were recorded at ComEd upon the adoption of SFAS No. 143. At December 31, 2003, this regulatory liability and corresponding receivable from Generation totaled $1,183 million. Exelon believes that all of the decommissioning assets, including up to $73 million of annual collections from ComEd ratepayers through 2006, will be used to decommission the former ComEd plants. Subsequent to 2006, there will be no further recoveries of decommissioning costs from ComEd's customers. Additionally, any surplus funds after the nuclear stations are decommissioned must be refunded to customers. ComEd expects the regulatory liability and corresponding receivable from Generation will be reduced to zero at or before the conclusion of the decommissioning of the former ComEd plants.

As discussed above, Exelon re-measured its 2001 decommissioning-related balances associated with the Merger purchase price allocation at ComEd and the January 2001 corporate restructuring as if SFAS No. 143 had been in effect at the Merger Date. Exelon concluded that had SFAS No. 143 been in effect, ComEd would not have recorded an impairment of its regulatory asset for decommissioning of its retired nuclear plants as a purchase price allocation adjustment in 2001 as a result of the December 2000 ICC order. Increased net assets would have been transferred to Generation by ComEd in the corporate restructuring. Accordingly, ComEd recorded a reduction of $210 million of goodwill and of shareholders' equity. In addition, ComEd recorded a cumulative effect of a change in accounting principle of $5 million to reverse goodwill amortization that had been recorded in 2001. ComEd also reclassified a regulatory asset related to nuclear decommissioning costs for retired units of $248 million to regulatory liabilities.

11. Retirement Benefits

ComEd has adopted defined benefit pension plans and postretirement welfare benefit plans sponsored by Exelon. In 2001, ComEd's former plans were consolidated into the Exelon plans. Substantially all ComEd employees are eligible to participate in these plans. Benefits under these plans generally reflect each employee's compensation, years of service, and age at retirement.

The pension obligation and non-pension postretirement benefits obligation on ComEd's Consolidated Balance Sheets reflect ComEd's obligations to the plan sponsor, Exelon. Employee-related assets and liabilities, including both pension and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," postretirement welfare assets and liabilities, were allocated by Exelon to its subsidiaries based on the number of active employees as of January 1, 2001 as part of Exelon's corporate restructuring. Exelon allocates the components of pension and postretirement expense to the participating employers based upon several factors, including the percentage of active employees in each participating unit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

See Note 14 – Retirement Benefits of the Notes to Exelon's Consolidated Financial Statements for pension and other postretirement benefits information for the Exelon plans.

Approximately $51 million, $15 million and $17 million were included in operating and maintenance expense in 2003, 2002 and 2001, respectively, for ComEd's allocated portion of Exelon's pension and postretirement benefit expense. ComEd contributed $201 million and $89 million to the Exelon-sponsored plans in 2003 and 2002, respectively. ComEd expects to contribute up to $216 million to the pension benefit plans in 2004.

During 2003, ComEd recognized curtailment charges of $48 million associated with an overall reduction in participants in its pension and postretirement benefit plans due to employee reductions associated with The Exelon Way.

ComEd participates in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. ComEd matches a percentage of the employee contribution up to certain limits. The cost of ComEd's matching contribution to the savings plan totaled $19 million, $19 million, and $20 million in 2003, 2002, and 2001, respectively.

12. Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of ComEd's financial instruments as of December 31, 2003 and 2002 were as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives:				
Assets				
Note receivable from affiliate (a)	$ 1,071	$ 1,077	$ 1,284	$ 1,226
Liabilities				
Long-term debt (including amounts due within one year) (b)	4,403	4,735	5,966	6,671
Long-term debt to ComEd Transitional Trust (including amounts due within one year) (b)	1,676	1,791	—	—
Long-term debt to affiliates (including amounts due within one year) (b)	361	378	—	—
Mandatorily redeemable preferred securities (b)	—	—	330	459
Derivatives:				
Fixed-to-floating interest-rate swaps	$ 33	$ 33	$ 41	$ 41
Forward interest-rate swaps	—	—	(52)	(52)

(a) At December 31, 2003, ComEd had a $1,071 million note receivable from Unicom Investments Inc. as more fully described below.
(b) Effective December 31, 2003, ComEd Financing II, ComEd Financing III and the ComEd Funding Trust were deconsolidated from the financial statements of ComEd in conjunction with the adoption of FIN No. 46-R. Amounts owed to ComEd Financing II, ComEd Financing III and ComEd Funding Trust were recorded as long-term debt to affiliate within the Consolidated Balance Sheets.

As of December 31, 2003 and 2002, ComEd'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 long-term debt and mandatorily redeemable preferred securities are estimated based on quoted market prices for the same or similar issues. The fair value of ComEd's interest-rate swaps is determined using external dealer prices or internal valuation models which utilize assumptions of available market pricing curves.

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Financial instruments that potentially subject ComEd to concentrations of credit risk consist principally of cash equivalents and customer and affiliate accounts receivable. ComEd places its cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to customer accounts receivable are limited due to ComEd's large number of customers and their dispersion across many industries.

ComEd had entered into forward-starting interest-rate swaps to manage interest-rate exposure. These swaps had been designated as cash-flow hedges under SFAS No. 133 and, as such, as long as the hedge remained effective, and the underlying transaction remained probable, changes in the fair value of these swaps were recorded in accumulated other comprehensive income (loss). In 2003, ComEd paid $45 million net to counterparties to settle forward-starting interest-rate swaps, designated as cash-flow hedges, with an aggregate notional amount of $1,070 million. In 2002, ComEd paid $10 million to counterparties to settle forward-starting interest-rate swaps, designated as cash-flow hedges, with an aggregate notional amount of $450 million. The amounts ComEd paid to settle the cash-flow hedges were recorded in regulatory assets and will be amortized over the life of the related debt to interest expense. At December 31, 2003, ComEd had no forward-starting interest-rate swaps outstanding.

ComEd has also entered into interest-rate swaps to effectively convert $485 million in fixed-rate debt to floating-rate debt. These swaps have been designated as fair-value hedges, as defined in SFAS No. 133 and, as such, changes in the fair value of the swaps will be recorded in earnings. However, as long as the hedge remains effective and the underlying transaction remains probable, changes in the fair value of the swaps will be offset by changes in the fair value of the hedged liabilities. Any change in the fair value of the hedge as a result of ineffectiveness would be recorded immediately in earnings.

The notional amount of derivatives do not represent amounts that are exchanged by the parties and, thus, are not a measure of ComEd's exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on the other terms of the derivatives, which relate to interest rates and the volatility of these rates.

ComEd 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 derivative contracts is represented by the fair value of contracts at the reporting date. ComEd's interest-rate swaps are documented under master agreements. Among other things, these agreements provide for a maximum credit exposure for both parties. Payments are required by the appropriate party when the maximum limit is reached.

During 2003 and 2002, no amounts were reclassified from accumulated other comprehensive income into earnings as a result of forecasted financing transactions no longer being probable.

Note Receivable from Affiliate.

At December 31, 2003, ComEd had a $1,071 million note receivable from Unicom Investments Inc. (UII), an affiliate. The note, which matures on December 2011, bears interest at the one month forward LIBOR rate plus 50 basis points. During 2003, ComEd received a $213 million principal repayment from UII.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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13. Preferred Securities

Preferred and Preference Stock. At December 31, 2003 and 2002, there were 6,810,451 authorized shares of preference stock and 850,000 authorized shares of prior preferred stock.

	December 31,			
	Shares Outstanding		Dollar Amount	
	2003	2002	2003	2002
Without mandatory redemption				
Preference stock, non-cumulative, without par value	1,120	1,120	$ 7	$ 7
Total preferred and preference stock	1,120	1,120	$ 7	$ 7

Shares of preference stock have full voting rights, including the right to cumulate votes in the election of directors.

Mandatorily Redeemable Preferred Securities. Effective December 31, 2003, ComEd Financing II, ComEd Financing III, ComEd Funding and ComEd Funding Trust were deconsolidated from the financial statements in conjunction with the adoption of FIN No. 46-R. Amounts owed to these financing trusts are recorded as long-term debt to affiliates within the Consolidated Balance Sheets. Prior periods were not restated.

At December 31, 2002, subsidiary trusts of ComEd had outstanding the following securities:

				December 31,	
				Trust Securities Outstanding	Dollar Amount
Series	Mandatory Redemption Date	Distribution Rate	Liquidation Value	2002	2002
ComEd Financing I	2035	8.48%	$ 25	8,000,000	$ 200
ComEd Financing II	2027	8.50%	1,000	150,000	150
Unamortized discount					(20)
Total				8,150,000	$ 330

On March 20, 2003, ComEd Financing I, a financing subsidiary of ComEd, redeemed $200 million of 8.48% trust preferred securities at a redemption price of 100% of the principal amount, plus accrued distributions. ComEd redeemed $206 million of its 8.48% subordinated debentures issued to ComEd Financing I. The preferred securities were refinanced with the proceeds from a March 17, 2003 issue of $200 million of 6.35% trust preferred securities by ComEd Financing III, a financing subsidiary of ComEd, which are mandatorily redeemable in 2033. The 8.48% subordinated debentures were refinanced with the proceeds from a March 17, 2003 issue of $206 million of 6.35% subordinated debentures due 2033 from ComEd to ComEd Financing III.

ComEd Financing II and ComEd Financing III are subsidiary trusts of ComEd. The sole assets of each ComEd trust are subordinated deferrable interest debt securities issued by ComEd bearing interest rates equivalent to the distribution rate of the related trust security.

Prior to the adoption of FIN No. 46-R, the interest expense on the deferrable interest debt securities was included in Distributions on Mandatorily Redeemable Preferred Securities in ComEd's Consolidated Statements of Income and is deductible for income tax purposes. Beginning January 1, 2004, ComEd will begin recording interest expense associated with this debt in interest expense to affiliates.

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The preferred securities issued by each of ComEd Financing II and ComEd Financing III have no voting privileges, except (i) for the right to approve a merger, consolidation or other transaction involving the applicable trust that would result in certain United States Federal income tax consequences to that trust, (ii) with respect to certain amendments to the applicable trust agreement, (iii) for certain voting privileges that arise upon an event of default under the applicable trust agreement or (iv) with respect to certain amendments to the related ComEd guarantee agreement.

14. Common Stock

At December 31, 2003 and 2002, common stock with a $12.50 par value consisted of 250,000,000 and 250,000,000 shares authorized and 127,016,484 and 127,016,409 shares outstanding, respectively.

During 2002, ComEd canceled 36.8 million of its common shares totaling $1,344 million.

At December 31, 2003 and 2002, 76,068 and 76,305 warrants, respectively, were outstanding to purchase ComEd common stock. The warrants entitle the holders to convert such warrants into common stock of ComEd at a conversion rate of one share of common stock for three warrants. At December 31, 2003, 25,356 shares of common stock were reserved for the conversion of warrants.

Stock Repurchases.

As part of the corporate restructuring on January 1, 2001, ComEd received 36.8 million of its common shares from Exelon totaling $1,344 million in exchange for the net assets transferred to Generation and notes payable received from Generation. These shares were retired during 2002.

Shares Outstanding.

The following table details ComEd's common stock and treasury stock:

(in thousands)	Common Shares	Treasury Shares	Total
Balance, December 31, 2001	163,805	36,789	127,016
Retirement of treasury shares	(36,789)	(36,789)	—
Balance, December 31, 2002	127,016	—	127,016
Balance, December 31, 2003	127,016	—	127,016

Fund Transfer Restrictions.

Under applicable federal law, ComEd can pay dividends only from retained or current earnings. Under Illinois law, ComEd may not pay any dividend on its stock unless "[its] earnings and earned surplus are sufficient to declare and pay same after provision is made for reasonable and proper reserves," or unless it has specific authorization from the ICC. ComEd has also agreed in connection with financings arranged through ComEd Financing II and ComEd Financing III (the Financing Trusts) that it will not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debt securities which were issued to the Financing Trusts; (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of the Financing Trusts; or (3) an event of default occurs under the Indenture under which the subordinated debt securities are issued. At December 31, 2003, ComEd had retained earnings of $883 million, of which $709 million had been appropriated for future dividend payments.

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15. Commitments and Contingencies

Energy Commitments.

In connection with the 2001 corporate restructuring, ComEd assigned its respective rights and obligations under various purchased power and fuel supply agreements to Generation. Additionally, ComEd entered into a purchase power agreement (PPA) with Generation.

Under the PPA between ComEd and Generation, 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. An extension of this contract for 2005 and 2006 has been agreed to by ComEd and Generation with substantially the same terms as the PPA currently in effect, except for the prices for energy which were reset to reflect the current rates at the time the extension was agreed to. This extension must still be filed with the ICC. Subsequent to 2006, ComEd will obtain all of its supply from market sources, which could include Generation.

Commercial Commitments.

ComEd's commercial commitments as of December 31, 2003 representing commitments not recorded on the balance sheet but potentially triggered by future events, including financing arrangements to secure obligations of ComEd, are as follows:

		Expiration within			
(in millions)	Total	2004	2005-2006	2007-2008	2009 and beyond
Letters of credit (non-debt) (a)	$ 25	$25	$—	$—	$ —
Midwest Generation Capacity Reservation Agreement guarantee (b)	32	3	7	8	14
Surety bonds (c)	3	3	—	—	—
Total commercial commitments	$ 60	$31	$ 7	$ 8	$ 14

(a) Letters of credit (non-debt) – ComEd maintains non-debt letters of credit to provide credit support for certain transactions as requested by third parties.

(b) Midwest Generation Capacity Reservation Agreement guarantee – In connection with ComEd's agreement with the City of Chicago (Chicago) entered into on February 20, 2003, Midwest Generation assumed from Chicago a Capacity Reservation Agreement that Chicago had entered into with Calumet Energy Team, LLC. ComEd will reimburse Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement. Under FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN No. 45), $3 million is included as a liability on ComEd's Consolidated Balance Sheets. Additional information regarding this liability is included within this section under the heading "Credit Contingencies" below.

(c) Surety bonds – Guarantees issued related to contract and commercial surety bonds, excluding bid bonds.

Environmental Issues.

ComEd's operations have in the past and may in the future require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, ComEd is generally liable for the costs of remediating environmental contamination of property now or formerly owned by ComEd and of property contaminated by hazardous substances generated by ComEd. ComEd owns or leases a number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in

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contamination by substances which are considered hazardous under environmental laws. ComEd has identified 42 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. Of these 42 sites, the Illinois Environmental Protection Agency has approved the clean-up of three sites. ComEd is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2003 and 2002, ComEd had accrued $69 million and $101 million, respectively, for environmental investigation and remediation costs, including $64 million and $97 million, respectively (reflecting a discount rate of 5.0%) for investigation and remediation at its 39 MGP sites, that currently can be reasonably estimated. Such estimates, reflecting the effects of a 2.5% inflation rate before the effects of discounting were $94 million and $138 million at December 31, 2003 and 2002, respectively. ComEd cannot reasonably estimate whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by ComEd, environmental agencies or others, or whether such costs will be recoverable from third parties.

As of December 31, 2003, ComEd anticipates that payments related to the discounted environmental investigation and remediation costs, recorded on an undiscounted basis were:

2004	$10
2005	12
2006	8
2007	8
2008	5
Remaining years	51
Total payments	$94

Leases.

Minimum future operating lease payments, including lease payments for real estate and vehicles, as of December 31, 2003 were:

2004	$ 14
2005	12
2006	12
2007	12
2008	11
Remaining years	55
Total minimum future lease payments	$116

Rental expense under operating leases totaled $17 million, $26 million, and $23 million in 2003, 2002, and 2001, respectively.

Litigation.

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 and for breach of contract. On November 25, 2002, the court granted the developers' motions for summary judgment. The judge also entered a permanent injunction enjoining ComEd from refusing to pay the retail rate on the grounds of the amendment and Illinois from denying ComEd a tax credit on account of such purchases. ComEd and Illinois have each appealed the ruling. ComEd believes that it did not breach the contracts in question and that the damages claimed far exceed any loss that any project incurred by reason of its ineligibility for the subsidized rate. ComEd intends to prosecute its appeal and defend each case vigorously. While ComEd cannot currently predict the outcome of this action, ComEd does not believe that it will have a material adverse impact on ComEd's results of operations.

General. ComEd is involved in various other litigation matters that are being defended and handled in the ordinary course of business, and ComEd maintains accruals for such costs that are probable of being incurred and subject to reasonable estimation. 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 its financial condition or results of operations.

Capital Commitments.

ComEd estimates that it will spend approximately $616 million for capital expenditures in 2004.

Credit Contingencies.

On February 20, 2003, ComEd entered into separate agreements with Chicago and with Midwest Generation (Midwest Agreement). Under the terms of the agreement with Chicago, ComEd will pay Chicago $60 million over ten years ($6 million was paid during the first quarter of 2003) and be relieved of a requirement, originally transferred to Midwest Generation upon the sale of ComEd's fossil stations in 1999, to build a 500-MW generation facility. Under the Midwest Agreement, ComEd received from Midwest Generation $22 million during the first quarter 2003 and $10 million during April 2003, to relieve Midwest Generation's obligation under the fossil sale agreement. Midwest Generation also assumed from Chicago a Capacity Reservation Agreement that Chicago had entered into with Calumet Energy Team, LLC (CET), which is effective through June 2012. ComEd is obligated to reimburse Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement and paid approximately $2 million for amounts owed to CET by Chicago at the time the agreement was executed. In the first quarter of 2003, ComEd recorded a guarantee liability of $4 million under the provisions of FIN No. 45 related to its obligation to reimburse Chicago for any nonperformance by Midwest Generation. The net effect of the settlement to ComEd will be amortized on a straight-line basis over the remaining life of the franchise agreement with Chicago.

Income Tax Refund Claims.

ComEd has entered into several agreements with a tax consultant related to the filing of refund claims with the Internal Revenue Service (IRS) and has made refundable prepayments of $11 million during 2003 for potential fees associated with these agreements. The fees for these agreements are contingent upon a successful outcome and are based upon a percentage of the refunds recovered from the IRS, if any. As such, ComEd would have positive net cash flows related to these agreements if any fees are paid to the tax consultant. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of ComEd. ComEd's tax benefits for periods prior to the Merger would be recorded as a reduction of goodwill pursuant to a reallocation of the Merger purchase price. ComEd cannot predict the timing of the final resolution of these refund claims.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

16. Supplemental Financial Information

Supplemental Income Statement Information

	For the Year Ended December 31,		
	2003	2002	2001
Depreciation and amortization:			
Property, plant and equipment (a)	$342	$358	$369
Regulatory assets	44	164	170
Goodwill	—	—	126
Total depreciation and amortization	$386	$522	$665

(a) Includes amortization of capitalized software costs.

	For the Year Ended December 31,		
	2003	2002	2001
Taxes other than income			
Utility (a)	$233	$232	$238
Real estate	29	20	33
Payroll	24	28	28
Other (b)	(19)	7	(3)
Total	$267	$287	$296

(a) Represents municipal and state utility taxes which are also recorded in revenues on ComEd's Consolidated Statements of Income.
(b) In 2003, ComEd received a $25 million credit for use tax payments for periods prior to the Merger.

	For the Year Ended December 31,		
	2003	2002	2001
Other, net			
Investment income	$ 4	$ 11	$ 18
Gain on disposition of assets, net	4	—	—
AFUDC	9(a)	18	17
Reserve for potential plant disallowance	12	(12)	—
Other income (expense)	(5)	(4)	—
Total	$24	$ 13	$ 35

(a) In 2003, the debt portion of AFUDC of $6 million was recorded as a non-cash credit to interest expense.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Supplemental Cash Flow Information

	For the Year Ended December 31,		
	2003	2002	2001
Cash paid during the year:			
Interest (net of amount capitalized)	$ 352	$ 417	$ 451
Income taxes (net of refunds)	579	264	300
Non-cash investing and financing:			
Net assets transferred as a result of the corporate restructuring, net of note payable	$ —	$ —	$ 1,368
Contribution of receivable from parent	—	—	1,062
Resolution of certain tax matters and merger severance adjustments	8	14	—
Purchase accounting estimate adjustments	—	—	(85)
Regulatory asset fair value adjustments	—	—	347
Retirement of treasury shares	—	1,344	2,023
Adoption of SFAS No. 143 – adjustment to other paid in capital and goodwill	210	—	—

Supplemental Balance Sheet Information

	December 31,	
	2003	2002
Regulatory assets (liabilities)		
Nuclear decommissioning (See Note 10 – Nuclear Decommissioning)	$ (1,183)	$ —
Removal costs	(973)	(933)
Nuclear decommissioning costs for retired plants	—	248
Recoverable transition costs	131	175
Reacquired debt costs and interest-rate swap settlements	172	84
Deferred income taxes (see Note 9 - Income Taxes)	(61)	(68)
Other	23	8
Total	$ (1,891)	$ (486)

Nuclear decommissioning costs – Generation is responsible for decommissioning the nuclear plants formerly owned by ComEd. These costs represent the amount of estimated present value of future nuclear decommissioning costs that are less than the associated decommissioning trust fund assets. Generation believes the trust fund assets, including any future collections from ratepayers, will equal the associated future decommissioning costs at the time of decommissioning.

Removal costs - These amounts represent funds received from ratepayers to cover the future removal of property, plant and equipment. See Note 4 – Property, Plant and Equipment for further information.

Recoverable transition costs - These charges, related to the recovery of ComEd's former generating plants, are amortized based on the expected return on equity of ComEd in any given year. ComEd expects to fully recover and amortize these charges by the end of 2006, but may increase or decrease its annual amortization to maintain its earnings within the earnings cap provisions established by Illinois legislation. See Note 2 – Regulatory Issues for discussion of recoverable transition cost amortization.

Reacquired debt costs and interest-rate swap - The reacquired debt costs represent premiums paid for the early extinguishment and refinancing of long-term debt, which are amortized over the life of the new debt issued to finance the debt redemption. Interest-rate swap settlements are deferred and amortized over the period that the related debt is outstanding.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

Deferred income taxes - These costs represent the difference between the method in which the regulator allows for the recovery of income taxes and how income taxes would be recorded by unregulated entities. These regulatory assets and liabilities associated with deferred income taxes, recorded in compliance with SFAS No. 71 and SFAS No. 109, "Accounting for Income Taxes," include the deferred tax effects associated principally with excess deferred taxes accounted for in accordance with the ratemaking policies of the ICC, as well as the revenue impacts thereon, and assume continued recovery or settlement of these costs in future rates.

Recovery/Settlement of Regulatory Assets and Liabilities - The regulatory assets for reacquired debt costs and interest-rate swap settlements relate to ComEd's transmission and distribution business which is subject to cost-based rate regulation. Therefore, they are earning a rate of return. The regulatory assets for recoverable transition costs represent generation-related costs which are recoverable through regulated cash flows. ComEd has performed projections to determine if the revenue streams provided through these regulated cash flows are sufficient to provide for recovery of its regulatory assets during the rate-freeze period and concluded that cash flows were sufficient to provide recovery of its operating costs and net assets, including recovery of regulatory assets and a reasonable regulated rate of return on its net assets. Further, the Illinois Restructuring Act provides for an earnings floor and ceiling, such that if ComEd's earned rate of return falls below a specified floor, ComEd may request a rate increase and, conversely, if its earnings exceed an established threshold, so-called excess earnings must be shared with ratepayers.

	December 31,	
	2003	2002
Accrued expenses		
Accrued expenses	$148	$121
Taxes accrued	179	234
Interest accrued	213	183
Total	$540	$538

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

17. Related-Party Transactions

ComEd's financial statements include related-party transactions with its unconsolidated subsidiaries as reflected in the table below.

	December 31,	
	2003 (1)	2002
Receivables from affiliates (current)		
ComEd Funding Trust	$ 9	$—
Investment in subsidiaries		
ComEd Funding	45	—
ComEd Financing II	8	—
ComEd Financing III	6	—
Receivable from affiliates (noncurrent)		
ComEd Funding Trust	9	—
Payables to affiliates (current)		
ComEd Financing II	6	—
ComEd Financing III	4	—
Long-term debt to affiliates (including due within one year)		
ComEd Funding Trust	1,676	—
ComEd Financing II	155	—
ComEd Financing III	206	—

(1) Effective December 31, 2003, ComEd Financing II, ComEd Financing III, ComEd Funding and the ComEd Funding Trust were deconsolidated from the financial statements of ComEd in conjunction with the adoption of FIN No. 46-R. Amounts owed to ComEd Financing II, ComEd Financing III and ComEd Funding Trust were recorded as long-term debt to affiliate within the Consolidated Balance Sheets.

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, unless otherwise noted)

In addition to the transactions described above, ComEd's financial statements include related-party transactions as reflected in the tables below.

	For the Year Ended December 31,		
	2003	2002	2001
Operating revenues from affiliates			
Generation (1)	$ 50	$ 51	$ 39
Enterprises (1)	15	12	42
Purchased power from affiliate			
PPA with Generation (2)	2,479	2,559	2,656
Operations & maintenance from affiliates			
BSC (3)	115	124	114
Enterprises (4, 5)	26	12	21
PECO (11)	(5)	—	—
Interest income from affiliates			
UII (6)	21	30	61
PECO (7)	—	—	8
Generation (8)	—	—	9
Exelon intercompany money pool (13)	2	—	—
Other	2	1	1
Interest expense from affiliate			
Generation (2, 9)	—	4	10
Capitalized costs			
BSC (3)	4	9	23
Enterprises (5)	21	21	26
Cash dividends paid to parent	401	470	483

	December 31,	
	2003	2002
Receivables from affiliates (current)		
UII (6)	$ 3	$ 15
PECO (11)	6	—
Exelon intercompany money pool (13)	405	—
Other	5	—
Receivables from affiliates (noncurrent)		
UII (6)	1,071	1,284
Generation (14)	1,183	—
Other	8	16
Payables to affiliates (current)		
Generation decommissioning (10)	11	59
Generation (1, 2, 8)	171	339
BSC (3, 8)	13	18
Other	2	—
Payables to affiliates (noncurrent)		
Generation decommissioning (10)	22	218
Other	6	6
Shareholders' equity – receivable from parent (12)	250	615

(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 15 - Commitments and Contingencies for further information regarding the PPA. The payable to Generation primarily consists of

(Dollars in millions, unless otherwise noted)

services related to the PPA. During 2002, ComEd accrued interest expense on deferred PPA payments of $4 million.

(3) ComEd receives a variety of corporate support services from 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 (an Enterprises company) to provide energy conservation services to ComEd customers.

(5) ComEd receives substation and transmission engineering and construction services under contracts with InfraSource. A portion of such services is capitalized. Exelon sold InfraSource in September 2003.

(6) ComEd has a note and interest receivable with a variable rate of the one month forward LIBOR rate plus 50 basis points from Unicom Investments Inc. (UII) relating to the December 1999 fossil plant sale. This note matures in December 2011.

(7) At December 31, 2000, ComEd had a $400 million receivable from PECO, which was repaid in the second quarter of 2001.

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

(9) 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.

(10) ComEd has 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.

(11) In 2003, ComEd provided hurricane restoration assistance to PECO.

(12) ComEd has a non-interest bearing receivable from Exelon related to a corporate restructuring in 2001. The receivable is expected to be settled over the years 2004 through 2008.

(13) ComEd participates in Exelon's intercompany money pool. ComEd earns interest on its investment in the money pool at a market rate of interest.

(14) ComEd has a receivable from Generation related to a regulatory liability as a result of the adoption of SFAS No. 143. For further information see Note 10 – Nuclear Decommissioning.

18. Quarterly Data (Unaudited)

The data shown below include all adjustments which ComEd considers necessary for a fair presentation of such amounts:

	Operating Revenues		Operating Income		Income Before Cumulative Effect of a Change in Accounting Principle		Net Income	
	2003	2002	2003	2002	2003	2002	2003	2002
Quarter ended:								
March 31	$ 1,424	$ 1,315	$ 411	$ 332	$ 190	$ 129	$ 195	$ 129
June 30	1,361	1,481	443	502	205	231	205	231
September 30	1,737	1,938	363	490	163	215	163	215
December 31	1,292	1,390	350	442	144	215	144	215

19. Subsequent Events

On January 15, 2004, ComEd redeemed at maturity $26 million of its 5.3% pollution control bonds collateralized by first mortgage bonds. The proceeds from an issuance of $20 million of pollution control bonds in December 2003 and available cash were used to redeem these bonds.

On January 15, 2004, ComEd redeemed at maturity $150 million of its 7.375% notes.

PECO

Report of Independent Auditors

To the Shareholders and Board of Directors of
PECO Energy Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(3)(i) present fairly, in all material respects, the financial position of PECO Energy Company and Subsidiary Companies (PECO) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(3)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of PECO's management; our responsibility is to express an opinion on these financial statements and financial statement schedule 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 1 to the consolidated financial statements, PECO changed its method of accounting for derivative instruments and hedging activities as of January 1, 2001 and its method of accounting for variable interest entities in 2003; and as discussed in Note 9 to the consolidated financial statements, PECO changed its method of accounting for asset retirement obligations as of January 1, 2003.

PricewaterhouseCoopers LLP

Chicago, Illinois
January 28, 2004

PECO Energy Company and Subsidiary Companies

Consolidated Statements of Income

(in millions)	For the Years Ended December 31, 2003	2002	2001
Operating revenues			
Operating revenues	$ 4,377	$ 4,321	$ 3,953
Operating revenues from affiliates	11	12	12
Total operating revenues	4,388	4,333	3,965
Operating expenses			
Purchased power	244	231	190
Purchased power from affiliates	1,433	1,438	1,162
Fuel	419	348	450
Operating and maintenance	519	450	494
Operating and maintenance from affiliates	57	73	93
Depreciation and amortization	487	456	416
Taxes other than income	173	244	161
Total operating expenses	3,332	3,240	2,966
Operating income	1,056	1,093	999
Other income and deductions			
Interest expense	(321)	(370)	(405)
Interest expense to affiliates	(3)	—	(8)
Distributions on mandatorily redeemable preferred securities	(8)	(10)	(10)
Interest income from affiliates	—	—	10
Equity in earnings of unconsolidated affiliates	—	1	—
Other, net	2	31	36
Total other income and deductions	(330)	(348)	(377)
Income before income taxes	726	745	622
Income taxes	253	259	197
Net income	473	486	425
Preferred stock dividends	5	8	10
Net income on common stock	$ 468	$ 478	$ 415

See Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies

Consolidated Statements of Cash Flows

(in millions)	For the Years Ended December 31, 2003	2002	2001
Cash flows from operating activities			
Net income	$ 473	$ 486	$ 425
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	487	456	416
Provision for uncollectible accounts	52	46	69
Deferred income taxes and amortization of investment tax credits	(50)	(92)	(66)
Equity in earnings of unconsolidated affiliates	—	(1)	—
Other operating activities	8	8	91
Changes in assets and liabilities:			
Accounts receivable	(24)	(145)	(54)
Inventories	(32)	4	(15)
Other current assets	(2)	(6)	5
Accounts payable, accrued expenses and other current liabilities	(38)	22	(133)
Deferred energy costs	(50)	25	29
Change in receivables and payables to affiliates, net	(31)	(41)	73
Pension and non-pension postretirement benefits obligations	9	(9)	(24)
Other noncurrent assets and liabilities	12	7	18
Net cash flows provided by operating activities	814	760	834
Cash flows from investing activities			
Capital expenditures	(250)	(261)	(248)
Change in restricted cash	—	(8)	(69)
Other investing activities	4	9	7
Net cash flows used in investing activities	(246)	(260)	(310)
Cash flows from financing activities			
Issuance of long-term debt	450	225	1,055
Retirement of long-term debt	(718)	(571)	(1,416)
Issuance of long-term debt to affiliates	103	—	—
Change in short-term debt	(154)	99	(60)
Retirement of mandatorily redeemable preferred stock	(50)	(19)	(18)
Retirement of preferred stock	(50)	—	—
Dividends paid on preferred and common stock	(327)	(348)	(352)
Contribution from parent	159	150	225
Change in receivable and payable to affiliates, net	—	—	25
Other financing activities	—	(5)	31
Net cash flows used in financing activities	(587)	(469)	(510)
Increase (decrease) in cash and cash equivalents	(19)	31	14
Cash transferred in restructuring	—	—	(31)
Cash and cash equivalents at beginning of period	63	32	49
Cash and cash equivalents at end of period	$ 44	$ 63	$ 32

See Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies

Consolidated Balance Sheets

(in millions)	December 31, 2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 44	$ 63
Restricted cash	—	331
Accounts receivable, net		
Customer	363	379
Other	27	39
Inventories, at average cost		
Gas	99	67
Materials and supplies	7	8
Deferred energy costs	81	31
Other	11	9
Total current assets	632	927
Property, plant and equipment, net	4,256	4,159
Deferred debits and other assets		
Regulatory assets	5,226	5,546
Investments	39	19
Receivable from affiliates	117	—
Prepaid pension asset	68	41
Other	8	28
Total deferred debits and other assets	5,458	5,634
Total assets	$ 10,346	$ 10,720
Liabilities and shareholders' equity		
Current liabilities		
Commercial paper	$ 46	$ 200
Payables to affiliates	150	170
Long-term debt due within one year	—	689
Long-term debt to PECO Energy Transitional Trust due within one year	153	—
Accounts payable	92	87
Accrued expenses	237	332
Deferred income taxes	29	27
Other	35	33
Total current liabilities	742	1,538
Long-term debt	1,359	4,951
Long-term debt to affiliates	184	—
Long-term debt to PECO Energy Transitional Trust	3,696	—
Deferred credits and other liabilities		
Deferred income taxes	2,893	2,903
Unamortized investment tax credits	22	24
Non-pension postretirement benefits obligation	287	251
Other	147	164
Total deferred credits and other liabilities	3,349	3,342
Total liabilities	9,330	9,831
Commitments and contingencies		
Mandatorily redeemable preferred securities	—	128
Shareholders' equity		
Common stock	1,999	1,976
Receivable from parent	(1,623)	(1,758)
Preferred stock	87	137
Retained earnings	546	401
Accumulated other comprehensive income	7	5
Total shareholders' equity	1,016	761
Total liabilities and shareholders' equity	$ 10,346	$ 10,720

See Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(in millions)	Common Stock	Preferred Stock	Receivable from Parent	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2000	$ 1,449	$ 137	$ —	$ 190	$ (1)	$ 1,775
Net income	—	—	—	425	—	425
Common stock dividends	—	—	—	(342)	—	(342)
Preferred stock dividends	—	—	—	(10)	—	(10)
Receivable from parent	1,983	—	(1,983)	—	—	—
Repayment of receivable from parent	—	—	105	—	—	105
Stock option exercises	(26)	—	—	—	—	(26)
Capital contribution from parent	121	—	—	—	—	121
Net assets transferred in restructuring	(1,608)	—	—	—	—	(1,608)
Other comprehensive income, net of income taxes of $16	—	—	—	—	20	20
Balance, December 31, 2001	1,919	137	(1,878)	263	19	460
Net income	—	—	—	486	—	486
Common stock dividends	—	—	—	(340)	—	(340)
Preferred stock dividends	—	—	—	(8)	—	(8)
Repayment of receivable from parent	—	—	120	—	—	120
Capital contribution from parent	30	—	—	—	—	30
Allocation of tax benefit from parent	27	—	—	—	—	27
Other comprehensive income, net of income taxes of $(9)	—	—	—	—	(14)	(14)
Balance, December 31, 2002	1,976	137	(1,758)	401	5	761
Net income	—	—	—	473	—	473
Common stock dividends	—	—	—	(322)	—	(322)
Preferred stock dividends	—	—	—	(5)	—	(5)
Redemption of preferred stock	—	(50)	—	(1)	—	(51)
Repayment of receivable from parent	—	—	135	—	—	135
Capital contribution from parent	17	—	—	—	—	17
Allocation of tax benefit from parent	7	—	—	—	—	7
Return of equity from unconsolidated affiliate	(1)	—	—	—	—	(1)
Other comprehensive income, net of income taxes of $1	—	—	—	—	2	2
Balance, December 31, 2003	$ 1,999	$ 87	$ (1,623)	$ 546	$ 7	$ 1,016

See Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies

Consolidated Statements of Comprehensive Income

(in millions)	For the Years Ended December 31, 2003	2002	2001
Net income	$473	$486	$425
Other comprehensive income (loss)			
SFAS No. 133 transition adjustment, net of income taxes of $29	$—	$—	$ 40
Cash-flow hedge fair value adjustment, net of income taxes of $(8) and $(13), respectively	—	(13)	(20)
Unrealized gain (loss) on marketable securities, net of income taxes of $1 and $(1), respectively	2	(1)	—
Total other comprehensive income (loss)	2	(14)	20
Total comprehensive income	$475	$472	$445

See Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data unless otherwise noted)

1. Significant Accounting Policies

Description of Business

Incorporated in Pennsylvania in 1929, PECO Energy Company (PECO) is engaged principally in the purchase, transmission, distribution and sale of electricity to residential, commercial, industrial and wholesale customers and the distribution and sale of natural gas to residential, commercial and industrial customers. Pursuant to the Pennsylvania Electricity Generation Customer Choice and Competition Act (Competition Act), the Commonwealth of Pennsylvania requires the unbundling of retail electric services in Pennsylvania into separate generation, transmission and distribution services with open retail competition for generation services. PECO serves as the local distribution company providing electric distribution services in its franchised service territory in southeastern Pennsylvania and bundled electric service to customers who do not choose an alternate electric generation supplier.

Basis of Presentation

On October 20, 2000, Exelon Corporation (Exelon) became the parent corporation of PECO and Commonwealth Edison Company (ComEd) as a result of the completion of the transactions contemplated by an Agreement and Plan of Exchange and Merger, as amended (Merger), among PECO, Unicom Corporation, and Exelon. As a result of the Merger, PECO is a principal subsidiary of Exelon, which owns 100% of PECO's common stock. During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses at PECO and ComEd. As part of the restructuring, the generation-related operations and assets and liabilities of PECO were transferred to Exelon Generation Company, LLC (Generation). Additionally, certain operations and assets and liabilities of PECO were transferred to Exelon Business Services Company (BSC).

The consolidated financial statements of PECO at December 31, 2003 include the accounts of its ExTel Corporation, LLC, Adwin Realty Company and PECO Wireless, LP. All intercompany transactions have been eliminated. As of July 1, 2003, PECO Trust IV was no longer consolidated within the financial statements of PECO. Effective December 31, 2003, the accounts of PECO Energy Transition Trust and PECO Energy Capital Corporation are no longer consolidated. See "Variable Interest Entities" below. PECO accounts for its less than 20% owned investments under the cost method of accounting.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassifications did not affect net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. Areas in which significant estimates have been made include, but are not limited to, the accounting for unbilled revenues, derivatives, environmental costs, allowance for doubtful accounts, fixed asset depreciation, taxes and pension and other postretirement benefits.

Accounting for the Effects of Regulation

PECO is regulated by the Pennsylvania Public Utility Commission (PUC) under state public utility laws, the Federal Energy Regulatory Commission (FERC) under various Federal laws, and the Securities and Exchange

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA). PECO accounts for all of its regulated electric and gas operations in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," (SFAS No. 71) which requires PECO to record in its financial statements the effects of the rate regulation to which these operations are currently subject. Use of SFAS No. 71 is applicable to the utility operations of PECO that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable assumption that all costs will be recoverable from customers through rates. PECO believes that it is probable that currently recorded regulatory assets and liabilities associated with these operations will be recovered or settled. If a separable portion of PECO's business no longer meets the provisions of SFAS No. 71, PECO is required to eliminate the financial statement effects of regulation for that portion.

Segment Information

PECO operates in one segment – energy delivery. Energy delivery consists of the retail electric distribution and transmission business of PECO in southeastern Pennsylvania, and the sale of natural gas and distribution services by PECO in four Pennsylvania counties surrounding the city of Philadelphia

Variable Interest Entities

The FASB issued FASB Interpretation (FIN) No. 46 "Consolidation of Variable Interest Entities" (FIN No. 46) in January 2003 and issued its revision in FASB Interpretation No. 46-R "Consolidation of Variable Interest Entities" (FIN No. 46-R) in December 2003, which addressed the requirements for consolidating certain variable interest entities. FIN No. 46 was effective for PECO's variable interest entities created after January 31, 2003 and FIN No. 46-R was effective December 31, 2003 for PECO's other variable interest entities that are considered to be special-purpose entities. FIN No. 46-R applies to all other variable interest entities as of March 31, 2004.

PECO Energy Capital Trust IV (PECO Trust IV), a financing subsidiary of PECO created in May 2003, was not consolidated within the financial statements of PECO pursuant to the provisions of FIN No. 46 as of July 1, 2003. As of December 31, 2003, the remaining financing trusts of PECO, including PECO Energy Capital Trust III (PECO Trust III) and PECO Energy Transition Trust (PETT), were not consolidated within the financial statements of PECO pursuant to the provisions of FIN No. 46-R. Amounts of $4.0 billion owed to these financing trusts were recorded as debt to affiliates and debt to PECO Transitional Trust within the Consolidated Balance Sheets at December 31, 2003. PECO recognized equity in earnings related to these unconsolidated financing subsidiaries of less than $1 million for the year ended December 31, 2003. This change in presentation had no impact on PECO's net income. In accordance with FIN No. 46-R, prior periods have not been restated.

Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS No. 150). SFAS No. 150 requires that certain instruments that have characteristics of both liabilities and equity be classified as liabilities in the statement of financial position. SFAS No. 150 affects the accounting for three types of freestanding financial instruments: mandatorily redeemable shares, instruments that do or may require the issuer to buy some of its shares in exchange for cash or other assets, and obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominately to a variable such as a market index, or varies inversely with the value of the issuer's shares.

Most of the guidance of SFAS No. 150 was effective for all financial instruments entered into or modified after May 31, 2003, and otherwise was effective for PECO as of July 1, 2003. As a result of the implementation

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of FIN No. 46-R and the subsequent deconsolidated of certain financing subsidiaries of PECO, the implementation of SFAS No. 150 had no impact for the year ended December 31, 2003 on PECO's financial position or results of operations.

Revenues

Operating revenues are generally recorded as service is rendered or energy is delivered to customers. At the end of each month, PECO accrues an estimate for the unbilled amount of energy delivered or services provided to its electric and gas customers. See Note 3 - Accounts Receivable for further discussion.

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure - an amendment of FASB Statement No. 123" (SFAS No. 148). PECO adopted the additional disclosure requirements of SFAS No. 148 in 2002 and continues to account for its stock-compensation plans under the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The table below shows the effect on net income had PECO elected to account for its stock-based compensation plans using the fair-value method under SFAS No. 123 for the years ended December 31, 2003, 2002 and 2001:

	2003	2002	2001
Net income – as reported	$473	$486	$425
Deduct: total stock-based compensation expense determined under fair-value method for all awards, net of income taxes	3	13	15
Pro forma net income	$470	$473	$410

Income Taxes

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax carryforwards. Investment tax credits previously utilized for income tax purposes have been deferred on PECO's Consolidated Balance Sheets and are recognized in book income over the life of the related property. PECO and its subsidiaries file a consolidated return with Exelon for Federal and certain state income tax returns. Income taxes of the Exelon consolidated group are allocated to PECO based on the separate return method (see Note 8 - Income Taxes.).

PECO is a party to an agreement (the "Tax Sharing Agreement") that provides for the allocation of consolidated tax liabilities. The Tax Sharing Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the party receiving the benefit.

Gains and Losses on Reacquired Debt

Recoverable gains and losses on reacquired debt related to regulated operations are deferred and amortized to interest expense over the life of the new debt issued to finance the debt redemption consistent with rate recovery for ratemaking purposes.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to shareholders. Comprehensive Income is reflected in the Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statements of Comprehensive Income.

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Cash and Cash Equivalents

PECO considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Prior to the adoption of FIN No. 46-R, the restricted cash of PETT was included in PECO's Consolidated Balance Sheets. As of December 31, 2002, the restricted cash reflected escrowed cash to be applied to the principal and interest payments on the debt issued by PETT.

Inventories

Gas inventory includes the cost of stored natural gas and propane. PECO has several long-term storage contracts as well as a liquefied natural gas facility. Gas inventory is recorded using a weighted average cost.

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. At December 31, 2003 and 2002, PECO had no held-to-maturity or trading securities.

Purchased Gas Adjustment Clause

PECO's natural gas rates are subject to a fuel adjustment clause designed to recover or refund the difference between the actual cost of purchased gas and the amount included in rates. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective quarterly adjustments to rates, which are subject to periodic review by the PUC. At December 31, 2003 and 2002, deferred energy costs of $81 million and $31 million, respectively, which are expected to be recovered under the fuel adjustment clause, were recorded in other current assets on PECO's Consolidated Balance Sheets

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. PECO evaluates the carrying value of property, plant and equipment and other long-term assets for impairment whenever circumstances indicate the carrying value of those assets may not be recoverable under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Upon retirement, the cost of regulated property, net of salvage, is charged to accumulated depreciation and removal costs reduce the related regulated liability in accordance with the provisions of SFAS No. 71. For unregulated property, 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 any gain or loss on disposition. (See Note 4 – Property, Plant and Equipment.)

Capitalized Software Costs

Costs incurred during the application development stage of software projects that are developed or obtained for internal use are capitalized. At December 31, 2003 and 2002, capitalized software costs totaled $147 million and $134 million, respectively, net of $94 million and $79 million accumulated amortization, respectively. Such

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capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, not to exceed ten years. During 2003, 2002, and 2001, PECO amortized capitalized software costs of $15 million, $17 million, and $16 million, respectively.

Depreciation and Amortization

Depreciation, including a provision for estimated removal costs as authorized by the PUC, is provided over the estimated service lives of property, plant and equipment on a straight-line basis. Annual depreciation provisions for financial reporting purposes, expressed as a percentage of average service life for each asset category, are presented below:

Asset Category	2003	2002	2001
Electric-transmission and distribution	2.08%	2.09%	2.13%
Gas	2.38%	2.13%	2.34%
Common – gas and electric	7.53%	6.40%	6.26%
Other property and equipment	1.27%	0.71%	0.60%

Amortization of regulatory assets is provided over the recovery period as specified in the related regulatory agreement.

Allowance for Funds Used During Construction

Allowance for Funds Used During Construction (AFUDC) is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC of $1 million, $1 million and $2 million in 2003, 2002 and 2001, respectively, was recorded as a charge to construction work in progress and as a non-cash credit to AFUDC which is included in other income and deductions. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

Derivative Financial Instruments

PECO 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 and normal sales exception. Changes in the fair value of the derivative financial instruments are recognized in earnings unless specific hedge accounting criteria are met, in which case those changes are recorded in other comprehensive income.

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.

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On January 1, 2001, PECO deferred a non-cash gain of $40 million, net of income taxes, in accumulated other comprehensive income to reflect the initial adoption of SFAS No. 133, as amended. SFAS No. 133 is 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. In connection with Exelon's Risk Management Policy, PECO enters 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.

New Accounting Pronouncements

Through Exelon's postretirement benefit plans, PECO provides retirees with prescription drug coverage. On December 8, 2003 the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Prescription Drug Act) was enacted. The Prescription Drug Act introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. In response to the enactment of the Prescription Drug Act, the FASB issued FASB Staff Position (FSP) FAS 106-1 (FSP FAS 106-1) in January 2004, which permits a plan sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer the accounting for the effects of the Prescription Drug Act. Exelon has made the one-time election allowed by FSP FAS 106-1. Thus, PECO's financial statements and Note 10 – Retirement Benefits do not reflect the effects of the Prescription Drug Act on PECO's allocated portion of Exelon's postretirement plans. Exelon is evaluating what impact the Prescription Drug Act will have on its postretirement benefit plans and whether it will be eligible for a Federal subsidy beginning in 2006. Specific authoritative guidance on the accounting for the Federal subsidy is pending, and that guidance, when issued, could require PECO to change previously reported information.

As discussed above, FIN No. 46 was effective for PECO's variable interest entities created after January 31, 2003 and FIN No. 46-R was effective December 31, 2003 for PECO's other variable interest entities that are considered to be special-purpose entities. FIN No. 46-R applies to all other variable interest entities as of March 31, 2004. PECO continues to review other entities with which PECO and its subsidiaries have business arrangements to determine if those entities are variable interest entities under FIN No. 46-R and, if so, whether consolidation of these entities will be required as of March 31, 2004.

2. Regulatory Issues

In 2003, the phased process to implement competition in the electric industry continued as mandated by the requirements of the PUC's Final Restructuring Order as further discussed below.

Rate limitations. PECO is subject to agreed-upon rate reductions of $200 million, in aggregate, for the period 2002 through 2005, including $80 million, in aggregate, for the years 2004 and 2005, and caps (subject to limited exceptions for significant increases in Federal or state income taxes or other significant changes in law or regulation that do not allow PECO to earn a fair rate of return) on its transmission and distribution rates through December 31, 2006, and on its energy rates through December 31, 2010, as a result of settlements previously reached with the PUC.

Nuclear Decommissioning Cost Adjustment Clause. On July 25, 2003, the PUC approved an adjustment to PECO's Nuclear Decommissioning Cost Adjustment clause. Effective January 1, 2004, PECO will be permitted to recover an additional $3.6 million annually, or $33 million compared to $29 million previously, all of which is remitted to Generation.

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Customer Choice. The 1998 Electric Restructuring Settlement approved by the PUC established a market share threshold (MST) to promote competition. The MST requirements provided that if, as of January 1, 2003, less than 50% of residential and commercial customers had chosen an alternative electric generation supplier, the number of customers sufficient to meet the MST would be randomly selected and assigned to an alternative electric generation supplier through a PUC-determined process. On January 1, 2003, the number of customers choosing an alternative electric generation supplier did not meet the MST. As a result of a PUC-approved auction process, approximately 64,000 small commercial and industrial customers and 267,000 residential customers were selected to participate in the MST program of which approximately 50,000 and 194,000 enrolled with alternative electric generation suppliers in May 2003 and December 2003, respectively. Any customer transferred has the right to return to PECO at any time. PECO does not expect the transfer of customers pursuant to the MST plan to have a material impact on its results of operations, financial position or cash flows.

3. Accounts Receivable

Customer accounts receivable at December 31, 2003 and 2002 included unbilled operating revenues of $143 million and $129 million, respectively. The allowance for uncollectible accounts at December 31, 2003 and 2002 was $72 million.

PECO has made changes to its accounting estimate processes related to the allowance for uncollectible accounts. As a result, the allowance for uncollectible accounts reserve was reduced by $17 million in the fourth quarter of 2002.

PECO is party to an agreement 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 until November 2005. At December 31, 2003, PECO had sold a $225 million interest in accounts receivable, consisting of a $176 million interest in accounts receivable which PECO accounted for as a sale under SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities - a Replacement of FASB Statement No. 125,” (SFAS No. 140) and a $49 million interest in special-agreement accounts receivable which was accounted for as a long-term note payable. At December 31, 2002, PECO had sold a $225 million interest in accounts receivable, consisting of a $164 million interest in accounts receivable which PECO accounted for as a sale under SFAS No. 140 and a $61 million interest in special-agreement accounts receivable which was accounted for as a long-term note payable (see Note 7 - Long-Term Debt). 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 December 31, 2003 and 2002, PECO met this requirement and was not required to make any cash deposits.

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4. Property, Plant and Equipment

A summary of property, plant and equipment by classification as of December 31, 2003 and 2002 is as follows:

Asset Category	2003	2002
Electric – transmission and distribution	$4,458	$4,269
Gas – transmission and distribution	1,387	1,319
Common	376	370
Construction work in progress	64	127
Other property, plant and equipment	19	19
Total property, plant and equipment	6,304	6,104
Less accumulated depreciation	2,048	1,945
Property, plant and equipment, net	$4,256	$4,159

Depreciation expense, which is included in cost of service for rate purposes, includes an estimated cost of dismantling and removing plant from service upon retirement. In accordance with regulatory accounting practice, collections for future removal costs are recorded as a regulatory liability. See Note 15 – Supplemental Information for more information on PECO's regulatory liability related to future removal costs.

5. Severance Accounting

Exelon provides severance and health and welfare benefits to terminated employees pursuant to pre-existing severance plans primarily based upon each individual employee's years of service with Exelon and compensation level. Exelon accounts for its ongoing severance plans in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43" (SFAS No. 112) and SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and accrues amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

As part of the implementation of Exelon's new business model referred to as The Exelon Way, during 2003, PECO identified 166 positions for elimination by the end of 2004. PECO recorded a charge for salary continuance severance of $16 million during 2003, which represented salary continuance severance costs that were probable and could be reasonably estimated as of December 31, 2003. During 2003, PECO recorded a charge of $4 million associated with special health and welfare severance benefits offered through The Exelon Way. In addition to cash and health and welfare severance benefits, PECO incurred curtailment costs associated with pension and postretirement benefit plans of $10 million as a result of personnel reductions due to The Exelon Way. In total, PECO recorded charges of $30 million in 2003 associated with The Exelon Way. See Note 10 – Retirement Benefits for a description of the curtailment charges for the pension and postretirement benefit plans.

PECO based its estimate of the number of positions to be eliminated on management's current plans and its ability to determine the appropriate staffing levels to effectively operate the business. PECO may incur further severance costs associated with The Exelon Way if additional positions are identified for elimination. These costs will be recorded in the period in which the costs can be reasonably estimated.

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The following table details PECO's total salary continuance severance expense recorded as an operating and maintenance expense within the Consolidated Statements of Income. During 2002 and 2001, no amounts were recorded as severance expense.

Salary continuance severance charges	
Expense recorded - 2003	$ 16
Expense recorded - 2002	—
Expense recorded - 2001	—

The following table provides a rollforward of PECO's salary continuance severance obligation from January 1, 2003 through December 31, 2003. PECO had no severance charges or cash payments during 2002.

Salary continuance severance obligation	
Balance as of January 1, 2003	$—
Severance charges recorded	16
Cash payments	(2)
Other adjustments	—
Balance as of December 31, 2003	$ 14

6. Notes Payable and Short-Term Debt

	2003	2002	2001
Average borrowings	$ 168	$ 155	$ 3
Maximum borrowings outstanding	582	612	471
Average interest rates, computed on a daily basis	1.23%	1.77%	2.99%
Average interest rates, at December 31	1.02%	1.51%	2.25%

In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, PECO's aggregate sublimit under the credit agreements was $150 million. Sublimits under the credit agreements can change upon written notification to the bank group. PECO had approximately $48 million of unused bank commitments under the credit agreements at December 31, 2003. At December 31, 2003 and 2002, commercial paper outstanding was $46 million and $200 million, respectively. Interest rates on the advances under the credit facility are based on either the London Interbank Offering Rate (LIBOR) or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. The maximum adder would be 175 basis points.

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7. Long-Term Debt

	December 31, 2003		December 31,	
	Rates	Maturity Date	2003	2002
Securitized long-term debt (a)				
PETT Transition Bonds Series 1999-A:				
Fixed rates			$ —	$ 2,426
Floating rates			—	274
PETT Transition Bonds Series 2000-A:			—	750
PETT Transition Bonds Series 2001:			—	805
Other long-term debt				
First and Refunding Mortgage Bonds (b) (c):				
Fixed rates	3.50%-6.63%	2004-2012	1,002	1,000
Floating rates	1.08%-1.12%	2012	154	154
Pollution control notes:				
Fixed rates	5.20%-5.30%	2021-2034	156	157
Floating rates			—	17
Notes payable – accounts receivable agreement	1.40%	2005	49	61
Total long-term debt (d)			1,361	5,644
Unamortized debt discount and premium, net			(2)	(4)
Due within one year			—	(689)
Long-term debt			$ 1,359	$ 4,951
Long-term debt to affiliates (a)				
Subordinated debentures to PECO Trust IV	5.75%	2033	$ 103	$ —
Subordinated debentures to PECO Trust III	7.38%	2028	81	—
Payable to PECO Energy Transitional Trust:				
Series 1999-A				
Fixed rates	5.80%-6.13%	2004-2008	2,138	—
Floating rates	1.35%-1.42%	2004-2007	155	—
Series 2000-A	7.63%-7.65%	2009	750	—
Series 2001	6.52%	2010	806	—
Total long-term debt to affiliates (e)			4,033	—
Long-term debt to affiliates due within one year			(153)	—
Long-term debt to affiliates			$ 3,880	$ —

(a) Effective July 1, 2003, PECO Trust IV, a financing subsidiary created in May 2003, was deconsolidated from the financial statements of PECO in conjunction with the adoption of FIN No. 46. Effective December 31, 2003, PECO Trust III and PETT were deconsolidated from the financial statements in conjunction with the adoption of FIN No. 46-R. Amounts owed to PETT have been recorded as long-term debt to affiliate within the Consolidated Balance Sheets, and interest owed to PECO Trust IV has been recorded as interest expense to affiliates within the Consolidated Statements of Income.

(b) Utility plant of PECO is subject to the lien of the PECO mortgage indenture.

(c) Includes first mortgage bonds issued under the PECO mortgage indenture securing pollution control notes.

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(d) Long-term debt maturities in the period 2004 through 2008 and thereafter are as follows:

2004	$ —
2005	124
2006	—
2007	—
2008	452
Thereafter	785
Total	$1,361

(e) Long-term debt to affiliates maturities in the period 2004 through 2008 and thereafter are as follows:

2004	$ 153
2005	434
2006	515
2007	645
2008	625
Thereafter	1,661
Total	$4,033

During 2003, the following long-term debt was issued:

Type	Rate	Maturity	Amount
First and Refunding Mortgage Bonds	3.50%	May 1, 2008	$ 450
Long-term debt to PECO Trust IV	5.75%	June 15, 2033	103
Total issuances			$ 553

During 2003, payments were made on the following long-term debt:

Type	Rate	Maturity	Amount
First Mortgage Bonds	6.625%	March 1, 2003	$ 250
PECO Energy Transitional Trust	5.63%	March 1, 2003	78
PECO Energy Transitional Trust	1.35%	March 1, 2004	90
PECO Energy Transitional Trust	5.80%	March 1, 2004	71
First Mortgage Bonds	6.50%	May 1, 2003	200
Pollution Control Revenue Bonds	Variable	June 1, 2027	17
Total payments			$ 706

See Note 11 – Fair Value of Financial Assets and Liabilities for additional information regarding interest-rate swaps. See Note 12 – Preferred Securities of Subsidiaries for additional information regarding mandatorily redeemable preferred securities and preferred stock.

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8. Income Taxes

Income tax expense (benefit) is comprised of the following components:

	For the Year Ended December 31,		
	2003	2002	2001
Included in operations:			
Federal			
Current	$257	$305	$255
Deferred	(15)	(51)	(49)
Investment tax credit amortization	(2)	(3)	(3)
State			
Current	46	46	8
Deferred	(33)	(38)	(14)
	$253	$259	$197

The effective income tax rate varies from the U.S. Federal statutory rate principally due to the following:

	For the Year Ended December 31,		
	2003	2002	2001
U.S. Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
Plant basis differences	(1.1)	(1.5)	(0.8)
State income taxes, net of Federal income tax benefit	1.1	0.7	(0.6)
Amortization of investment tax credit	(0.4)	(0.3)	(0.4)
Other, net	0.2	0.9	(1.5)
Effective income tax rate	34.8%	34.8%	31.7%

The tax effects of temporary differences giving rise to significant portions of PECO's deferred tax assets and liabilities as of December 31, 2003 and 2002 are presented below:

	2003	2002
Deferred tax liabilities:		
Stranded cost recovery	$1,784	$1,923
Plant basis difference	1,253	1,138
Deferred investment tax credits	22	24
Deferred debt refinancing costs	20	22
Unrealized gain on derivative financial instruments	11	6
Total deferred tax liabilities	3,090	3,113
Deferred tax assets:		
Deferred pension and postretirement obligations	(49)	(44)
Other, net	(97)	(115)
Total deferred tax assets	(146)	(159)
Deferred income tax liabilities (net) on the Consolidated Balance Sheets	$2,944	$2,954

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In accordance with regulatory treatment of certain temporary differences, PECO has recorded a net regulatory asset associated with deferred income taxes, pursuant to SFAS No. 71 and SFAS No. 109 "Accounting for Income Taxes," of $762 million and $729 million at December 31, 2003 and 2002, respectively. See Note 15 – Supplemental Financial Information for further discussion of PECO's regulatory asset associated with deferred income taxes.

Certain PECO tax returns are under review at the audit or appeals level of the Internal Revenue Service (IRS) and certain state authorities. These reviews by the governmental taxing authorities are not expected to have an adverse impact on the financial condition or results of operations at PECO.

In 2003 and 2002, PECO received $7 million and $27 million, respectively, from Exelon related to PECO's allocation of tax benefits under the Exelon Tax Sharing Agreement.

9. Nuclear Decommissioning

SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) provides accounting requirements for retirement obligations (whether statutory, contractual or as a result of principles of promissory estoppel) associated with tangible long-lived assets. PECO was required to adopt SFAS No. 143 as of January 1, 2003.

Exelon was required to re-measure the decommissioning liabilities at fair value using the methodology prescribed by SFAS No. 143. The transition provisions of SFAS No. 143 required Exelon to apply this re-measurement back to the historical periods in which asset retirement obligations (AROs) were incurred, resulting in a re-measurement of these obligations at the date the related assets were acquired.

In the case of the nuclear power plants formerly owned by PECO, the SFAS No. 143 ARO calculation yielded decommissioning obligations greater than the corresponding trust assets. As such, a regulatory asset of $20 million and a corresponding payable to Generation were recorded upon adoption of SFAS No. 143 at PECO. Due to additional contributions to and increases in the market value of the decommissioning trusts, as of December 31, 2003, the trust assets exceeded the ARO by $12 million. This amount was recorded as a regulatory liability with a corresponding receivable from Generation. Exelon believes that all of the decommissioning assets, including $29 million of annual collections from PECO ratepayers, which will increase to approximately $33 million beginning in 2004, will be used to decommission the former PECO plants. Exelon also expects the regulatory liability will be reduced to zero at the conclusion of the decommissioning of the former PECO plants. See Note 2 – Regulatory Issues for more information regarding the annual collections from PECO ratepayers.

10. Retirement Benefits

PECO has adopted defined benefit pension plans and postretirement welfare benefit plans sponsored by Exelon. In 2001, PECO's former plans were consolidated into the Exelon plans. Substantially all PECO employees are eligible to participate in these plans. Benefits under these plans generally reflect each employee's compensation, years of service, and age at retirement.

The prepaid pension asset and non-pension postretirement benefits obligation on PECO's Consolidated Balance Sheets reflects PECO's obligation from and to the plan sponsor, Exelon. Employee-related assets and liabilities, including both pension and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," postretirement welfare assets and liabilities, were allocated by Exelon to its subsidiaries based on the number of active employees as of January 1, 2001 as part of Exelon's corporate restructuring. Exelon

(Dollars in millions, except per share data unless otherwise noted)

allocates the components of pension and postretirement benefits expense to the participating employers based upon several factors, including the percentage of active employees in each participating unit.

See Note 14 – Retirement Benefits of the Notes to Exelon's Consolidated Financial Statements for pension and other postretirement benefits information for the Exelon plans.

Approximately $35 million, $22 million and $(2) million were included in operating and maintenance expense in 2003, 2002 and 2001, respectively, for PECO's allocated portion of Exelon's pension and postretirement benefit expense. PECO made pension and postretirement benefit contributions of $49 million annually in 2003 and 2002. PECO expects to contribute up to $8 million to the pension benefit plans in 2004.

During 2003, PECO recognized curtailment charges of $10 million associated with an overall reduction in participants in its pension and postretirement benefit plans due to employee reductions associated with The Exelon Way.

PECO participates in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. PECO matches a percentage of the employee contribution up to certain limits. The cost of PECO's matching contribution to the savings plan totaled $7 million annually in 2003, 2002 and 2001.

11. Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of PECO's financial assets and liabilities as of December 31, 2003 and 2002 were as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivatives:				
Liabilities				
Long-term debt (including amounts due within one year) (a)	$ 1,361	$ 1,380	$ 5,644	$ 6,264
Long-term debt to PETT (including amounts due within one year) (a)	3,849	4,215	—	—
Long-term debt to affiliates (including amounts due within one year) (a)	184	189	—	—
Mandatorily redeemable preferred securities (a)	—	—	128	165
Derivatives:				
Floating-to-fixed interest-rate swaps (a)	$ —	$ —	$ (22)	$ (22)

(a) Effective July 1, 2003, PECO Trust IV was deconsolidated from the financial statements of PECO. Effective December 31, 2003, PETT and PECO Energy Capital Corp. were deconsolidated from the financial statements of PECO. The deconsolidation of these entities is in conjunction with the adoption of FIN No. 46-R. Amounts owed to PECO Trust IV, PETT and PECO Energy Capital Corp. were recorded as long-term debt to affiliate within the Consolidated Balance Sheets.

As of December 31, 2003 and 2002, PECO'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 long-term debt and mandatorily redeemable preferred securities are estimated based on quoted market prices for

the same or similar issues. The fair value of PECO's interest-rate swaps is determined using external dealer prices or internal valuation models which utilize assumptions of available market pricing curves.

Financial instruments that potentially subject PECO to concentrations of credit risk consist principally of cash equivalents and customer accounts receivable. PECO places its cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to customer accounts receivable are limited due to PECO's large number of customers and their dispersion across many industries.

PECO has interest-rate swaps in place to satisfy counterparty credit requirements in regards to the floating-rate series of transition bonds which are mirror swaps of each other. These swaps are not designated as cash-flow hedges; therefore, they are required to be marked-to-market if there is a difference in their values. Since these swaps are offsetting each other, a mark-to-market adjustment is not expected to occur.

During 2003, PECO had entered into forward-starting interest-rate swaps, with an aggregate notional amount of $360 million, in anticipation of the issuance of debt. These interest-rate swaps were designated as cash-flow hedges. In connection with bond issuances in 2003, PECO settled these forward-starting interest-rate swaps resulting in a $1 million pretax gain recorded in other comprehensive income, a component of shareholders' equity, which is being amortized over the life of the related debt to interest expense.

For 2001, $6 million ($4 million, net of income taxes) was reclassified from accumulated other comprehensive income into earnings as a result of forecasted financing transactions no longer being probable.

As of December 31, 2003, $11 million of deferred net gains on derivative instruments accumulated in other comprehensive income are expected to be reclassified to interest expense 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.

At December 31, 2003 and 2002, the aggregate unamortized net gain on the settlements of swap transactions was $35 million and $41 million, respectively, recorded in accumulated other comprehensive income.

PECO 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 derivative contracts is represented by the fair value of contracts at the reporting date. PECO's interest-rate swaps are documented under master agreements. Among other things, these agreements provide for a maximum credit exposure for both parties. Payments are required by the appropriate party when the maximum limit is reached.

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

12. Preferred Securities

Preferred Stock

At December 31, 2003 and 2002, cumulative Preferred Stock of PECO, no par value, consisted of 15,000,000 shares authorized and the amounts set forth below:

		December 31,			
	Current Redemption Price (a)	2003	2002	2003	2002
		Shares Outstanding		Dollar Amount	
Series (without mandatory redemption)					
$4.68 (Series D)	$ 104.00	150,000	150,000	$ 15	$ 15
$4.40 (Series C)	112.50	274,720	274,720	27	27
$4.30 (Series B)	102.00	150,000	150,000	15	15
$3.80 (Series A)	106.00	300,000	300,000	30	30
$7.48	(b)	—	500,000	—	50
Total preferred stock		874,720	1,374,720	$ 87	$ 137

(a) Redeemable, at the option of PECO, at the indicated dollar amounts per share, plus accrued dividends.
(b) Redeemed during 2003.

On June 11, 2003, PECO redeemed $50 million of its $7.48 preferred stock at a redemption price of $103.74 per share, plus accrued and unpaid dividends.

Mandatorily Redeemable Preferred Securities of a Partnership

At December 31, 2002, PECO Energy Capital, L.P. (Partnership), a Delaware limited partnership of which a wholly owned subsidiary of PECO is the sole general partner, had outstanding Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership (COMPrS) as set forth in the following table:

	Mandatory Redemption Date	Distribution Rate	Liquidation Value	Trust Securities Outstanding	Amount
PECO Energy Capital Trust II	2037	8.00%	$ 25	2,000,000	$ 50
PECO Energy Capital Trust III	2028	7.38%	1,000	78,105	78
Total				2,078,105	$ 128

The securities issued by the PECO trusts represent COMPrS having a distribution rate and liquidation value equivalent to the trust securities. The COMPrS are the sole assets of these trusts and represent limited partnership interests of the Partnership. Each holder of a trust's securities is entitled to withdraw the corresponding number of COMPrS from the trust in exchange for the trust securities so held. Each series of COMPrS is supported by PECO's deferrable interest subordinated debentures, held by the Partnership, which bear interest at rates equal to the distribution rates on the related series of COMPrS.

Effective December 31, 2003, PECO Energy Capital Trust III was deconsolidated from the financial statements of PECO in conjunction with the adoption of FIN 46-R and $81 million of subordinated debentures issued by PECO to PECO Energy Trust III was recorded as long-term debt to affiliate within the Consolidated Balance Sheets. See "Variable Interest Entities" within Note 1 – Significant Accounting Policies for further information.

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

During June 2003, PECO issued $103 million of 5.75% deferrable interest subordinated debentures due 2033 to PECO Trust IV in connection with the issuance by PECO Trust IV of $100 million of 5.75% preferred securities that are mandatorily redeemable in 2033. Effective July 1, 2003, PECO Trust IV was deconsolidated from the financial statements of PECO in conjunction with the adoption of FIN No. 46 and $103 million of deferrable interest subordinated debentures issued by PECO to PECO Trust IV was recorded as long-term debt to affiliate within the Consolidated Balance Sheets. See Note 1 – New Accounting Principles and Accounting Changes for further information. The proceeds of the issue were used to redeem the trust preferred securities discussed below and the preferred stock as disclosed above.

Also on June 24, 2003, PECO Energy Capital Trust II, a financing subsidiary of PECO, redeemed $50 million of its 8.00% trust preferred securities at a redemption price of $25 per trust receipt, plus accrued and unpaid distributions.

Prior to the adoption of FIN No. 46-R the interest expense on the COMPrS was included in other income and deductions in the Consolidated Statements of Income. The interest expense is deductible for income tax purposes. Beginning January 1, 2004, PECO will begin recording interest associated with this debt in interest expense to affiliates.

The COMPrS issued by PECO Trust III have no voting privileges, except (i) for the right to approve a merger, consolidation or other transaction involving the Partnership that would result in a change in terms of the preferred securities, listing status on a national securities exchange, ratings by nationally recognized rating agencies, or rights of holders of the preferred securities, or that would result in certain federal income tax consequences, (ii) with respect to certain amendments to the Partnership agreement, (iii) for certain voting privileges that arise upon a default or deferral of interest under the deferrable interest subordinated debentures held by the Partnership or (iv) with respect to certain amendments to the related PECO guarantee agreement. The preferred securities issued by PECO Trust IV have no voting privileges, except (i) events of default under the deferrable interest subordinated debentures held by PECO Trust IV, (ii) an amendment of the trust agreement that would adversely affect the powers, preferences or privileges of the preferred securities, (iii) change the tax status of PECO Trust IV or (iv) with respect to certain amendments to the related PECO guarantee agreement.

13. Common Stock

At December 31, 2003 and 2002, common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding.

Fund Transfer Restrictions. Under applicable law, PECO can pay dividends only from retained or current earnings. At December 31, 2003 PECO had retained earnings of $546 million.

PECO’s Articles of Incorporation prohibit payment of any dividend on, or other distribution to the holders of, common stock if, after giving effect thereto, the capital of PECO represented by its common stock together with its retained earnings is, in the aggregate, less than the involuntary liquidating value of its then outstanding preferred stock. At December 31, 2003, such capital was $2.5 billion and amounted to about 29 times the liquidating value of the outstanding preferred stock of $87 million.

PECO may not declare dividends on any shares of its capital stock in the event that: (1) PECO exercises its right to extend the interest payment periods on the Subordinated Debentures which were issued to PECO Trust III and PECO Trust IV; (2) PECO defaults on its guarantee of the payment of distributions on the COMPrS

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

issued by PECO Trust III or PECO Trust IV; or (3) an event of default occurs under the indentures under which the Subordinated Debentures are issued.

14. Commitments and Contingencies

Energy Commitments

In connection with the corporate restructuring, PECO entered into a purchased power agreement (PPA) with Generation. Under the terms of the PPA, PECO obtains the vast majority of its electric supply from Generation through 2010. The prices charged under the PPA were established by the Competition Act.

Commercial Commitments

PECO's commercial commitments as of December 31, 2003 representing commitments not recorded on the balance sheet but potentially triggered by future events, including obligations to make payment on behalf of other parties as well as financing arrangements to secure obligations of PECO, are as follows:

		Expiration within		
	Total	2004	2005-2006	2007-2008	2009 and beyond
Letters of credit (non-debt) (a)	$ 29	$29	$—	$—	$ —
Surety bonds (b)	24	24	—	—	—
Total commercial commitments	$ 53	$53	$—	$—	$ —

(a) Letters of credit (non-debt) – PECO and certain of its subsidiaries maintain non-debt letters of credit to provide credit support for certain transactions as requested by third parties.
(b) Surety bonds – Guarantees issued related to contract and commercial surety bonds, excluding bid bonds.

Environmental Issues

PECO's operations have in the past and may in the future require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, PECO is generally liable for the costs of remediating environmental contamination of property now or formerly owned by PECO and of property contaminated by hazardous substances generated by PECO. PECO owns or leases a number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. PECO has identified 27 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. Of these 27 sites, the Pennsylvania Department of Environmental Protection has approved the clean-up of six sites. PECO is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2003 and 2002, PECO had accrued $50 million and $40 million, respectively, for environmental investigation and remediation costs, including $41 million and $28 million, respectively (reflecting discount rates of 5.0% and 4.6%, respectively), for investigation and remediation at its 27 MGP sites, that currently can be reasonably estimated. Such estimates, reflecting the effects of a 2.5% and 1.6% inflation rate before the effects of discounting were $44 million and $58 million at December 31, 2003 and 2002, respectively. PECO cannot reasonably estimate whether it will incur other significant liabilities for additional

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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investigation and remediation costs at these or additional sites identified by PECO, environmental agencies or others, or whether such costs will be recoverable from third parties. However, PECO is currently recovering through regulated gas rates costs associated with the remediation of the MGP sites.

As of December 31, 2003, PECO anticipates that payments related to the discounted environmental investigation and remediation costs, recorded on an undiscounted basis were:

2004	$ 9
2005	10
2006	12
2007	1
2008	2
Remaining years	10
Total payments	$44

In December 2003, PECO updated its accounting estimate related to the reserve for environmental remediation. Based on an independently prepared environmental remediation study of MGP sites, PECO increased its environmental reserve by $18 million, with a corresponding increase to the MGP regulatory asset. See Note 15 – Supplemental Financial Information for further discussion of the MGP regulatory asset.

Leases

Minimum future operating lease payments, which consist primarily of lease payments for vehicles, as of December 31, 2003 were:

2004	$ 4
2005	3
2006	3
2007	1
2008	1
Remaining years	2
Total minimum future lease payments	$14

Rental expense under operating leases totaled $6 million, $7 million, and $2 million in 2003, 2002, and 2001, respectively.

Litigation

Real Estate Tax Appeals. PECO is challenging real estate taxes assessed on nuclear plants since 1997. PECO is involved in litigation in which it is contesting taxes assessed in 1997 under the Pennsylvania Public Utility Realty Tax Act of March 4, 1971, as amended (PURTA) and has appealed local real estate assessments for 1998 and 1999 on its formerly owned Limerick Generating Station (Montgomery County, PA) (Limerick) and Peach Bottom Atomic Power Station (York County, PA) (Peach Bottom) plants.

During 2003, upon completion of updated nuclear plant appraisal studies, PECO recorded reductions of $58 million to reserves recorded for exposures associated with the real estate taxes. While PECO believes the resulting reserve balances as of December 31, 2003 reflect the most likely probable expected outcome of the

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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litigation and appeals proceedings in accordance with SFAS No. 5, "Accounting for Contingencies," the ultimate outcome of such matters could result in additional unfavorable or favorable adjustments to the consolidated financial statements of PECO, and such adjustments could be material

General. PECO is involved in various other litigation matters that are being defended and handled in the ordinary course of business, and PECO maintains accruals for such costs that are probable of being incurred and subject to reasonable estimation. The ultimate outcome of such matters, as well as the matters discussed above, are uncertain and may have a material adverse effect on PECO's financial condition or results of operations.

Capital Commitments

PECO estimates that it will spend approximately $239 million for capital expenditures in 2004.

Income Tax Refund Claims

PECO has entered into several agreements with a tax consultant related to the filing of refund claims with the IRS and has made refundable prepayments of $5 million ($1 million during 2003 and $4 million in prior periods) for potential fees associated with these agreements. The fees for these agreements are contingent upon a successful outcome and are based upon a percentage of the refunds recovered from the IRS, if any. As such, ultimate net cash outflows to PECO related to these agreements will either be positive or neutral depending upon the outcome of the refund claim with the IRS. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of PECO. PECO cannot predict the timing of the final resolution of these refund claims.

Derivatives

PETT has entered into floating-to-fixed interest-rate swaps to manage interest-rate exposure associated with the floating rate series of transition bonds issued to securitize PECO's stranded cost recovery. These interest-rate swaps were designated as cash-flow hedges. These interest-rate swaps had an aggregate fair market value exposure of $11 million at December 31, 2003. As of December 31, 2003 PETT, a wholly owned subsidiary, was deconsolidated from the financial statements of PECO.

15. Supplemental Financial Information

Supplemental Income Statement Information

	For the Years Ended December 31,		
	2003	**2002**	**2001**
Depreciation and amortization:			
Property, plant and equipment (a)	$144	$141	$135
Competitive transition charge	336	308	275
DOE facility decommissioning	7	7	6
Total depreciation and amortization	$487	$456	$416

(a) Includes amortization of capitalized software costs.

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

	For the Years Ended December 31,		
	2003	2002	2001
Taxes other than income			
Utility (a)	$206	$207	$135
Real estate (b)	(47)	27	12
Payroll	11	13	12
Other	3	(3)	2
Total	$173	$244	$161

(a) Represents municipal and state utility taxes which are also recorded in revenues on PECO's Consolidated Statements of Income.
(b) Includes the reversal of $58 million property tax accrual during 2003 as described in Note 14 – Commitments and Contingencies.

	For the Years Ended December 31,		
	2003	2002	2001
Other, net			
Investment income	$ 10	$26	$24
AFUDC	1	1	2
Gain (loss) on disposition of assets, net	—	1	6
Other income (expense)	(9)	3	4
Total	$ 2	$31	$36

Supplemental Cash Flow Information

	For the Years Ended December 31,		
	2003	2002	2001
Cash paid during the year:			
Interest (net of amount capitalized)	$346	$379	$ 416
Income taxes (net of refunds)	269	388	271
Non-cash investing and financing:			
Contribution of receivable from parent	$—	$—	$1,878
Net assets transferred as a result of the corporate restructuring	—	—	1,608

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Supplemental Balance Sheet Information

	December 31,	
	2003	2002
Regulatory assets (liabilities)		
Competitive transition charge	$ 4,303	$ 4,639
Deferred income taxes (see Note 8 – Income Taxes)	762	729
Non-pension postretirement benefits	58	64
Reacquired debt costs	49	53
MGP regulatory asset (see Note 14 – Commitments and Contingencies)	34	20
DOE facility decommissioning	26	32
Nuclear decommissioning (see Note 9 – Nuclear Decommissioning)	(12)	—
Other	6	9
Long-term regulatory assets	5,226	5,546
Deferred energy costs (current asset)	81	31
Total	$ 5,307	$ 5,577

Competitive Transition Charge. These charges represent PECO's stranded costs that the PUC determined would be allowed to be recoverable through regulated rates. These costs are related to the deregulation of the generation portion of the electric utility business in Pennsylvania. The CTC includes intangible transition property sold to PETT, a wholly owned subsidiary of PECO, in connection with the securitization of PECO's stranded cost recovery. These charges are being amortized through December 31, 2010 with a return on the unamortized balance of 10.75%.

Deferred Income Taxes. These costs represent the difference between the method in which the regulator allows for the recovery of income taxes and how income taxes would be recorded by unregulated entities. These regulatory assets and liabilities associated with deferred income taxes, recorded in compliance with SFAS No. 71 and SFAS No. 109, include the deferred tax effects associated principally with liberalized depreciation accounted for in accordance with the ratemaking policies of the PUC, as well as the revenue impacts thereon, and assume continued recovery or settlement of these costs in future rates.

Non-pension Postretirement Benefits. These costs are the result of transitioning to SFAS No. 106 in 1993, which are recoverable in regulated rates through 2012.

Reacquired Debt Costs. These costs represent premiums paid for the early extinguishment and refinancing of long-term debt, which is amortized over the life of the new debt issued to finance the debt redemption.

MGP Regulatory Asset. These costs represent estimated environmental remediation costs which are recoverable through regulated gas rates. PECO has identified 27 sites where former MGP activities have or may have resulted in site contamination.

DOE Facility Decommissioning. These costs represent PECO's share of recoverable decommissioning and decontamination costs of the Department of Energy's (DOE) nuclear fuel enrichment facilities established by the National Energy Policy Act of 1992.

Nuclear Decommissioning Costs. Generation is responsible for decommissioning the nuclear plants formerly owned by PECO. These costs represent the amount of estimated present value of future nuclear

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

decommissioning costs that are less than the associated decommissioning trust fund assets. PECO believes the trust fund assets including any future collections from ratepayers will equal the associated future decommissioning costs. See Note 9 – Nuclear Decommissioning.

Deferred Energy Costs (Current Asset). These costs represent fuel costs recoverable under the purchase gas adjustment clause.

Recovery/Settlement of Regulatory Assets and Liabilities. The regulatory asset related to the deferred income taxes did not require a cash outlay of investor supplied funds; consequently, this cost is not earning a rate of return. Recovery of the regulatory asset for loss on reacquired debt is provided for through regulated revenue sources. Therefore, this cost is earning a rate of return.

	December 31,	
	2003	2002
Accrued expenses		
Taxes accrued	$110	$116
Interest accrued	14	112
Other accrued expenses	113	104
	$237	$332

16. Related-Party Transactions

PECO's financial statements include related-party transactions with its unconsolidated subsidiaries as reflected in the table below.

	For Year Ended December 31,		
	2003	2002	2001
Interest expense from affiliates			
PECO Energy Capital Trust IV (1)	$ 3	$—	$—

	December 31,	
	2003	2002
Investment in subsidiaries		
PECO Energy Capital Corp (1)	$ 16	$—
PECO Energy Capital Trust IV (1)	3	—
Receivables from affiliates (non-current)		
PECO Energy Transitional Trust (1)	105	—
Payables to affiliates		
PECO Energy Capital Corp (1)	1	—
PECO Energy Capital Trust III (1)	10	—
Long-term debt to affiliates (including due within one year)		
PECO Energy Transitional Trust (1)	3,849	—
PECO Energy Capital Trust IV (1)	103	—
PECO Energy Capital Trust III (1)	81	—

(1) Effective July 1, 2003 PECO Energy Capital Trust IV was deconsolidated from the financial statements of PECO in conjunction with the adoption of FIN 46. Effective December 31, 2003, PECO Energy Transitional Trust, PECO Energy Capital Corporation, and PECO Energy Capital Trust III were deconsolidated from the financial statements of PECO in conjunction with the adoption of FIN 46-R.

PECO Energy Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

In addition to the transactions described above, PECO's financial statements include related-party transactions as reflected in the tables below.

	For Year Ended December 31,		
	2003	2002	2001
Operating revenues from affiliate			
Generation (1)	$ 10	$ 12	$ 12
Other	1	—	—
Purchased power from affiliate			
Generation (2)	1,433	1,438	1,162
O&M from affiliates			
BSC (4)	50	49	69
Enterprises (5)	2	24	24
ComEd (9)	5	—	—
Capitalized costs			
Enterprises (5)	15	24	29
BSC (4)	4	8	—
Interest expense from affiliates			
ComEd (6)	—	—	8
Interest income from affiliates			
Generation (7)	—	—	6
Other	—	—	4
Cash dividends paid to parent	322	340	342

	December 31,	
	2003	2002
Receivable from affiliate (noncurrent)		
Generation (8)	$ 12	$ —
Payables to affiliates (current)		
Generation (2)	115	124
BSC (4)	15	26
Enterprises (5)	—	19
ComEd (9)	6	—
Other	3	1
Shareholders' equity – receivable from parent (10)	1,623	1,758

(1) PECO provides energy to Generation for Generation's own use.
(2) Effective January 1, 2001, PECO entered into a PPA with Generation.
(4) 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. Some of these costs are capitalized.
(5) PECO receives services from Enterprises for construction, which are capitalized, and the deployment of automated meter reading technology, which is expensed.
(6) 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%.
(7) PECO received interest income from Generation in 2001 related to a loan which was repaid in 2001.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(8) PECO has a receivable to Generation related to a regulatory liability as a result of the adoption of SFAS No. 143. See Note 9 – Nuclear Decommissioning for further information.
(9) In 2003, PECO received relief from ComEd workers during Hurricane Isabel.
(10) 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 2004 through 2010.

17. Quarterly Data (Unaudited)

The data shown below include all adjustments which PECO considers necessary for a fair presentation of such amounts:

	Operating Revenues		Operating Income		Net Income on Common Stock	
	2003	2002	2003	2002	2003	2002
Quarter ended:						
March 31	$ 1,217	$ 1,020	$ 282	$ 227	$ 135	$ 87
June 30	961	995	224	234	86	91
September 30	1,149	1,224	301	323	140	155
December 31	1,061	1,094	249	309	107	145

Generation

Report of Independent Auditors

To the Member and Board of Directors of
Exelon Generation Company, LLC:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(4)(i) present fairly, in all material respects, the financial position of Exelon Generation Company, LLC and Subsidiary Companies (Generation) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(4)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of Generation's management; our responsibility is to express an opinion on these financial statements and financial statement schedule 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 1 to the consolidated financial statements, Generation changed its method of accounting for derivative instruments and hedging activities as of January 1, 2001, its method of accounting for goodwill as of January 1, 2002, and its method of accounting for asset retirement obligations as of January 1, 2003.

PricewaterhouseCoopers LLP

Chicago, Illinois
January 28, 2004

Exelon Generation Company, LLC and Subsidiary Companies

Consolidated Statements of Income

(in millions)	For the Year Ended December 31, 2003	2002	2001
Operating revenues			
Operating revenues	$ 4,010	$ 2,631	$ 2,723
Operating revenues from affiliates	4,125	4,227	4,103
Total operating revenues	8,135	6,858	6,826
Operating expenses			
Purchased power	3,158	2,980	2,924
Purchased power from affiliates	429	314	182
Fuel	1,533	959	889
Impairment of Boston Generating, LLC long-lived assets	945	—	—
Operating and maintenance	1,796	1,504	1,400
Operating and maintenance from affiliates	149	152	128
Depreciation and amortization	199	276	282
Taxes other than income	120	164	149
Total operating expense	8,329	6,349	5,954
Operating income (loss)	(194)	509	872
Other income and deductions			
Interest expense	(75)	(68)	(77)
Interest expense from affiliates	(13)	(7)	(38)
Equity in earnings of unconsolidated affiliates	49	87	90
Interest income from affiliates	1	6	12
Other, net	(188)	77	(20)
Total other income and deductions	(226)	95	(33)
Income (loss) before income taxes and cumulative effect of changes in accounting principles	(420)	604	839
Income taxes	(179)	217	327
Income (loss) before cumulative effect of changes in accounting principles	(241)	387	512
Cumulative effect of changes in accounting principles (net of income taxes of $70, $9 and $7, respectively)	108	13	12
Net income (loss)	$ (133)	$ 400	$ 524

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies

Consolidated Statements of Cash Flow

(in millions)	For the Year Ended December 31, 2003	2002	2001
Cash flows from operating activities			
Net income (loss)	$ (133)	$ 400	$ 524
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:			
Depreciation, amortization and accretion, including nuclear fuel	783	640	682
Cumulative effect of changes in accounting principles (net of income taxes)	(108)	(13)	(12)
Impairment of investment	255	—	—
Impairment of long-lived assets	952	—	—
Deferred income taxes and amortization of investment tax credits	(249)	132	23
Provision for uncollectible accounts	(2)	26	16
Loss on sale of investments	25	—	—
Equity in earnings of unconsolidated affiliates	(49)	(87)	(90)
Net realized losses on nuclear decommissioning trust funds	16	32	127
Other operating activities	6	75	69
Changes in assets and liabilities:			
Accounts receivable	(71)	(263)	142
Changes in receivables and payables to affiliates, net	195	(72)	7
Inventories	(29)	(33)	(28)
Other current assets	(35)	(71)	3
Accounts payable, accrued expenses and other current liabilities	11	370	26
Pension and non-pension postretirement benefits obligations	(50)	(60)	(116)
Other noncurrent assets and liabilities	(64)	74	(99)
Net cash flows provided by operating activities	1,453	1,150	1,274
Cash flows from investing activities			
Capital expenditures	(953)	(990)	(858)
Proceeds from liquidated damages	92	—	—
Proceeds from nuclear decommissioning trust funds	2,341	1,612	1,624
Investment in nuclear decommissioning trust funds	(2,564)	(1,824)	(1,863)
Acquisition of businesses, net of cash acquired	(272)	(445)	—
Note receivable from unconsolidated affiliates	35	(35)	14
Proceeds from sales of investments	82	—	—
Change in restricted cash	(63)	(12)	—
Other investing activities	1	8	40
Net cash flows used in investing activities	(1,301)	(1,686)	(1,043)
Cash flows from financing activities			
Issuance of long-term debt	1,066	30	821
Retirement of long-term debt	(570)	(5)	(4)
Change in note payable, affiliate	87	329	(696)
Payment on acquisition note to Sithe Energies, Inc.	(446)	—	—
Distribution to member	(189)	(27)	(132)
Contribution from minority interest of consolidated subsidiary	—	43	—
Net cash flows (used in) provided by financing activities	(52)	370	(11)
Increase (decrease) in cash and cash equivalents	100	(166)	220
Cash and cash equivalents at beginning of period	58	224	4
Cash and cash equivalents at end of period	$ 158	$ 58	$ 224

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies

Consolidated Balance Sheets

(in millions)	December 31, 2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 158	$ 58
Restricted cash	75	12
Accounts receivable, net		
Customer	711	587
Other	112	57
Receivables from affiliates	421	594
Inventories, at average cost		
Fossil fuel	98	97
Materials and supplies	259	217
Note receivable	5	—
Assets held for sale	36	—
Deferred income taxes	445	7
Other	233	176
Total current assets	2,553	1,805
Property, plant and equipment, net	7,106	4,698
Deferred debits and other assets		
Nuclear decommissioning trust funds	4,721	3,053
Investments	65	657
Receivable from affiliate	22	220
Deferred income taxes	—	271
Prepaid pension asset	79	—
Other	218	201
Total deferred debits and other assets	5,105	4,402
Total assets	$ 14,764	$ 10,905
Liabilities and member's equity		
Current liabilities		
Long-term debt due within one year	$ 1,068	$ 5
Accounts payable	1,429	1,126
Payables to affiliates	1	10
Notes payable to affiliates	506	863
Accrued expenses	434	482
Other	126	108
Total current liabilities	3,564	2,594
Long-term debt	1,649	2,132
Deferred credits and other liabilities		
Unamortized investment tax credits	218	226
Nuclear decommissioning liability for retired plants	—	1,293
Asset retirement obligation	2,996	—
Pension obligation	21	37
Non-pension postretirement benefits obligation	555	410
Spent nuclear fuel obligation	867	858
Deferred income taxes	299	—
Payables to affiliates	1,195	—
Other	441	402
Total deferred credits and other liabilities	6,592	3,226
Total liabilities	11,805	7,952
Commitments and contingencies		
Minority interest of consolidated subsidiary	3	54
Member's equity		
Membership interest	2,490	2,296
Undistributed earnings	602	924
Accumulated other comprehensive loss	(136)	(321)
Total member's equity	2,956	2,899
Total liabilities and member's equity	$ 14,764	$ 10,905

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies

Consolidated Statements of Changes in Divisional/Member's Equity

(in millions)	Divisional Equity	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income (Loss)	Total Member's Equity
Balance, December 31, 2000	$ 2,610	$ —	$ —	$ —	$ 2,610
Formation of LLC	(2,610)	2,610	—	—	—
Net income	—	—	524	—	524
Non-cash distribution to member	—	(163)	—	—	(163)
Distribution to member	—	(132)	—	—	(132)
Reclassified net unrealized losses on marketable securities, net of income taxes of $(22)	—	—	—	(23)	(23)
Other comprehensive income, net of income taxes of $(16)	—	—	—	(8)	(8)
Balance, December 31, 2001	—	2,315	524	(31)	2,808
Net income	—	—	400	—	400
Distribution to member	—	(30)	—	—	(30)
Allocation of tax benefit from member	—	11	—	—	11
Other comprehensive income, net of income taxes of $(223)	—	—	—	(290)	(290)
Balance, December 31, 2002	—	2,296	924	(321)	2,899
Net income	—	—	(133)	—	(133)
Non-cash distribution to member	—	(17)	—	—	(17)
Distribution to member	—	—	(189)	—	(189)
Cumulative effect of FAS 143 adoption	—	210	—	—	210
Contribution from member	—	1	—	—	1
Other comprehensive income, net of income taxes of $179	—	—	—	185	185
Balance, December 31, 2003	$ —	$ 2,490	$ 602	$ (136)	$ 2,956

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies

Consolidated Statements of Comprehensive Income

(in millions)	For the Years Ended December 31, 2003	2002	2001
Net income (loss)	$ (133)	$ 400	$ 524
Other comprehensive income (loss)			
SFAS No. 133 transition adjustment, net of income taxes of $3	$ —	$ —	$ 5
SFAS No. 143 transition adjustment, net of income taxes of $167	168	—	—
Cash-flow hedge fair value adjustment, net of income taxes of $(17), $(108) and $29, respectively	(27)	(170)	48
Unrealized gain (loss) on marketable securities, net of income taxes of $4, $(110) and $(31), respectively	2	(113)	(32)
Realized loss on forward-starting interest-rate swap net of income taxes of $(1)	—	—	(2)
Interest in other comprehensive income of unconsolidated affiliates, net of income taxes of $25, $(5) and $(16), respectively	42	(7)	(27)
Total other comprehensive income (loss)	185	(290)	(8)
Total comprehensive income	$ 52	$ 110	$ 516

See Notes to 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 (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, Generation began trading activities. Generation is wholly owned by Exelon Corporation (Exelon). In connection with the corporate 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, Generation began operations as a separate indirect subsidiary of Exelon effective January 1, 2001. Generation has numerous wholly owned subsidiaries. These subsidiaries were primarily established to hold certain hydro-electric, intermediate, and peaking-unit facilities, as well as the 50% interest in Sithe Energies, Inc. (Sithe). In addition, Generation also has a finance company subsidiary, Generation Finance Company, LLC, which provides certain financing for Generation's other subsidiaries.

Basis of Presentation

The consolidated financial statements of Generation include the accounts of its 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 plants are consolidated. Investments in which less than a 20% interest is owned are primarily accounted for under the cost method of accounting.

Generation owns 100% of all significant consolidated subsidiaries, either directly or indirectly, except for Southeast Chicago Energy Project, LLC (Southeast Chicago) of which Generation owns 74%. Generation has reflected the third-party interests in the above majority-owned investment as minority interests in its Consolidated Statements of Cash Flows, Consolidated Balance Sheets and in other, net on the Consolidated Statements of Income. In conjunction with the adoption of Statement of Financial Accounting Standards (SFAS) No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS No. 150) on July 1, 2003, Generation reclassified the minority interest associated with Southeast Chicago to a long-term liability. The total minority interest related to Southeast Chicago was $51 million as of December 31, 2003. Prior periods were not restated.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. The reclassifications did not affect net income or member's equity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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. Areas in which significant estimates have been made include, but are not limited to, the accounting for derivatives, nuclear decommissioning, fixed asset depreciation, asset impairments, severance, pension and other postretirement benefits, taxes, unbilled energy revenues and environmental costs.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Variable Interest Entities

The Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" in January 2003 and issued its revision in FASB Interpretation No. 46-R, "Consolidation of Variable Interest Entities" (FIN No. 46-R) in December 2003, which addressed the requirements for consolidating certain variable interest entities. FIN No. 46-R will be effective for Generation's variable interest entities as of March 31, 2004.

Based upon management's interpretation of FIN No. 46-R, it is reasonably possible that Generation will consolidate Sithe as of March 31, 2004. Generation is a 50% owner of Sithe and accounts for this entity as an unconsolidated equity investment. Sithe owns and operates power-generating facilities. See Note 3 – Sithe for a further discussion of Generation's investment in Sithe.

Revenues

Operating Revenues. Operating revenues are generally recorded as service is rendered or energy is delivered to customers. At the end of each month, Generation accrues an estimate for the unbilled amount of energy delivered or services provided to its electric customers.

Option Contracts, Swaps, and Commodity Derivatives. 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.

Trading Activities. In the third quarter of 2002, Generation adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3) which required revenues and energy costs related to energy trading contracts to be presented on a net basis in the income statement. Prior to the adoption, 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 in Generation's Consolidated Statements of Income. For comparative purposes, energy costs related to energy trading have been reclassified in prior periods to conform to the net basis of presentation required by EITF 02-3. Generation commenced trading activities in April 2001. For the year ended December 31, 2001, $207 million of purchased power expense and $15 million of fuel expense were reclassified and reflected as a reduction to revenue.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123" (SFAS No. 148). Exelon adopted the additional disclosure requirements of SFAS No. 148 in 2002 and continues to account for its stock-compensation plans under the disclosure-only provision of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The table below shows the effect on net income had Generation elected to account for its stock-based compensation plans using the fair-value method under SFAS No. 123 for the years ended December 31, 2003, 2002 and 2001:

	2003	2002	2001
Net income (loss) – as reported	$(133)	$400	$524
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of income taxes	3	15	9
Pro forma net income (loss)	$(136)	$385	$515

Income Taxes

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities. Investment tax credits previously utilized for income tax purposes have been deferred on the Consolidated Balance Sheets and are recognized in book income over the life of the related property. Generation and its subsidiaries file a consolidated return with Exelon for Federal and certain state income tax returns. Income taxes of the Exelon consolidated group are allocated to Generation based on the separate return method. Generation estimates its income tax valuation allowance by assessing which deferred tax assets are more likely than not to be recovered in the future (see Note 9 – Income Taxes).

Generation is a party to an agreement (the "Tax Sharing Agreement") that provides for the allocation of consolidated tax liabilities. The Tax Sharing Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the party receiving the benefit.

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 gains or losses on securities held in nuclear decommissioning trust funds and unrealized gains and losses on cash-flow hedge instruments.

Cash and Cash Equivalents

Generation considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

As of December 31, 2003, restricted cash primarily represents liquidated damages receipts which is restricted as to use for the construction of the Exelon New England facilities.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Accounts Receivable and Allowance for Doubtful Accounts

Customer accounts receivable included $366 million and $394 million of unbilled operating revenues related to amounts of energy delivered to customers in the months of December 2003 and 2002, respectively. The allowance for doubtful accounts reflects Generation's best estimate of probable losses inherent in the accounts receivable balance. The allowance is based on known troubled accounts, historical experience, and other currently available evidence.

In December 2002, Generation increased its allowance for uncollectible accounts by $6 million based on an independently prepared evaluation of the risk profile of Power Team's counterparties. Power Team is the unit within Generation that manages the output of Generation's assets and energy sales.

Inventories

Fossil Fuel. Fossil fuel inventory includes the weighted average cost of coal, oil, and stored natural gas. The costs of coal, oil and gas are generally charged to inventory when purchased and used. These balances are carried at the lower of cost or market.

Materials and Supplies. Materials and supplies inventory generally includes the average costs of generating plant materials. Materials are generally charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed. Provisions are made for obsolete inventory.

Emission Allowances

Emission allowances are included in inventories and deferred debits and other assets and are carried at the lower of cost or market and charged to fuel expense as they are used in operations. Allowances held can be used from years 2004 to 2028. Generation's emission allowances balance as of December 31, 2003 and 2002 was $105 million and $107 million, respectively.

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, on nuclear decommissioning trust funds transferred to Generation from PECO and ComEd are reflected in the payables to affiliates on Generation's Consolidated Balance Sheets. Unrealized gains and losses on nuclear decommissioning trust funds for units acquired after the Merger are reported in other comprehensive income. Prior to the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) on January 1, 2003, unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds were reported in accumulated depreciation for operating units transferred to Generation from PECO and as other comprehensive income for operating and retired units transferred to Generation from ComEd. At December 31, 2003 and 2002, Generation had no held-to-maturity securities.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. The cost of maintenance, repairs and minor replacements of property is charged to maintenance expense as incurred.

Nuclear Fuel

The cost of nuclear fuel is capitalized and charged to fuel expense using the unit-of-production method. Estimated costs of nuclear fuel storage and disposal, exclusive of dry cask storage costs, at operating plants are charged to fuel expense as the related fuel is consumed. Costs associated with nuclear outages are recorded in the period incurred. Dry cask storage costs are expensed as incurred.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Capitalized Software Costs

Costs incurred during the application development stage of software that is developed or obtained for internal use are capitalized. At December 31, 2003, 2002, and 2001, unamortized capitalized software costs totaled $42 million, $28 million, and $19 million, respectively. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, not to exceed ten years. During 2003, 2002 and 2001, Generation amortized capitalized software costs of $8 million, $10 million and $4 million, respectively.

Depreciation and Amortization

Depreciation is provided over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. Annual depreciation provisions for financial reporting purposes, expressed as a percentage of average service life for electric generating assets, are presented in the table below. See Changes in Accounting Estimates below for information on service life extensions for certain nuclear generating stations.

Asset Category	2003	2002	2001
Electric-generation	3.11%	3.65%	3.11%

Nuclear Generating Station Decommissioning

Generation accounts for the costs of decommissioning its nuclear generating stations in accordance with SFAS No. 143. See Note 10 – Nuclear Decommissioning and Spent Fuel Storage for information regarding the adoption and application of SFAS No. 143 and Cumulative Effect of Changes in Accounting Principle below for pro forma net income for the years ended December 31, 2002 and 2001, adjusted as if SFAS No. 143 had been applied effective January 1, 2001.

Capitalized Interest

Generation uses SFAS No. 34, “Capitalizing Interest Costs,” to calculate the costs during construction of debt funds used to finance its construction projects. Generation recorded capitalized interest of $15 million, $24 million, and $17 million in 2003, 2002, and 2001, respectively.

Asset Impairments

Long-Lived Assets. Generation evaluates the carrying value of long-lived assets to be held and used for impairment whenever indications of impairment exist in accordance with the requirements of SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS No. 144). The carrying value of long-lived assets is considered impaired when the projected undiscounted cash flows are less than the carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair value. Fair value is determined primarily by available market valuations or, if applicable, discounted cash flows. See Note 2 – Acquisitions and Dispositions for a description of the impairment recorded in 2003 related to the long-lived assets of Boston Generating, LLC (Boston Generating), formerly known as Exelon Boston Generating, LLC.

Upon the decision to exit or sell a long-lived asset or group of assets, the carrying value of these assets is adjusted downward, if necessary, to the estimated sales price, less cost to sell. The assets and associated liabilities that are part of a disposal group are classified as held for sale. See Note 2 – Acquisitions and Disposition for a description of assets and liabilities classified as held for sale as of December 31, 2003.

Investments. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. If the cost of an investment exceeds its fair value, Generation evaluates, among other factors,

general market conditions, the duration and extent to which the fair value is less than cost, as well as its intent and ability to hold the investment. Generation also considers specific adverse conditions related to the financial health of and business outlook for the investee. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis is established. See Note 3 – Sithe for a description of the impairments recorded in 2003 related to Generation's investment in Sithe.

Derivative Financial Instruments

Generation adopted SFAS No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133) on January 1, 2001. As a result, 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.

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 and normal sales exception. Changes in the derivatives recorded at fair value are recognized in earnings unless specific hedge accounting criteria are met, in which case those changes are recorded in other comprehensive income. 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. Gains and losses on these contracts are recognized when the underlying physical transaction affects earnings. As part of Generation's energy marketing business, 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" or "normal sales" and are thus not required to be recorded at fair value, but on an accrual basis of accounting.

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.

In connection with Exelon's Risk Management Policy, Generation enters into derivatives to manage its exposure to fluctuations 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. Generation utilizes derivatives with respect to energy transactions to manage the utilization of its available generating capability and provisions of wholesale energy to its affiliates. Generation also utilizes energy option contracts and energy financial swap arrangements to limit the market price risk associated with forward energy commodity contracts. Additionally, Generation enters into energy-related derivatives for trading purposes. Contracts entered into by Generation to limit market risk associated with forward energy commodity contracts are reflected in the financial statements at the lower of cost or market using the accrual method of accounting. Under these contracts, Generation recognizes any gains or losses when the underlying physical transaction affects earnings. Revenues and expenses associated with market price risk management contracts are amortized over the terms of such contracts. Commitments under these contracts are discussed in Note 13 – Commitments and Contingencies.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Generation enters 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.

Cumulative Effect of Changes in Accounting Principles

The following tables set forth Generation's net income for the years ended December 31, 2003, 2002 and 2001, adjusted as if SFAS No. 143 had been applied effective January 1, 2001. SFAS No. 143 was adopted as of January 1, 2003.

	2003	2002	2001
Reported net income (loss)	$(133)	$400	$524
Earnings effect of adopting SFAS No. 143	—	27	66
Adjusted net income (loss)	$(133)	$427	$590

See Note 10 – Nuclear Decommissioning and Spent Fuel Storage for further information regarding the adoption of SFAS No. 143.

Generation changed its method of accounting for goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) on January 1, 2002 and recognized a cumulative effect of change in accounting principles of $13 million, net of taxes related to goodwill at its then 50% owned affiliate AmerGen.

New Accounting Pronouncements

Through Exelon's postretirement benefit plans, Generation provides retirees with prescription drug coverage. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Prescription Drug Act) was enacted. The Prescription Drug Act introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. In response to the enactment of the Prescription Drug Act, the FASB issued FASB Staff Position (FSP) FAS 106-1 (FSP FAS 106-1) in January 2004, which permits a plan sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer the accounting for the effects of the Prescription Drug Act. Exelon has made the one-time election allowed by FSP FAS 106-1. Thus, Generation's financial statements and Note 11 – Retirement Benefits do not reflect the effects of the Prescription Drug Act on Generation's allocated portion of Exelon's postretirement plans. Exelon is evaluating what impact the Prescription Drug Act will have on its postretirement benefit plans and whether it will be eligible for a Federal subsidy beginning in 2006. Specific authoritative guidance on the accounting for the Federal subsidy is pending, and that guidance, when issued, could require Generation to change previously reported information. Generation will adopt this standard effective January 1, 2004.

In July 2003, the EITF reached a consensus on EITF Issue No. 03-11, "Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133, 'Accounting for Derivative Instruments and Hedging Activities,' and Not 'Held for Trading Purposes' as Defined in EITF Issue No. 02-3 'Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," (EITF 03-11), which was ratified by the FASB in August 2003. The EITF concluded that determining whether realized gains and losses on physically settled derivative contracts not "held for trading purposes" should be reported in the income statement on a gross or net basis is a matter of judgment that depends on the relevant facts and circumstances. The impact, if any, of adopting EITF 03-11 on Generation's operating revenues and operating expenses has not been determined but could be material. The adoption of EITF 03-11 will have no impact on net income.

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As discussed above, FIN No. 46-R will be effective for Generation's variable interest entities as of March 31, 2004. Generation believes that it is reasonably possible that it will consolidate Sithe as of March 31, 2004. Generation contractually does not own any interest in Sithe International, a subsidiary of Sithe. As such, a portion of Sithe's net assets and results of operations would be eliminated from Generation's Consolidated Balance Sheets and Consolidated Statements of Income through a minority interest if Sithe is consolidated under FIN No. 46-R as of March 31, 2004. See Note 3 – Sithe for additional information regarding Generation's investment in Sithe.

Generation continues to review other entities with which Generation and its subsidiaries have business arrangements to determine if those entities are variable interest entities under FIN No. 46-R and, if so, whether consolidation of these entities will be required as of March 31, 2004.

2. Acquisitions and Dispositions

AmerGen Energy Company, LLC

On December 22, 2003, Generation purchased British Energy plc's (British Energy) 50% interest in AmerGen for $276.5 million.

Prior to the purchase, Generation was a 50% owner of AmerGen and had accounted for the investment as an unconsolidated equity investment. From January 1, 2003 through the date of closing, Generation recorded $47 million of equity in earnings of unconsolidated affiliates related to its investment in AmerGen and had significant purchased power agreements (PPAs) with AmerGen. The book value of Generation's investment in AmerGen prior to the purchase was $311 million.

The transaction was accounted for as a step acquisition. As such, upon consolidation, Generation was required to allocate its $311 million book value as discussed above to 50% of AmerGen's equity balance. The difference between Generation's investment in AmerGen and 50% of AmerGen's equity book value of approximately $227 million was primarily due to Generation not recognizing a significant portion of the cumulative effect of the change in accounting principle at AmerGen related to the adoption of SFAS No. 143. Generation reduced AmerGen's equity value through the reduction of the book value of AmerGen's long-lived assets.

Generation recorded the acquired assets and liabilities of AmerGen (remaining 50%) to fair value as of the date of purchase. The following assets and liabilities, reflecting the equity basis and fair value adjustments discussed above, of AmerGen were recorded within Generation's Consolidated Balance Sheets as of the date of purchase:

Current assets (including $36 million of cash acquired)	$ 128
Property, plant and equipment, including nuclear fuel	129
Nuclear decommissioning trust funds	1,108
Deferred debits and other assets	31
Current liabilities	(174)
Asset retirement obligation	(487)
Deferred credits and other liabilities	(106)
Long-term debt	(41)
Total equity	$ 588

As of December 31, 2003, the assets and liabilities of AmerGen were fully consolidated into Generation's financial statements. This allocation of purchase price is preliminary related to the valuation of long-lived assets which will be finalized in early 2004.

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Exelon New England Holdings Asset Acquisition

On November 1, 2002, Generation purchased the assets of Sithe New England Holdings, LLC (now known as Exelon New England), a subsidiary of Sithe, and related power marketing operations. The total capacity of Exelon New England, including 2,421 MWs of gas-fired facilities under construction, was 4,066 MWs. The purchase price for the Exelon New England assets consisted of a $536 million note to Sithe, $14 million of direct acquisition costs and a $208 million adjustment to Generation's previously existing investment in Sithe related to Exelon New England.

The allocation of the purchase price to the fair value of assets acquired and liabilities assumed in the acquisition was as follows:

Current assets (including $12 million of cash acquired)	$ 85
Property, plant and equipment	1,949
Deferred debits and other assets	63
Current liabilities	(154)
Deferred credits and other liabilities	(149)
Long-term debt	(1,036)
Total purchase price	$ 758

In connection with the acquisition, Generation assumed certain Sithe guarantees, including a guarantee of a contingent equity contribution to be made to Boston Generating. Exelon New England made a contribution of $38 million in full satisfaction of that contingent equity contribution guarantee in December 2003.

Boston Generating has a $1.25 billion credit facility (Boston Generating Facility), which was entered into primarily to finance the development and construction of the generating projects known as Mystic 8 and 9 and Fore River. Approximately $1.0 billion of debt was outstanding under the Boston Generating Facility at December 31, 2003, all of which is reflected in Generation's Consolidated Balance Sheets as a current liability due to certain events of default described below. The Boston Generating Facility is non-recourse to Generation and an event of default under the Boston Generating Facility does not constitute an event of default under any other debt instruments of Generation or its subsidiaries.

The Boston Generating Facility required that all of the projects achieve "Project Completion," as defined in the Boston Generating Facility (Project Completion), by July 12, 2003. Project Completion was not achieved by July 12, 2003, resulting in an event of default under the Boston Generating Facility. Mystic 8 and 9 and Fore River have begun commercial operation, although they have not yet achieved Project Completion.

As a result of Generation's continuing evaluation of the projects and discussions with the lenders, Generation has commenced the process of an orderly transition out of the ownership of Boston Generating and the projects. In connection with the decision to transition out of the ownership of Boston Generating and the projects, Generation recorded an impairment charge of its long-lived assets pursuant to SFAS No. 144 of $945 million ($573 million net of income taxes) in operating expenses within the Consolidated Statements of Income and Comprehensive Income during the third quarter of 2003. In determining the amount of the impairment charge, management compared the carrying value of Boston Generating's long-lived assets to the fair value of those assets. The fair value of Boston Generating's long-lived assets was determined using the estimated future discounted cash flows from those assets. Forecasted cash flows incorporated assumptions relative to the period of time that Generation will continue to own and operate Boston Generating.

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Acquisition of Generating Plants from TXU

On April 25, 2002, Generation acquired two natural-gas generating 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 PPA for TXU to purchase power during the months of May through September from 2002 through 2006. During the periods covered by the PPA, TXU is obligated to make fixed capacity payments and variable expense payments, and to provide fuel to Generation in return for exclusive rights to the energy and capacity of the generation plants. Substantially the entire purchase price was allocated to property, plant and equipment.

Assets and Liabilities Held for Sale

Generation classified three gas turbines with a book value of $36 million as held for sale as of December 31, 2003 in anticipation of their sale in 2004. These turbines had been classified as other long-term assets as they were not placed into service.

3. Sithe

Generation is a 50% owner of Sithe and accounts for the investment as an unconsolidated equity investment. In 2003, Generation recorded impairment charges of $255 million (before income taxes) in other income and deductions within the Consolidated Statements of Income associated with a decline in the fair value of the Sithe investment, which was considered to be other-than-temporary. Generation's management considered various factors in the decision to impair this investment, including management's negotiations to sell its interest in Sithe. The discussions surrounding the sale indicated that the fair value of the Sithe investment was below its book value and, as such, impairment charges were required.

On November 25, 2003, Generation, Reservoir Capital Group (Reservoir) and Sithe completed a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe. The series of transactions is described below. Immediately prior to these transactions, Sithe was owned 49.9% by Generation, 35.2% by Apollo Energy, LLC (Apollo), and 14.9% by subsidiaries of Marubeni Corporation (Marubeni).

On November 25, 2003, entities controlled by Reservoir purchased certain Sithe entities holding six U.S. generating facilities, each a qualifying facility under the Public Utility Regulatory Policies Act, in exchange for $37 million ($21 million in cash and a $16 million two-year note); and entities controlled by Marubeni purchased all of Sithe's entities and facilities outside of North America (other than Sithe Energies Australia (SEA) of which it purchased a 49% interest on November 24, 2003 for separate consideration) for $178 million. Marubeni agreed to acquire the remaining 51% of SEA in 90 days if a buyer is not found, although discussions regarding an extension are ongoing.

Following the sales of the above entities, Generation transferred its wholly owned subsidiary that held the Sithe investment to a newly formed holding company. The subsidiary holding the Sithe investment acquired the remaining Sithe interests from Apollo and Marubeni for $612 million using proceeds from a $580 million bridge financing and available cash. Generation sold a 50% interest in the newly formed holding company for $76 million to an entity controlled by Reservoir on November 25, 2003. On November 26, 2003, Sithe distributed $580 million of available cash to its parent, which then utilized the distributed funds to repay the bridge financing.

In connection with this transaction, Generation recorded obligations related to $39 million of guarantees in accordance with FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for

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Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN No. 45). These guarantees were issued to protect Reservoir from credit exposure of certain counter-parties through 2015 and other indemnities. In determining the value of the FIN 45 guarantees, Generation utilized probabilistic models to assess the possibilities of future payments under the guarantees.

Both Generation and Reservoir's 50% interests in Sithe are subject to put and call options that could result in either party owning 100% of Sithe. While Generation's intent is to fully divest Sithe, the timing of the put and call options vary by acquirer and can extend through March 2006. The pricing of the put and call options is dependent on numerous factors, such as the acquirer, date of acquisition and assets owned by Sithe at the time of exercise. Any closing under either the put or call options is conditioned upon obtaining state and federal regulatory approvals.

At December 31, 2003, Sithe had total assets of $1.5 billion (including the $90 million note from Generation) and total liabilities of $1.6 billion. Of the total liabilities, Sithe had $1.0 billion of debt, which included $588 million of subsidiary debt incurred in prior years primarily to finance the construction of six generating facilities, $419 million of subordinated debt, $43 million of current portion of long-term debt, but excludes $469 million of non-recourse debt associated with Sithe's equity investments. For the year ended December 31, 2003, Sithe had revenues of $690 million and incurred a net loss of approximately $72 million. The book value of Generation's investment in Sithe was $47 million at December 31, 2003. Generation recorded $2 million of equity method income for its investment in Sithe during the twelve months ended December 31, 2003. See Note 1 – Significant Accounting Policies and Changes in Accounting Estimates for a discussion of Sithe in relation to FIN No. 46-R.

4. Property, Plant and Equipment

A summary of property, plant and equipment by classification as of December 31, 2003 and 2002 is as follows:

Asset Category	2003	2002
Electric-generation	$ 7,976	$ 5,678
Nuclear fuel	2,568	3,112
Construction work in progress	362	2,179
Other property, plant and equipment	225	52
Total property, plant and equipment	11,131	11,021
Less accumulated depreciation (including accumulated amortization of nuclear fuel of $1,596 and $2,212 as of December 31, 2003 and 2002, respectively)	4,025	6,323
Property, plant and equipment, net	$ 7,106	$ 4,698

In April 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. In July 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 the plants. The service life extensions are subject to Nuclear Regulatory Commission (NRC) approval of NRC operating licenses, which are generally 40 years. The annualized reduction in depreciation expense from the change is $132 million.

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5. Jointly Owned Facilities—Property, Plant and Equipment

Generation's ownership interest in jointly owned generation plants as of December 31, 2003 and 2002 were as follows:

	Production Plant				
December 31, 2003	**Peach Bottom**	**Salem**	**Keystone**	**Conemaugh**	**Quad Cities**
Operator	Generation	PSE&G	Reliant	Reliant	Generation
Ownership interest	50%	42.59%	20.99%	20.72%	75%
Generation's share:					
Plant	$ 449	$ 106	$ 167	$ 210	$ 193
Accumulated depreciation	239	24	106	138	18
Construction work in progress	1	48	2	1	24

	Production Plant				
December 31, 2002	**Peach Bottom**	**Salem**	**Keystone**	**Conemaugh**	**Quad Cities**
Operator	Generation	PSE&G	Reliant	Reliant	Generation
Ownership interest	50%	42.59%	20.99%	20.72%	75%
Generation's share:					
Plant	$ 417	$ 44	$ 131	$ 214	$ 171
Accumulated depreciation	229	12	98	127	4
Construction work in progress	52	36	28	1	35

Generation's undivided ownership interests are financed with Generation funds and all operations are accounted for as if such participating interests were wholly owned facilities. Direct expenses of the jointly owned plants are included in the corresponding operating expenses on the Consolidated Statements of Income.

6. Severance Accounting

Exelon provides severance and health and welfare benefits to terminated employees pursuant to pre-existing severance plans primarily based upon each individual employee's years of service with Generation and compensation level. Generation accounts for its ongoing severance plans in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43" (SFAS No. 112) and SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and accrue amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

As part of the implementation of Exelon's new business model referred to as The Exelon Way, during 2003, Generation identified 470 positions, including professional, managerial and union employees, for elimination by the end of 2004. Generation recorded a charge for salary continuance severance of $33 million during 2003, which represented salary continuance severance costs related to The Exelon Way that were probable and could be reasonably estimated as of December 31, 2003. During 2003, Generation recorded an additional charge of $12 million associated with special health and welfare severance benefits offered through The Exelon Way. In addition to cash and health and welfare severance benefits, Generation incurred curtailment costs associated with pension and postretirement benefit plans of $15 million as a result of personnel reductions due to The Exelon Way. These amounts are net of $11 million in charges associated with The Exelon Way initiatives billed to co-owners of generating facilities. In total, Generation recorded charges of $60 million in 2003, net of co-owner

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billings related to The Exelon Way. See Note 11 - Retirement Benefits for a description of the curtailment charges for the pension and postretirement benefit plans.

Generation based its estimate of the number of positions to be eliminated on management's current plans and its ability to determine the appropriate staffing levels to effectively operate the business. Generation may incur further severance costs associated with The Exelon Way if additional positions are identified for elimination. These costs will be recorded in the period in which the costs can be reasonably estimated.

The following table details Generation's total salary continuance severance expense recorded as an operating and maintenance expense within the Consolidated Statements of Income.

Salary continuance severance charges	
Expense recorded – 2003 (a)	$38
Expense recorded – 2002 (b)	2
Expense recorded – 2001 (b)	4

(a) Severance expense in 2003 reflects severance costs associated with The Exelon Way and other severance costs incurred in the normal course of business.
(b) Severance expense in 2002 and 2001 generally represents severance activity associated with the Merger and in the normal course of business.

The following table provides a roll forward of Generation's salary continuance severance obligation from January 1, 2002 through December 31, 2003. The salary continuance severance obligation as of January 1, 2002 and amounts paid in 2002 relate to severance associated with the Merger.

Salary continuance severance obligation	
Balance as of January 1, 2002	$ 38
Severance charges recorded	2
Cash payments	(22)
Other adjustments	(7)
Balance as of January 1, 2003	11
Severance charges recorded	38
Cash payments	(9)
Liability acquired upon consolidation of AmerGen	3
Balance as of December 31, 2003	$ 43

7. Credit Facilities

Credit Facility

In October 2003, Exelon, ComEd, PECO and Generation replaced their $1.5 billion bank unsecured revolving credit facility with a $750 million 364-day unsecured revolving credit agreement and a $750 million 3-year unsecured revolving credit agreement with a group of banks. Both revolving credit agreements are used principally to support the commercial paper programs at Exelon, ComEd, PECO and Generation and to issue letters of credit. The 364-day agreement also includes a term-out option provision that allows a borrower to extend the maturity of revolving credit borrowings outstanding at the end of the 364-day period for one year.

At December 31, 2003, Generation's aggregate sublimit under the credit agreements was $250 million. Sublimits under the credit agreements can change upon written notification to the bank group. Generation had

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approximately $170 million of unused bank commitments under the credit agreements at December 31, 2003. Generation did not have any commercial paper outstanding at December 31, 2003 and 2002. Interest rates on the advances under the credit facility are based on either the London Interbank Offering Rate (LIBOR) or prime plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. The maximum adder would be 175 basis points.

Boston Generating Facility

Approximately $1.0 billion of debt was outstanding under the Boston Generating Facility at December 31, 2003, all of which was reflected in Generation's Consolidated Balance Sheets as a current liability due to certain events of default described in Note 2 – Acquisitions and Dispositions. The Boston Generating Facility is non-recourse to Generation and an event of default under the Boston Generating Facility does not constitute an event of default under any other debt instruments of Generation or its subsidiaries.

Revolving Credit Facility

On September 29, 2003, Generation closed on an $850 million revolving credit facility that replaced a $550 million revolving credit facility that had originally closed on June 13, 2003. Generation used the facility to make the first payment to Sithe relating to the $536 million note that was used to purchase Exelon New England. This note was restructured in June 2003 to provide for a payment of $210 million of the principal on June 16, 2003, payment of $236 million of the principal on the earlier of December 1, 2003 or a change of control of Generation, and payment of the remaining principal on the earlier of December 1, 2004, certain liquidity needs, or a change of control of Generation. Generation paid $446 million on the note to Sithe in 2003. Generation terminated the $850 million revolving credit facility on December 22, 2003.

8. Long-Term Debt

Long-term debt is comprised of the following:

	December 31, 2003		December 31,	
	Rates	Maturity Date	2003	2002
Boston Generating Facility	6.60%(a)	2007	$ 1,037	$ 1,036
Senior unsecured notes	5.35%-6.95%	2011-2014	1,200	700
Pollution control notes, floating rates	0.95%-1.15%	2016-2034	363	346
Notes payable and other	6.20%-7.83%	2004-2020	128	56
Total long-term debt (b)			2,728	2,138
Unamortized debt discount and premium, net			(11)	(1)
Due within one year			(1,068)	(5)
Long-term debt			$ 1,649	$ 2,132

(a) The rate for the Boston Generating Facility is stated as an average rate. Under the terms of the Boston Generating Facility, Boston Generating is required to effectively fix the interest rate on 50% of the borrowings through its maturity in 2007. The Boston Generating Facility is subject to a variable rate based on the LIBOR rate plus a margin of 1.65% as of February 2003; however, through the required interest-rate swaps, Boston Generating effectively fixed the LIBOR component of the interest rate at 5.73% on 83% of the debt balance as of December 31, 2003. The balance outstanding on the Boston Generating Facility has

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been classified as a current liability as of December 31, 2003 due to certain events of default.

(b) Long-term debt maturities in the periods 2004 through 2008 and thereafter are as follows:

2004	$1,068
2005	12
2006	11
2007	10
2008	10
Thereafter	1,617
Total	$2,728

During 2003, the following long-term debt was issued:

Type	Amount	Rate	Maturity
Pollution Control Revenue Bonds	$ 17	Variable	June 1, 2027
Senior Notes	$ 500	5.35%	January 15, 2014

See Note 12 – Fair Value of Financial Assets and Liabilities for additional information regarding interest-rate swaps.

9. Income Taxes

Income tax expense (benefit) is comprised of the following components:

	For the Year Ended December 31,		
	2003	2002	2001
Included in operations:			
Federal			
Current	$ 74	$ 67	$253
Deferred	(220)	123	15
Investment tax credit	(8)	(8)	(8)
State			
Current	(4)	18	51
Deferred	(21)	17	16
	$(179)	$217	$327
Included in cumulative effects of changes in accounting principles:			
Federal			
Deferred	$ 58	$ 7	$ 6
State			
Deferred	12	2	1
	$ 70	$ 9	$ 7

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The effective income tax rate differed from the U.S. Federal statutory rate principally due to the following:

	For the Year Ended December 31,		
	2003	2002	2001
U.S. Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	3.9	3.7	5.2
Tax-exempt interest	1.8	(2.3)	—
Nuclear decommissioning trust income	(2.1)	0.9	(0.6)
Amortization of investment tax credit	1.2	(0.9)	(0.6)
Deferred expense/revenue option adjustment	1.6	—	—
Other	1.2	(0.5)	—
Effective income tax rate	42.6%	35.9%	39.0%

The tax effect of temporary differences giving rise to significant portions of Generation's deferred tax assets and liabilities are presented below:

	December 31,	
	2003	2002
Deferred tax assets:		
Decommissioning and decontamination obligations	$ 335	$ 703
Deferred pension and postretirement obligations	170	151
Unrealized gains on derivative financial instruments	83	66
Excess of tax value over book value of impaired assets(a)	460	—
Other, net	80	151
Total deferred tax assets	1,128	1,071
Deferred tax liabilities:		
Plant basis difference	(715)	(654)
Deferred investment tax credit	(218)	(226)
Decommissioning and decontamination obligations	(227)	(96)
Emission allowances	(40)	(36)
Severance obligations	—	(7)
Total deferred tax liabilities	(1,200)	(1,019)
Deferred income taxes (net) on the Consolidated Balance Sheets	$ (72)	$ 52

(a) Includes impairments related to Generation's investment in Sithe and Boston Generating.

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 Generation.

In 2002, Generation received $11 million from Exelon related to Generation's allocation of tax benefits under Exelon's Tax Sharing Agreement. Generation received no allocation of tax benefits under Exelon's tax sharing agreement in 2003.

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10. Nuclear Decommissioning and Spent Fuel Storage

Nuclear Decommissioning

Generation has an obligation to decommission its nuclear power plants. Based on the extended license lives of the nuclear plants, expenditures are expected to occur primarily during the period 2029 through 2056. Exelon, through its regulated subsidiary utility companies, ComEd and PECO, currently recovers costs for decommissioning its nuclear generating stations, excluding the AmerGen stations, through regulated rates. The amounts recovered from customers are deposited in trust accounts and invested for funding the future decommissioning costs of nuclear generating stations.

Generation had decommissioning assets in trust accounts of $4,721 million and $3,053 million as of December 31, 2003 and 2002, respectively, included as nuclear decommissioning trust funds on Generation's Consolidated Balance Sheets. Generation anticipates that all trust fund assets will ultimately be used to decommission Generation's nuclear plants.

SFAS No. 143 provides accounting requirements for retirement obligations (whether statutory, contractual or as a result of principles of promissory estoppel) associated with tangible long-lived assets. Generation adopted SFAS No. 143 as of January 1, 2003. After considering interpretations of the transitional guidance included in SFAS No. 143, Generation recorded income of $108 million (net of income taxes) as a cumulative effect of a change in accounting principle in connection with its adoption of this standard in the first quarter of 2003. The cumulative effect of a change in accounting principle included $28 million (net of income taxes of $18 million) associated with Generation's investments in AmerGen and Sithe.

See Note 1 – Significant Accounting Policies for net income for 2002 and 2001, adjusted as if SFAS No. 143 had been applied effective January 1, 2001.

The asset retirement obligation (ARO) as of January 1, 2003 was determined under SFAS No. 143 to be $2,363 million. The following table provides a reconciliation of the previously recorded liabilities for nuclear decommissioning to the ARO reflected on Generation's Consolidated Balance Sheets at December 31, 2003 and 2002:

Accumulated depreciation	$2,845
Nuclear decommissioning liability for retired units	1,293
Decommissioning obligation at December 31, 2002	4,138
Net reduction due to adoption of SFAS No. 143	1,775
Asset retirement obligation at January 1, 2003	2,363
Consolidation of AmerGen effective December 22, 2003	487
Accretion expense for the year ended December 31, 2003	160
Expenditures on currently retired units	(14)
Asset retirement obligation at December 31, 2003	$2,996

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Determination of Asset Retirement Obligation

In accordance with SFAS No. 143, a probability-weighted, discounted cash flow model with multiple scenarios was used to determine the "fair value" of the decommissioning obligation. SFAS No. 143 also stipulates that fair value represents the amount a third party would receive for assuming an entity's entire obligation.

The present value of future estimated cash flows was calculated using credit-adjusted, risk-free rates applicable to the various businesses in order to determine the fair value of the decommissioning obligation at the time of adoption of SFAS No. 143.

Significant changes in the assumptions underlying the items discussed above could materially affect the balance sheet amounts and future costs related to decommissioning recorded in the consolidated financial statements.

Effect of Adopting SFAS No. 143

Generation was required to re-measure the decommissioning liabilities at fair value using the methodology prescribed by SFAS No. 143. The transition provisions of SFAS No. 143 required Generation to apply this re-measurement back to the historical periods in which AROs were incurred, resulting in a re-measurement of these obligations at the date the related assets were acquired. Since the nuclear plants previously owned by ComEd were acquired by Exelon on October 20, 2000 and subsequently transferred to Generation as a result of the Exelon corporate restructuring on January 1, 2001, Generation's historical accounting for its ARO associated with those plants has been revised as if SFAS No. 143 had been in effect at the merger date.

In the case of the former ComEd plants, the calculation of the SFAS No. 143 ARO yielded decommissioning obligations lower than the value of the corresponding trust assets at January 1, 2003. ComEd has previously collected amounts from customers (which were subsequently transferred to Generation) in advance of Generation's recognition of decommissioning expense under SFAS No. 143. While it is expected that the trust assets will ultimately be used entirely for the decommissioning of the plants, the current measurement required by SFAS No. 143 results in an excess of assets over related ARO liabilities. As such, in accordance with regulatory accounting practices and a December 2000 Illinois Interstate Commerce Commission Order issued to ComEd, amended February 2001 (ICC Order), a regulatory liability of $948 million was recorded at ComEd resulting from the intercompany payable established by Generation upon the adoption of SFAS No. 143. At December 31, 2003, the intercompany payable to ComEd, and likewise the regulatory liability at ComEd, totaled $1,183 million. Generation believes that all of the decommissioning assets, including up to $73 million of annual collections from ComEd ratepayers through 2006, will be used to decommission the former ComEd plants. Subsequent to 2006, there will be no further recoveries of decommissioning costs from customers of ComEd. Additionally, any surplus funds after the nuclear stations are decommissioned must be refunded to customers. Generation expects that its intercompany payable and ComEd's regulatory liability will be reduced to zero at or before the conclusion of the decommissioning of the former ComEd plants.

In the case of the former PECO plants, the SFAS No. 143 ARO calculation yielded decommissioning obligations greater than the corresponding trust assets. As such, a regulatory asset of $20 million was recorded upon adoption at PECO resulting from the intercompany receivable established by Generation upon the adoption of SFAS No. 143. At December 31, 2003, the regulatory asset changed to a regulatory liability totaling $12 million as a result of decommissioning activity during the year. Generation believes that all of the decommissioning assets, including $29 million of annual collections from PECO ratepayers, which will increase

to approximately $33 million beginning in 2004, will be used to decommission the former PECO plants. Generation expects that its intercompany payable and PECO's regulatory liability will be reduced to zero at the conclusion of the decommissioning of the former PECO plants.

At December 31, 2002, prior to the adoption of SFAS No. 143, Generation's accumulated depreciation included $2,845 million for decommissioning liabilities related to active nuclear plants. This amount was reclassified to an ARO upon the adoption of SFAS No. 143. Generation also recorded an asset retirement cost (ARC) of $172 million related to the establishment of the ARO related to former PECO plants in accordance with SFAS No. 143. The ARC is being amortized over the remaining lives of the plants.

In accordance with the provisions of SFAS No. 143 and regulatory accounting guidance, Generation recorded a SFAS No. 143 transition adjustment to accumulated other comprehensive income to reclassify $168 million, net of tax, of accumulated net unrealized losses on the nuclear decommissioning trust funds to its intercompany payable to ComEd, and likewise to ComEd's regulatory liability.

Accounting Methodology Under SFAS No. 143

Realized gains and losses and investment income on decommissioning trust funds for nuclear generating stations transferred to Generation from ComEd are reflected in other income and deductions in Generation's Consolidated Statements of Income, while the unrealized gains and losses on marketable securities held in the trust funds adjust the intercompany payable to ComEd on Generation's Consolidated Balance Sheets, with an equal adjustment to ComEd's regulatory liability. The increases in the ARO are recorded in operating and maintenance expense as accretion expense. If the trust assets plus future collections permitted by the ICC Order are exceeded by the ARO, Generation is responsible for any shortfall in funding and at that point unrealized gains and losses will be recorded as other comprehensive income. The result of the above accounting has no earnings impact to Generation for as long as the trust assets exceed the ARO for the former ComEd plants.

The above accounting practices are also applicable for nuclear generating stations that were transferred to Generation from PECO as a result of the Exelon corporate restructuring on January 1, 2001. Additionally, depreciation expense is recognized on the ARC established upon the adoption of SFAS No. 143. However, as Generation has the expectation of full recovery from ratepayers of decommissioning costs of PECO's former nuclear generating stations, the result of the above accounting has no earnings impact to Generation. Therefore, to the extent that the net of decommissioning revenues collected and realized gains and losses and investment income differs from the accretion expense to the ARO and the related depreciation of the ARC, an adjustment to net the amounts to zero is recorded by Generation as an adjustment to the intercompany payable to PECO, along with and adjustment to PECO's regulatory liability balance.

The impact to Generation for the accounting for the decommissioning of the AmerGen plants was recorded within Generation's equity in earnings of AmerGen prior to the acquisition of British Energy's 50% interest in December 2003. In addition, Generation's proportionate share of unrealized gains and losses on AmerGen's decommissioning trust funds were reflected in Generation's other comprehensive income.

Beginning in 2004, AmerGen's decommissioning activity will be reflected in Generation's Consolidated Statements of Income. Realized gains and losses and investment income on AmerGen's decommissioning trust funds will be reflected in other income and deductions, while the unrealized gains and losses on marketable securities held in the trust funds will continue to be reflected in accumulated other comprehensive income. The increases in the ARO will be recorded in operating and maintenance expense as accretion expense. At December 31, 2003, trust fund assets available to decommission AmerGen plants totaled $1.1 billion while the ARO totaled $487 million.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Accounting Prior to the Adoption of SFAS No. 143

Prior to January 1, 2003, Generation accounted for the current period's cost of decommissioning related to generating plants previously owned by PECO in accordance with common regulatory accounting practices by recording a charge to depreciation expense and a corresponding liability in accumulated depreciation concurrently with recognizing decommissioning collections. Financial activity of the decommissioning trust (e.g., investment income and realized and unrealized gains and losses on trust investments) was reflected in nuclear decommissioning trust funds in Generation's Consolidated Balance Sheets with a corresponding offset recorded to the liability in accumulated depreciation. Under common regulatory practices, the deposit of funds into the decommissioning trust accounts plus the financial activity reflected in nuclear decommissioning trust funds in Generation's Consolidated Balance Sheets would have, over time, established a corresponding liability in accumulated depreciation reflecting the cost to decommission the nuclear generating stations previously owned by PECO.

Regulatory accounting practices for the nuclear generating stations previously owned by ComEd were discontinued as a result of an ICC order capping ComEd's ultimate recovery of decommissioning costs. The difference between the decommissioning cost estimate and the decommissioning liability recorded in accumulated depreciation for the former ComEd operating stations was being amortized to depreciation expense on a straight-line basis over the remaining lives of the stations. The decommissioning cost estimate (adjusted annually to reflect inflation) for the former ComEd retired units recorded in deferred credits and other liabilities was accreted to depreciation expense. Financial activity of the decommissioning trust related to Generation's nuclear generating stations no longer accounted for under common regulatory practices (e.g., investment income and realized and unrealized gains and losses on trust investments) was reflected in nuclear decommissioning trust funds in Generation's Consolidated Balance Sheets with a corresponding gain or expense recorded in Generation's Consolidated Income Statements or in other comprehensive income. The offset to the financial activity in the decommissioning trust funds is summarized as follows:

- Interest income was recorded in other income and deductions,
- Realized gains and losses were recorded in other income and deductions,
- Unrealized gains and losses were recorded in other comprehensive income, and
- Trust fund operating expenses were recorded in operation and maintenance expense.

Spent Nuclear Fuel

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 (SNF) and high-level radioactive waste. ComEd and PECO, as required by the NWPA, each signed contracts 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 31, 1998. The DOE, however, failed to meet that deadline and its performance will be delayed significantly. The DOE's current estimate for opening a SNF facility is 2010. This extended delay in SNF acceptance by the DOE has led to Generation's adoption of dry storage at its Dresden, Quad Cities and Peach Bottom Units and its consideration of dry storage at other units.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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In July 1998, ComEd filed a complaint against the United States Government (Government) in the United States Court of Federal Claims (Court) seeking to recover damages caused by the DOE's failure to honor its contractual obligation to begin disposing of SNF in January 1998. In August 2001, the Court granted ComEd's motion for partial summary judgment for liability on ComEd's breach of contract claim. In November 2001, the Government filed two partial summary judgment motions relating to certain damage issues in the case as well as two motions to dismiss claims other than ComEd's breach of contract claim. On June 10, 2003, the Court denied the Government's summary judgment motions and set the case for trial on damages for November 2004. Also on June 10, 2003, the Court granted the Government's motion to dismiss claims other than the breach of contract claims. Generation assumed the Standard Contract, as amended, in the 2001 corporate restructuring. Generation is now engaged in pre-trial document and deposition discovery on the damages claims.

In July 2000, PECO entered into an agreement (the Amendment) with the DOE relating to PECO's 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 the Amendment, the DOE agreed to provide PECO with credits against PECO's future contributions to the Nuclear Waste Fund over the next ten years to compensate PECO for SNF storage costs incurred as a result of the DOE's breach of the contract. The Amendment also provided that, upon PECO's request, the DOE will take title to the SNF and the interim storage facility at Peach Bottom provided certain conditions are met. Generation assumed this contract in the 2001 corporate restructuring.

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 Amendment providing for credits to PECO 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, and Generation assumed the claim in the 2001 corporate restructuring. On September 24, 2002, the United States Court of Appeals for the Eleventh Circuit ruled that the fee adjustment provision of the Amendment violates the NWPA and therefore is null and void. The Court did not hold that the Amendment as a whole is invalid. Article XVI(I) of the Amendment provides that if any portion of the Amendment is found to be void, the DOE and Generation agree to negotiate in good faith and attempt to reach an enforceable agreement consistent with the spirit and purpose of the Amendment. That provision further provides that should a major term be declared void, and the DOE and Generation cannot reach a subsequent agreement, the entire Amendment would be rendered null and void, the original Peach Bottom Standard Contract would remain in effect and the parties would return to pre-Amendment status. Pursuant to Article XVI(I), Generation has begun negotiations with the DOE and those negotiations are ongoing. Under the Amendment, Generation has received approximately $40 million in credits against contributions to the nuclear waste fund.

On August 14, 2003, Generation received a letter from the DOE demanding repayment of $40 million of previously received credits from the Nuclear Waste Fund. The letter also demanded $1.5 million of interest that was accrued as of that date and Generation has continued to record an interest expense each subsequent month. Although a new settlement would offset Generation's payments, Generation nonetheless has reserved its 50% ownership share of these amounts. Because Generation expenses the dry storage casks and capitalizes the permanent components of its spent fuel storage facilities, these reserves increased Generation's operating and maintenance expense approximately $11 million and its capital base approximately $9 million during 2003. The remainder of the recorded obligation to the DOE will be recovered from the co-owner of Peach Bottom.

The Standard Contract with the DOE also required 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 pay the one-time fee of $277 million, with interest to the date of payment, just prior to the first delivery of SNF to the DOE. As of December 31, 2003, the unfunded liability for the one-time fee

with interest was $867 million. The liabilities for spent nuclear fuel disposal costs, including the one-time fee, were transferred to Generation as part of the corporate restructuring.

11. Retirement Benefits

Generation has adopted defined benefit pension plans and postretirement welfare benefit plans sponsored by Exelon. Substantially all Generation employees are eligible to participate in these plans. Benefits under these pension plans generally reflect each employee's compensation, years of service, and age at retirement.

The pension obligation and non-pension postretirement benefits obligation on Generation's Consolidated Balance Sheets reflect Generation's obligations to the plan sponsor, Exelon. Employee-related assets and liabilities, including both pension and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," postretirement welfare liabilities, were allocated by Exelon to its subsidiaries based on the number of active employees as of January 1, 2001 as part of Exelon's corporate restructuring. Exelon allocates the components of pension expense to the participating employers based upon several factors, including the percentage of active employees in each participating unit.

Complete pension and other postretirement benefits information for the Exelon plans are disclosed in Note 14 of the Notes to Exelon's Consolidated Financial Statements.

Approximately $75 million and $37 million were included in operating and maintenance expense in 2003 and 2002, respectively, for Generation's allocated portion of Exelon's pension and postretirement benefit expense. Generation contributed $145 million and $60 million to the Exelon-sponsored pension plans in 2003 and 2002 and did not contribute in 2001. Generation expects to contribute up to $170 million to the pension plans in 2004.

During 2003, Generation recognized curtailment charges of $18 million associated with an overall reduction in participants in its pension and postretirement benefit plans due to employee reductions associated with The Exelon Way.

Generation participates in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their pretax income in accordance with specified guidelines. Generation matches a percentage of employee contributions to the plan up to certain limits. The cost of Generation's matching contributions to the savings plan totaled $57 million, $31 million and $23 million for 2003, 2002 and 2001, respectively.

12. Fair Value of Financial Assets and Liabilities

Non-Derivative Financial Assets and Liabilities

Cash and cash equivalents, customer accounts receivable, trust accounts for decommissioning nuclear plants, vendor accounts payable and accrued liabilities are recorded at their fair value.

As of December 31, 2003 and 2002, Generation's carrying amounts of cash and cash equivalents, accounts receivable, vendor accounts payable and accrued liabilities are representative of fair value because of the short-term nature of these instruments. Fair values of the trust accounts for decommissioning nuclear plants, long-term debt and preferred securities of subsidiaries are estimated based on quoted market prices for the same or similar issues.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The carrying amounts and fair values of Generation's financial liabilities as of December 31, 2003 and 2002 were as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Long-term debt (including amounts due within one year)	$ 2,717	$ 2,930	$ 2,137	$ 2,199

Financial instruments that potentially subject Generation to concentrations of credit risk consist principally of cash equivalents and customer accounts receivable. Generation places its cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to customer accounts receivable are limited due to Generation's large number of customers.

Derivative Instruments

The fair values of Generation's interest-rate swaps and power purchase and sale contracts are determined using quoted exchange prices, external dealer prices, or internal valuation models which utilize assumptions of future energy prices and available market pricing curves.

Generation enters into interest-rate swaps to hedge exposure to interest rate changes. Swaps related to variable-rate securities or forecasted transactions are accounted for as cash-flow hedges. The swaps are generally structured to mirror the terms of the hedged debt instruments; therefore, no material ineffectiveness has been recorded in earnings. The gain or loss in fair value of cash-flow hedges is recorded in other comprehensive income and will be recognized in earnings over the life of the hedged items. The gain or loss in fair value of fair-value hedges, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, is recorded in earnings.

At December 31, 2003 and 2002, Generation had $861 million of notional amounts of interest-rate swaps outstanding with net deferred losses of $77 million and $92 million, respectively.

The notional amount of derivatives does not represent amounts that are exchanged by the parties and, thus, is not a measure of Generation's exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on the other terms of the derivatives, which relate to interest rates and the volatility of these rates.

During 2003, Generation settled forward-starting interest-rate swaps in an aggregate notional amount of $500 million and recorded a pre-tax gain of $1 million, which was recorded in other comprehensive income. The pre-tax gains on settlements of interest-rate swaps are being amortized over the life of the related debt to interest expense.

Generation utilizes derivatives to manage the utilization of its available generating capacity and provision of wholesale energy to its affiliates. Generation also utilizes energy option contracts and energy financial swap arrangements to limit the market price risk associated with forward energy commodity contracts. Additionally, Generation enters into certain energy-related derivatives for trading or speculative purposes. At December 31, 2003 and 2002, Generation had $216 million and $163 million, respectively, of energy derivatives recorded as net liabilities at fair value on its Consolidated Balance Sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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For the years ended December 31, 2003, 2002, and 2001 Generation recognized net unrealized losses of $16 million, and net unrealized gains of $6 million and $16 million, respectively, relating to mark-to-market activity of certain non-trading power purchase and sale contracts pursuant to SFAS No. 133. Mark-to-market activity on non-trading power purchase and sale contracts are reported in fuel and purchased power. For the years ended December 31, 2003, 2002 and 2001, Generation recognized net unrealized losses of $3 million and $9 million and net unrealized gains of $14 million, respectively, relating to mark-to-market activity on derivative instruments entered into for trading purposes. Gains and losses associated with financial trading are reported as revenue in the Consolidated Statements of Income. During 2001, a $6 million gain ($4 million, net of income taxes) was reclassified from accumulated other comprehensive income into earnings as a result of forecasted financing transactions no longer being probable.

As of December 31, 2003, $187 million of deferred net losses on derivative instruments in accumulated other comprehensive income are expected to be reclassified to earnings during the next twelve months. Amounts in accumulated other comprehensive income related to changes in interest-rate cash-flow hedges are reclassified into earnings when the forecasted interest payment occurs. Amounts in accumulated other comprehensive income related to changes in energy commodity cash-flow hedges are reclassified into earnings when the forecasted purchase or sale of the energy commodity occurs. The majority of Generation's cash-flow hedges are expected to settle within the next 4 years.

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. Generation's interest-rate swaps are documented under master agreements. Among other things, these agreements provide for a maximum credit exposure for both parties. Payments are required by the appropriate party when the maximum limit is reached. Generation has entered into payment netting agreements or enabling agreements that allow for payment netting with the majority of its large counterparties, which reduce Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty.

Available-for-Sale Securities

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 as of December 31, 2003 and 2002.

	December 31, 2003			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents (1)	$ 72	$ —	$ —	$ 72
Equity securities	2,402	300	(294)	2,408
Debt securities				
Government obligations	1,574	65	(4)	1,635
Other debt securities	579	29	(2)	606
Total debt securities	2,153	94	(6)	2,241
Total available-for-sale securities	$ 4,627	$ 394	$ (300)	$ 4,721

(1) Cash and cash equivalents do not include $12 million related to AmerGen's nuclear decommissioning trust fund. AmerGen's nuclear decommissioning trust fund cash and cash equivalents are classified elsewhere in the table.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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	December 31, 2002			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash and cash equivalents	$ 184	$ —	$ —	$ 184
Equity securities	1,763	72	(482)	1,353
Debt securities				
Government obligations	938	62	—	1,000
Other debt securities	514	32	(30)	516
Total debt securities	1,452	94	(30)	1,516
Total available-for-sale securities	$ 3,399	$ 166	$ (512)	$ 3,053

Net unrealized gains of $94 million were recognized in noncurrent affiliate payables and other comprehensive income in Generation's Consolidated Balance Sheets as of December 31, 2003. Net unrealized losses of $346 million were recognized in accumulated depreciation and other comprehensive income in Generation's Consolidated Balance Sheets at December 31, 2002.

	For the Years Ended December 31,		
	2003	2002	2001
Proceeds from sales	$2,341	$1,612	$1,624
Gross realized gains	219	56	76
Gross realized losses	(235)	(86)	(189)

Net realized losses of $16 million, $32 million and $127 million were recognized in other income and deductions in Generation's Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001, respectively. Additionally, net realized gains of $2 million and $14 million were recognized in accumulated depreciation and regulatory assets in Generation's Consolidated Balance Sheets at December 31, 2002, and 2001, respectively. The fixed-income available-for-sale securities held at December 31, 2003 have an average maturity range of seven to nine years. The cost of these securities was determined on the basis of specific identification. See Note 10 – Nuclear Decommissioning and Spent Fuel Storage for further information regarding the nuclear decommissioning trusts.

The following table provides information regarding Generation's available-for-sale securities in an unrealized loss position that are not other-than-temporarily impaired. The table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2003.

	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
Equity securities	$ 33	$ 231	$ 261	$ 775	$ 294	$ 1,006
Debt securities						
Government obligations	4	232	—	11	4	243
Other debt securities	2	117	—	2	2	119
Total debt securities	6	349	—	13	6	362
Total temporarily impaired securities	$ 39	$ 580	$ 261	$ 788	$ 300	$ 1,368

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As of December 31, 2003, Generation's available-for-sale investments in unrealized loss positions that were not other-than-temporarily impaired were securities held in its nuclear decommissioning trust funds. These investments are held to fund Generation's decommissioning obligation for its nuclear plants. Nuclear decommissioning activity occurs primarily after a plant is retired, and Generation estimates that decommissioning expenditures funded by the trust assets will begin in 2029.

Generation evaluates the historical performance, cost basis, and market value of its securities in unrealized loss positions in comparison to related market indices to assess whether or not the securities are permanently impaired. Generation concluded that the trending of the related market indices and historical performance of these securities over a long-term time horizon indicates that the securities are not other-than-temporarily impaired.

13. Commitments and Contingencies

Energy Commitments

Generation's wholesale operations include the physical delivery and marketing of power obtained through its generation capacity, and long-, intermediate- and short-term contracts. Generation maintains a net positive supply of energy and capacity, through ownership of generation assets and purchased power and lease agreements, to protect it from the potential operational failure of one of its owned or contracted power generating units. Generation has also contracted for access to additional generation through bilateral long-term PPAs. These agreements are firm commitments related to power generation of specific generation plants and/or are dispatchable in nature. Generation enters into PPAs with the objective of obtaining low-cost energy supply sources to meet its physical delivery obligations to its customers. 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 primary intent and business objective for the use of its capital assets and contracts is to provide Generation with physical power supply to enable it to deliver energy to meet customer needs. Generation primarily uses financial contracts in its wholesale marketing activities for hedging purposes. Generation also uses financial contracts to manage the risk surrounding trading for profit activities.

Generation has entered into bilateral long-term contractual obligations for sales of energy to load-serving entities, including electric utilities, municipalities, electric cooperatives, and retail load aggregators. Generation also enters into contractual obligations to deliver energy to wholesale market participants who primarily focus on the resale of energy products for delivery. Generation provides delivery of its energy to these customers through rights for firm transmission.

At December 31, 2003, Generation had long-term commitments, relating to the purchase and sale of energy, capacity and transmission rights from unaffiliated utilities and others, including the Midwest Generation, LLC (Midwest Generation) contract, as expressed in the following tables:

	Net Capacity Purchases (1)	Power Only Sales	Power Only Purchases	Transmission Rights Purchases (2)
2004	$ 716	$ 3,393	$ 1,661	$ 113
2005	414	1,088	429	86
2006	410	290	276	3
2007	492	80	253	—
2008	434	—	226	—
Thereafter	3,880	—	723	—
Total	$ 6,346	$ 4,851	$ 3,568	$ 202

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(1) Generation will take 1,696 megawatts (MWs) of non-option coal capacity, 687 MWs of option coal capacity, 1,084 MWs of Collins Station capacity and 391 MWs of peaking capacity from Midwest Generation in 2004, the fifth and final year of the contract. In total, Generation has retained 3,858 MWs of capacity under the terms of the three existing PPAs with 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. During the periods covered by the power purchase agreement, TXU is obligated to make fixed capacity payments and variable expense payments and to provide fuel to Generation in return for exclusive rights to the energy and capacity of the generation plants. The combined capacity of the two plants is 2,334 MWs. Net capacity purchases also include tolling agreements that are accounted for as operating leases.

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

In connection with the 2001 corporate restructuring, Generation entered into a PPA with ComEd 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. An extension of this contract for 2005 and 2006 has been agreed to by ComEd and Generation with substantially the same terms as the PPA currently in effect, except for the prices of energy which were reset to reflect the current rates at the time the extension was agreed to. This extension must still be filed with the ICC. Subsequent to 2006, ComEd will obtain all of its supply from market sources, which could include Generation. Additionally, Generation entered into a PPA with PECO 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.

Other Purchase Obligations

In addition to Generation's energy commitments as described above, Generation has commitments to purchase fuel supplies for nuclear generation and various other purchase commitments related to the normal day-to-day operations of Generation's business. As of December 31, 2003, these commitments were as follows:

		Expiration within			
	Total	2004	2005-2006	2007-2008	2009 and beyond
Fuel purchase agreements (a)	$ 3,034	$ 476	$ 825	$ 582	$ 1,151
Other purchase commitments (b)	54	19	22	13	—

(a) Fuel Purchase Agreements – Commitments to purchase fuel supplies for nuclear and fossil generation.
(b) Other Purchase Commitments – Commitments for spent fuel storage casks and other disposal services at nuclear generating facilities.

Two affiliates of Exelon New England have long-term supply agreements through December 2022 with Distrigas of Massachusetts, LLC (Distrigas) for gas supply, primarily for the Boston Generating units. Under the agreements, prices are indexed to New England gas markets. Exelon New England has guaranteed these entities' financial obligations to Distrigas under the Distrigas agreements. It is currently anticipated that Exelon New England's guaranty to Distrigas will continue following the eventual transfer of the ownership interests in Boston Generating. This guaranty is non-recourse to Generation. At December 31, 2003, Exelon New England had net assets of approximately $70 million, exclusive of the Boston Generating net assets.

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Commercial Commitments

Generation's commercial commitments as of December 31, 2003, representing commitments not recorded on the balance sheet but potentially triggered by future events, including obligations to make payment on behalf of other parties and financing arrangements to secure its obligations, are as follows:

		Expiration within			
	Total	2004	2005-2006	2007-2008	2009 and beyond
Letters of credit (non-debt) (a)	$ 85	$ 85	$ —	$ —	$ —
Letters of credit (long-term debt) - interest coverage (b)	13	13	—	—	—
Performance guarantees (c)	201	—	—	—	201
Energy marketing contract guarantees (d)	53	53	—	—	—
Nuclear insurance premiums (e)	1,710	—	—	—	1,710
Total commercial commitments	$ 2,062	$ 151	$ —	$ —	$ 1,911

(a) Letters of credit (non-debt) – Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties. Guarantees of $66 million have been issued to provide support for certain letters of credit as required by third parties.
(b) Letters of credit (long-term debt) - interest coverage – Reflects the interest coverage portion of letters of credit supporting floating-rate pollution control bonds. The principal amount of the floating-rate pollution control bonds of $363 million is reflected in long-term debt in Generation's Consolidated Balance Sheet.
(c) Performance guarantees – Guarantees issued to ensure execution under specific contracts.
(d) Energy marketing contract guarantees – Guarantees issued to ensure performance under energy commodity contracts.
(e) Nuclear insurance premiums – Represent the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act. Exelon guarantees Generation's potential obligation for nuclear insurance premiums.

Additionally, Generation could be required to guarantee up to an additional $42 million related to various construction and tax obligations associated with the Boston Generating facilities.

See Note 3 - Sithe for additional information about Generation's unconsolidated equity investment.

Capital Expenditures

Generation's estimated capital expenditures for 2004 are as follows:

(in millions)	
Production plant (a)	$573
Nuclear fuel	399
Total	$972

(a) Capital expenditures for production include expenditures to increase capacity of existing plants.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Nuclear Insurance

The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. As of January 1, 2004, the current limit is $10.9 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. As required by the Price-Anderson Act, Generation carries the maximum available amount of nuclear liability insurance (currently $300 million for each operating site) and the remaining $10.6 billion is provided through mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed a maximum charge per reactor per incident. Effective August 20, 2003, the maximum assessment for all nuclear operators per reactor per incident (including a 5% surcharge) increased from $89 million to $101 million, 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. The Price-Anderson Act expired on August 1, 2002 and was subsequently extended to the end of 2003 by the U.S. Congress. Only facilities applying for NRC licenses subsequent to the expiration of the Price-Anderson Act are affected. Existing commercial generating facilities, such as those owned and operated by Generation, remain subject to the provisions of the Price-Anderson Act and are unaffected by its expiration.

Generation is a member of an industry mutual insurance company, Nuclear Electric Insurance Limited (NEIL), which provides property damage, decontamination and premature decommissioning insurance for each station for losses 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 Generation is required by the NRC to maintain, to provide for decommissioning the facility. Generation is unable to predict the timing of the availability of insurance proceeds to Generation and the amount of such proceeds that would be available. Under the terms of the various insurance agreements, Generation could be assessed up to $170 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. The $3.2 billion maximum recovery limit is not applicable, however, in the event of a “certified act of terrorism” as defined in the Terrorism Risk Insurance Act of 2002, as a result of government indemnity. Generally, a “certified act of terrorism” is defined in the Terrorism Risk Insurance Act to be any act, certified by the U.S. government, to be an act of terrorism committed on behalf of a foreign person or interest.

Additionally, NEIL 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. Including the AmerGen sites, Generation’s maximum share of any assessment is $61 million per year. Recovery under this insurance for terrorist acts is subject to the $3.2 billion aggregate limit and secondary to the property insurance described above. This limit would also not apply in cases of certified acts of terrorism under the Terrorism Risk Insurance Act as described above.

In addition, 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. 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 Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

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 Generation's financial condition and results of operations.

Environmental Issues

Under Federal and state environmental laws, Generation is generally liable for the costs of remediating environmental contamination of property now owned and of property contaminated by hazardous substances generated by Generation.

As of December 31, 2003, Generation had accrued $10 million for environmental investigation and remediation costs. Generation cannot reasonably estimate whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by 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 and rail cars, as of December 31, 2003 were:

2004	$ 21
2005	27
2006	26
2007	26
2008	26
Thereafter	438
Total minimum future lease payments (a)	$564

(a) Generation's tolling agreements are accounted for as operating leases and are reflected as net capacity purchases in the energy commitments table above.

Rental expense under operating leases totaled $24 million, $25 million, and $29 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Litigation

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. Several of these actions resulted in nominal jury verdicts or were settled or dismissed. One action resulted in an award for the plaintiffs for a more substantial amount, but was reversed on April 22, 2003 by the Tenth Circuit Court of Appeals and remanded for retrial. An appeal by the plaintiffs to the United States Supreme Court was denied on November 10, 2003. No date has been set for a new trial.

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. Generation cannot predict the ultimate outcome of the cases.

The U.S. 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), has submitted a draft feasibility study addressing options for remediation of 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 range from $0 to $87 million. Once a remedy is 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.

Raytheon and Mitsubishi Litigation. In May 2002, Raytheon Corporation (Raytheon) filed an arbitration against Sithe Fore River Development, LLC (now Fore River Development, LLC) in the International Chamber of Commerce Court of Arbitration (Arbitration Court). Raytheon is seeking equitable relief and damages totaling over $45 million for alleged owner-caused performance delays and force majuere events in connection with the Fore River Power Plant Engineering, Procurement & Construction Agreement (EPC Agreement). The EPC Agreement, executed by a Raytheon subsidiary and guaranteed by Raytheon, governs the design, engineering, construction, start-up, testing and delivery of an 800-MW combined-cycle power plant in Weymouth, Massachusetts. Hearings by the Arbitration Court with respect to liability were held in January and February 2003. On May 12, 2003, the Arbitration Court issued an interim order finding in favor of Raytheon on liability, but limited the grounds upon which Raytheon could claim schedule and cost relief. The Arbitration Court ordered the parties to proceed to a damages phase to determine what, if any, damages Raytheon may recover. Hearings by the Arbitration Court with respect to damages were conducted in June and July 2003 and a final decision is expected in the first quarter of 2004.

In a related proceeding, on October 2, 2003, Mitsubishi Heavy Industries, LTD (MHI) and Mitsubishi Heavy Industries of America (MHIA) filed an action in the New York Supreme Court against Fore River Development, LLC and Mystic Development, LLC (collectively, the Project Companies) seeking to enjoin these indirect subsidiaries of Generation from drawing upon letters of credit posted to guarantee MHI's performance under certain gas turbine contracts. MHI and MHIA also sought $34 million from these entities in connection with work performed on these contracts. The Project Companies filed a third-party complaint against Raytheon, claiming that Raytheon was responsible for the MHI and MHIA contracts.

On August 29, 2003, Raytheon filed an action against the Project Companies and BNP Paribas in the Massachusetts Superior Court (Superior Court) alleging that the Project Companies and BNP Paribas had failed to provide adequate assurance that Raytheon would be paid the remaining amounts due under the Fore River and Mystic EPC contracts. Raytheon is seeking: (1) an injunction preventing the Project Companies and BNP Paribas from drawing upon certain letters of credit guaranteeing Raytheon's performance; (2) the right to terminate the construction contracts; and (3) an order allowing Raytheon to seize project funds totaling approximately $40 million. Raytheon subsequently dismissed BNP Paribas from the litigation. On November 25, 2003, the Massachusetts Superior Court dismissed Raytheon's claims in Massachusetts holding that Raytheon's claims should have been brought in the New York Supreme Court proceeding. As a result of this decision, all of the litigation was transferred and consolidated into the New York Supreme Court action and all parties have moved for summary judgment. The court has not yet issued any decision.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Clean Air Act. On June 1, 2001, the EPA issued to a subsidiary of the Company a Notice of Violation (NOV) and Reporting Requirement pursuant to Sections 113 and 114 of the Clean Air Act. The NOV alleges numerous exceedances of opacity limits and violations of opacity-related monitoring, recording and reporting requirements at Mystic Station in Everett, Massachusetts. On January 8, 2002, the EPA indicated that it had decided to resolve the NOV through an administrative compliance order and a judicial civil penalty action. In March 2002, the EPA issued and Mystic I, LLC, doing business as Mystic Generating (formerly known as Exelon Mystic Generating, LLC) (Mystic), a wholly owned subsidiary of the Company, voluntarily entered a Compliance Order and Reporting Requirement (Order) regarding Mystic Station. Under the Order, Mystic Station installed new ignition equipment on three of the four units at the plant. Mystic Station also undertook an extensive opacity monitoring and testing program for all four units at the plant to help determine if additional compliance measures are needed. Pursuant to the requirements of the Order, the subsidiary switched three of the four units to a lower sulfur fuel oil by September 1, 2002. The Order did not address civil penalties. By letter dated April 21, 2003, the United States Department of Justice notified the subsidiary that, at the request of the EPA, it intended to bring a civil penalty action, but also offered the opportunity to resolve the matter through settlement discussions. Mystic has entered into a consent decree with the EPA and the Department of Justice, the net discounted cost of which is approximately $4 million. The consent decree is subject to the approval of the United States District Court of the District of Massachusetts.

Real Estate Tax Appeals. Generation is challenging real estate taxes assessed on nuclear plants since 1997. Generation is involved in real estate tax appeals for 2000 through 2003, regarding the valuation of its Limerick and Peach Bottom plants, its Quad Cities Station (Rock Island County, IL) and, through AmerGen, Three Mile Island Nuclear Station (Dauphin County, PA).

During 2003, upon completion of updated nuclear plant appraisal studies, Generation recorded reductions of $15 million to reserves recorded for exposures associated with the real estate taxes. While Generation believes the resulting reserve balances as of December 31, 2003 reflect the most likely probable expected outcome of the litigation and appeals proceedings in accordance with SFAS No. 5, “Accounting for Contingencies,” the ultimate outcome of such matters could result in additional unfavorable or favorable adjustments to the consolidated financial statements of Generation, and such adjustments could be material.

General. Generation is involved in various other litigation matters that are being defended and handled in the ordinary course of business, and Generation maintains accruals for such costs that are probable of being incurred and subject to reasonable estimation. The ultimate outcome of such matters, as well as the matters discussed above, while uncertain, is not expected to have a material adverse effect on its financial condition or results of operations.

Capital Commitments

Generation has a 74% interest in the Southeast Chicago Energy Project, LLC, (Southeast Chicago) which owns a peaking facility in Chicago. Southeast Chicago is obligated to make equity distributions of $51 million

(Dollars in millions, except per share data unless otherwise noted)

over the next 20 years to the party, which is not affiliated with Generation, that owns the remaining 26% interest. This amount reflects a return of that party's investment in Southeast Chicago. Generation has the right to purchase, generally at a premium, and the other party has the right to require Generation to purchase, generally at a discount, the 26% interest in Southeast Chicago. Additionally, Generation may be required to purchase the remaining 26% interest upon the occurrence of certain events, including Generation's failure to maintain an investment grade rating. In conjunction with the adoption of SFAS No. 150 on July 1, 2003, Generation reclassified the minority interest associated with Southeast Chicago to a long-term liability. The total minority interest related to Southeast Chicago was $51 million as of December 31, 2003. Prior periods were not restated.

Credit Contingencies

Dynegy. 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 December 31, 2003, Generation has credit risk associated with Dynegy through Generation's equity investment in Sithe. Sithe is a 60% owner of the Independence generating station, a 1,028-MW gas-fired facility that has an energy-only long-term tolling agreement with Dynegy, with a related financial swap arrangement. Sithe has entered into a contract to purchase the remaining 40% interest of the Independence generating station. As of December 31, 2003, Sithe had recognized an asset on its balance sheet related to the fair market value of the financial swap agreement with Dynegy that is marked-to-market under the terms of SFAS No. 133. If Dynegy were unable to fulfill the terms of this agreement, Sithe would be required to impair this financial swap asset. Generation estimates, as a 50% owner of Sithe, that the impairment would result in an after-tax reduction of equity earnings of approximately $5 million.

In addition to the impairment of the financial swap asset, if Dynegy were unable to fulfill its obligations under the financial swap agreement and the tolling agreement, Generation would likely incur a further impairment associated with the Independence plant. Depending upon the timing of Dynegy's failure to fulfill its obligations and the outcome of any restructuring initiatives, Exelon could realize an after-tax charge of up to $30 million, net of a FIN No. 45 guarantee recorded in connection with Generation's sale of 50% of Sithe to Reservoir. In the event of a sale of Exelon's investment in Sithe to a third party, proceeds from the sale could be negatively affected by up to $74 million, which would represent an after-tax loss of up to $43 million. Additionally, the future economic value of AmerGen's purchased power arrangement with Illinois Power, a subsidiary of Dynegy, could be affected by events related to Dynegy's financial condition. On February 3, 2004, Dynegy announced an agreement to sell its subsidiary Illinois Power Company to a third party, which, upon closing of the transaction, would reduce Generation's credit risk associated with Dynegy.

Fund Transfer Restrictions

Under applicable law, Generation can pay dividends only from undistributed or current earnings. At December 31, 2003 and 2002, Generation had undistributed earnings of $602 million and $924 million, respectively.

14. Supplemental Financial Information

Supplemental Income Statement Information

	For the Year Ended December 31,		
	2003	2002	2001
Depreciation, amortization and accretion expense:			
Property, plant and equipment (a)	$ 199	$ 146	$ 145
Nuclear fuel (b)	387	374	393
Decommissioning (c)	197	120	144
Total depreciation, amortization and accretion expense	$ 783	$ 640	$ 682

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(a) Includes amortization of capitalized software costs.
(b) Included in operating and maintenance expense in the Consolidated Statements of Income.
(c) Prior to the adoption of SFAS No. 143 on January 1, 2003 these amounts were recorded in depreciation expense. Upon adoption of SFAS No. 143, these amounts were recorded in operating and maintenance expense in Generation's Consolidated Statements of Income. See Note 10 – Nuclear Decommissioning and Spent Fuel Storage for further discussion of the adoption of SFAS No. 143.

	For the Year Ended December 31,		
	2003	2002	2001
Taxes other than income			
Real estate	$ 83	$ 102	$ 94
Payroll	39	46	38
Other	(2)	16	17
Total	$ 120	$ 164	$ 149
Equity in earnings of unconsolidated affiliates			
AmerGen (prior to purchase on December 22, 2003)	$ 47	$ 64	$ 69
Sithe	2	23	21
Total	$ 49	$ 87	$ 90
Other, net			
Investment income	$ 94	$ 85	$ (8)
Impairment of investment in Sithe	(255)	—	—
Other income (expense)	(26)	(8)	(12)
Total	$ (187)	$ 77	$ (20)

Supplemental Cash Flow Information

	For the Year Ended December 31,		
	2003	2002	2001
Cash paid (received) during the year:			
Interest (net of amount capitalized)	$ 57	$ 63	$ 74
Income taxes (net of refunds)	(14)	(37)	335
Non-cash investing and financing activities:			
Purchase accounting estimate adjustment	$ 59	$ —	$ —
Note received in connection with the sale of Sithe to Reservoir	92	—	—
Capital lease obligations	—	52	—
Noncash (distribution) contribution (to) from member	(17)	3	(163)
Contribution of land from minority interest of consolidated subsidiary	—	12	—
Note issued to Sithe in the Sithe New England Acquisition	2	534	—

Supplemental Balance Sheet Information

	December 31,	
	2003	2002
Investments		
Investment in EXRES SHC, Inc. (a)	$ 47	$ —
Investment in Sithe (a)	—	478
Investment in AmerGen (b)	—	160
Other	18	19
Total	$ 65	$ 657

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(a) On November 25, 2003, Generation, Reservoir and Sithe completed a series of transactions that resulted in Generation indirectly owning a 50% interest in Sithe through EXRES SHC, Inc. See Note 3 – Sithe for further information on these transactions.

(b) On December 22, 2003, Generation purchased British Energy's 50% interest in AmerGen. See Note 2- Acquisitions and Dispositions for further information.

	December 31,	
	2003	2002
Accrued expenses		
Taxes accrued	$ 115	$ 203
Other	319	279
Total	$ 434	$ 482

15. Related-Party Transactions

Generation's financial statements include related-party transactions as reflected in the tables below.

	For the Years Ended December 31,		
	2003	2002	2001
Operating revenues from affiliates			
ComEd (1)	$ 2,479	$ 2,559	$ 2,656
PECO (1)	1,433	1,438	1,162
Exelon Energy Company (2)	213	247	284
Purchased power from affiliates			
AmerGen (3)	382	273	57
ComEd (4)	38	37	27
PECO (4)	—	3	6
Exelon Energy Company (4)	9	18	91
O&M from affiliates			
Sithe (5)	—	13	—
ComEd (4)	12	14	12
PECO (4)	10	9	6
BSC (17)	127	116	110
Interest expense from affiliates			
Sithe (11)	9	2	—
Exelon (6)	1	5	23
Exelon intercompany money pool (6)	2	—	—
ComEd (9)	—	—	9
PECO (8)	—	—	6
Interest income from affiliates			
AmerGen (10)	1	2	—
Sithe (18)	—	—	2
ComEd (12,13)	—	4	10
Services provided to affiliates			
AmerGen (14)	111	70	80
Sithe (15)	—	1	—

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

	December 31,	
	2003	2002
Receivables from affiliates		
ComEd (1,4,9)	$ 171	$ 339
ComEd decommissioning (16)	11	59
AmerGen (3,10)	—	39
PECO (1)	115	124
BSC (17)	3	14
Exelon Energy Company (2)	18	19
Sithe (5)	3	—
Other	8	—
Note receivable from affiliate		
Note receivable from EXRES SHC, Inc. (20)	92	—
Long-term receivable from affiliate		
ComEd decommissioning receivable (16)	22	218
Other	—	2
Payables to affiliates		
Sithe (5)	—	7
Exelon (7)	1	3
Payables to affiliates (non-current)		
ComEd decommissioning (19)	1,183	—
PECO decommissioning (19)	12	—
Notes payable to affiliates		
Exelon (6)	115	329
Exelon intercompany money pool (6)	301	—
Sithe (11)	90	534

(1) Effective January 1, 2001, Generation entered into PPAs with ComEd and PECO. See Note 13 - Commitments and Contingencies for further information on the PPAs.

(2) Generation sells power to Exelon Energy Company.

(3) Generation entered into PPAs dated December 18, 2001 and November 22, 1999 with AmerGen. Under the 2001 PPA, Generation 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 agreed to purchase from AmerGen all of the residual energy from Clinton Nuclear Power Station (Clinton), through December 31, 2002. Currently, the residual output is approximately 31% 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 in 2006.

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

(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. In December 2003, Sithe received letter of credit proceeds of $3 million, which Generation was billed on behalf of Sithe.

(6) Represents the outstanding balance of amounts borrowed under the intercompany money pool, and other short-term obligations payable to Exelon.

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

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

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

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

(10) 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. The loan was paid in its entirety during 2003.

(11) Under the terms of the agreement to acquire Exelon New England dated November 1, 2002, Generation issued a $534 million note due on June 18, 2003 to Sithe. In June 2003, the principal of the note was increased $2 million and the payment terms of the note were changed. Generation paid $210 million of principal in June 2003, $236 million in November 2003, and the balance of the note is to be paid on the earlier of December 1, 2004, certain Sithe liquidity requirements, or upon a change of control of Generation. The note bears interest at the rate equal to LIBOR plus 0.875%.

(12) 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) Interest income for 2002 is related to unpaid ComEd PPA billings.

(14) 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 with 90 days notice. Generation is compensated for these services at cost.

(15) Under a service agreement dated December 18, 2000, Generation provides certain engineering and environmental services for fossil facilities owned by Sithe and for certain developmental projects. Generation is compensated for these services at cost.

(16) 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.

(17) 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. Some third party reimbursements due Generation are recovered through BSC.

(18) In August 2001, Generation loaned Sithe $150 million. The note, which bore interest at the Eurodollar rate, plus 2.25%, was repaid in December 2001 with the proceeds of bank borrowings.

(19) Generation has a long-term payable to ComEd and PECO as a result of the adoption of SFAS No. 143. See Note 10 – Nuclear Decommissioning and Spent Fuel Storage for further discussion of the adoption of SFAS No. 143.

(20) In connection with a series of transactions in November 2003 that restructured the ownership of Sithe (see Note 3 – Sithe for additional information), Generation received a $92 million note receivable from EXRES SHC, Inc, which holds the common stock of Sithe. Generation owns 50% of EXRES SHC, Inc and accounts for its investment in EXRES SHC, Inc. as an equity investment.

Exelon Generation Company, LLC and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

16. Quarterly Data (Unaudited)

The data shown below include all adjustments which Generation considers necessary for a fair presentation of such amounts:

	Operating Revenues		Operating Income		Income (Loss) Before Cumulative Effect of a Change in Accounting Principle		Net Income	
	2003	2002	2003	2002	2003	2002	2003	2002
Quarter ended:								
March 31	$ 1,879	$ 1,461	$ 94	$ 89	$ (52)	$ 66	$ 56	$ 79
June 30	1,886	1,559	201	113	142	84	142	84
September 30	2,537	2,213	(706)	187	(428)	163	(428)	163
December 31	1,833	1,626	217	121	97	74	97	74

17. Subsequent Events

Effective January 1, 2004, Exelon Enterprises transferred their ownership of Exelon Energy Company to Generation.

In January 2004, the counterparties to the interest-rate swap agreements with Boston Generating, which had effectively fixed the interest rate on $861 million of notional principal related to Boston Generating credit facility, terminated the interest-rate swaps. The total net value of these interest-rate swaps as of the respective termination dates is $82 million, which is a net payable to the counterparties.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Exelon, ComEd, PECO and Generation

None.

ITEM 9A. CONTROLS AND PROCEDURES

Exelon

During the fourth quarter of 2003, Exelon's management, including the principal executive officer and principal financial officer, 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 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. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Exelon's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. Exelon does not control or manage certain of its unconsolidated entities and thus its access and ability to apply its disclosure controls and procedures to entities that it does not control or manage are more limited than is the case for the subsidiaries it controls and manages.

Accordingly, as of December 31, 2003, these officers (principal executive officer and principal financial officer) concluded that Exelon's disclosure controls and procedures were effective to accomplish their objectives. Exelon continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant.

ComEd

During the fourth quarter of 2003, ComEd's management, including the principal executive officer and principal financial officer, evaluated ComEd's disclosure controls and procedures related to the recording, processing, summarization and reporting of information in ComEd'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. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. ComEd's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. ComEd does not control or manage certain of its unconsolidated entities and thus its access and ability to apply its disclosure controls and procedures to entities that it does not control or manage are more limited than is the case for the subsidiaries it controls and manages.

Accordingly, as of December 31, 2003, these officers (principal executive officer and principal financial officer) concluded that ComEd's disclosure controls and procedures were effective to accomplish their objectives. ComEd continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant.

PECO

During the fourth quarter of 2003, PECO's management, including the principal executive officer and principal financial officer, 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 SEC. These disclosure controls and procedures have been designed to ensure that (a) material information relating to PECO, including its consolidated subsidiaries, is made known to PECO'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. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. PECO's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. PECO does not control or manage certain of its unconsolidated entities and thus its access and ability to apply its disclosure controls and procedures to entities that it does not control or manage are more limited than is the case for the subsidiaries it controls and manages.

Accordingly, as of December 31, 2003, these officers (principal executive officer and principal financial officer) concluded that PECO's disclosure controls and procedures were effective to accomplish their objectives. PECO continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant.

Generation

During the fourth quarter of 2003, Generation's management, including the principal executive officer and principal financial officer, 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 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. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Generation's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. Generation does not control or manage certain of its unconsolidated entities and thus its access and ability to apply its disclosure controls and procedures to entities that it does not control or manage are more limited than is the case for the subsidiaries it controls and manages.

Accordingly, as of December 31, 2003, these officers (principal executive officer and principal financial officer) concluded that Generation's disclosure controls and procedures were effective to accomplish their objectives. Generation continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting and to maintain dynamic systems that change as conditions warrant.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Exelon

The information required by Item 10 relating to directors and nominees for election as directors at Exelon's Annual Meeting of shareholders is incorporated herein by reference to the information under the heading "BOARD OF DIRECTORS" in Exelon's definitive Proxy Statement (2004 Exelon Proxy Statement) to be filed with the SEC prior to April 29, 2004, pursuant to Regulation 14A under the Securities Exchange Act of 1934. The information required by Item 10 relating to executive officers is set forth above in ITEM 1. Business - Executive Officers of the Registrants at December 31, 2003.

Code of Ethics

Exelon's Code of Business Conduct is the code of ethics that applies to Exelon's Chief Executive Officer, Chief Financial Officer, Corporate Controller, and other finance organization employees. The Code of Business Conduct is filed as Exhibit 14 to this report and is available on Exelon's website at www.exeloncorp.com. The Code of Business Conduct will be made available, without charge, in print to any shareholder who requests such document from Katherine K. Combs, Vice President and Corporate Secretary, Exelon Corporation, P.O. Box 805398, Chicago, Illinois 60680-5398.

If any substantive amendments to the Code of Business Conduct are made or any waivers are granted, including any implicit waiver, from a provision of the Code of Business Conduct, to its Chief Executive Officer, Chief Financial Officer or Corporate Controller, Exelon will disclose the nature of such amendment or waiver on Exelon's website, www.exeloncorp.com, or in a report on Form 8-K.

ComEd

The information required by Item 10 relating to executive officers is set forth above in ITEM 1. Business - Executive Officers of the Registrants at December 31, 2003.

Directors

John W. Rowe. Age 58. Chairman and CEO of Exelon Corporation since April 23, 2003; President and Co-CEO of Exelon since October 20, 2002. Director of ComEd since 1998. Former Chairman, President and CEO of Unicom Corporation and Commonwealth Edison Company. Former President and CEO of the New England Electric System. Other directorships: UnumProvident Corporation, The Northern Trust Company, and Sunoco, Inc.

Frank M. Clark. Age 58. Senior vice president of Exelon Corporation. President of ComEd since October 2001. Previously senior vice president, distribution, customer and market services and external affairs of ComEd. Other directorship: Waste Management, Inc.

Robert S. Shapard. Age 48. Executive vice president and chief financial officer of Exelon Corporation since October 21, 2002. Previously executive vice president and CFO of Covanta Energy Corporation during 2002. For 2000 through 2001, executive vice president and CFO of Ultramar Diamond Shamrock. Prior to that, chief executive officer of TXU Australia, LTD, a wholly owned subsidiary of TXU Corporation.

Oliver D. Kingsley, Jr. Age 61. President and Chief Operating Officer of Exelon since April 2003. Prior to his election to his listed position, Mr. Kingsley was Executive Vice President of Exelon; Executive Vice President of ComEd and Unicom, President and Chief Nuclear Officer, Nuclear Generation Group of ComEd, and Chief Nuclear Officer of the Tennessee Valley Authority.

Michael B. Bemis. Age 56. President, Exelon Energy Delivery. Prior to his election to his listed position, Mr. Bemis was Chief Executive Officer of Entergy's London Electricity PLC; and Chairman and CEO of Master Graphics, Inc.

S. Gary Snodgrass. Age 52. Senior Vice President and Chief Human Resources Officer, Exelon. Prior to his election to his listed position, Mr. Snodgrass was Chief Administrative Officer of Exelon; Senior Vice President of ComEd and Unicom; Vice President of ComEd and Unicom; and Vice President of USG Corporation.

Code of Ethics

Exelon's Code of Business Conduct is the code of ethics that applies to ComEd's Chief Executive Officer, Chief Financial Officer, Corporate Controller, and other finance organization employees. The Code of Business Conduct is filed as Exhibit 14 to this report and is available on Exelon's website at *www.exeloncorp.com*. The Code of Business Conduct will be made available, without charge, in print to any shareholder who requests such document from Katherine K. Combs, Vice President and Corporate Secretary, Exelon Corporation, P.O. Box 805398, Chicago, Illinois 60680-5398.

If any substantive amendments to the Code of Business Conduct are made or any waivers are granted, including any implicit waiver, from a provision of the Code of Business Conduct, to its Chief Executive Officer, Chief Financial Officer or Corporate Controller, ComEd will disclose the nature of such amendment or waiver on Exelon's website, *www.exeloncorp.com*, or in a report on Form 8-K.

PECO

The information required by Item 10 relating to directors and nominees for election as directors at PECO's annual meeting of shareholders is incorporated herein by reference to information under the subheadings "Nominees" and "Security Ownership of Certain Beneficial Owners and Management" under the heading "Election of Directors" in PECO's definitive Information Statement (2004 PECO Information Statement) to be filed with the SEC prior to April 29, 2004, pursuant to Regulation 14C under the Securities Exchange Act of 1934. The information required by Item 10 relating to executive officers is set forth above in ITEM 1. Business - Executive Officers of the Registrants at December 31, 2003. The information required by Item 10 relating to PECO's code of ethics is incorporated herein by reference to the information labeled "CODE OF ETHICS" in the 2004 PECO Information Statement.

Generation

The information required by Item 10 relating to executive officers is set forth above in ITEM 1. Business - Executive Officers of the Registrants at December 31, 2003.

Directors

Generation operates as a limited liability company and has no Board of Directors.

Code of Ethics

Exelon's Code of Business Conduct is the code of ethics that applies to Generation's Chief Executive Officer, Chief Financial Officer, Corporate Controller, and other finance organization employees. The Code of Business Conduct is filed as Exhibit 14 to this report and is available on Exelon's website at *www.exeloncorp.com*. The Code of Business Conduct will be made available, without charge, in print to any shareholder who requests such document from Katherine K. Combs, Vice President and Corporate Secretary, Exelon Corporation, P.O. Box 805398, Chicago, Illinois 60680-5398.

If any substantive amendments to the Code of Business Conduct are made or any waivers are granted, including any implicit waiver, from a provision of the Code of Business Conduct, to its Chief Executive Officer, Chief Financial Officer or Corporate Controller, Generation will disclose the nature of such amendment or waiver on Exelon's website, *www.exeloncorp.com*, or in a report on Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

Exelon

The information required by Item 11 is incorporated herein by reference to the information labeled "Executive Compensation" and "Board Compensation" in the 2004 Exelon Proxy Statement.

PECO

The information required by Item 11 is incorporated herein by reference to the paragraph labeled "Board Compensation" and the paragraphs under the heading "Executive Compensation" (other than the paragraphs under the subheading "Compensation Committee Report on Executive Compensation") in the 2004 PECO Information Statement.

ComEd and Generation

Board Compensation

Since the Merger Date, the board of directors of ComEd has been comprised solely of employees of ComEd, Exelon Corporation, or its subsidiaries. These individuals receive no additional compensation for serving as directors of ComEd.

Generation operates a limited liability company and has no Board of Directors.

Executive Compensation

ComEd

Summary Compensation Table

Name	Year	Annual Compensation			Long-Term Compensation			All other compensation
		Salary	Bonus	Other (a)	Restricted stock awards (b)	Number of options awarded	Payouts	
Michael B. Bemis (c)	2003	$ 414,567	$ 292,346	$ 177,414	$ 423,020	—	$ —	$1,564,636(d)
	2002	121,154	121,347	—	—	—	—	6,058
	2001	—	—	—	—	—	—	—
Pamela B. Strobel (e)	2003	500,673	403,374	—	634,530	36,000	—	25,034
	2002	474,923	470,400	—	520,905	60,000	—	23,746
	2001	450,000	500,500	—	378,187	—	—	23,605
John W. Rowe	2003	1,185,289	1,400,000	342,341	2,733,360	175,000	—	59,264
	2002	1,104,000	1,550,000	185,121	1,909,985	200,000	—	55,200
	2001	1,050,000	1,500,300	71,369	1,354,104	233,000	—	52,729
Oliver D. Kingsley, Jr.	2003	824,038	969,924	185,294	1,164,737	60,000	—	41,202
	2002	728,634	823,680	102,387	2,373,140	80,000	—	36,432
	2001	650,000	928,000	—	597,729	—	—	32,499
Robert S. Shapard (f)	2003	512,404	411,362	—	634,530	36,000	—	25,620
	2002	96,154	83,609	72,344	102,742	20,000	—	1,923
	2001	—	—	—	—	—	—	—
Frank M. Clark	2003	377,404	227,880	—	444,171	27,000	—	18,870
	2002	352,500	274,827	—	604,470	35,000	—	17,625
	2001	310,000	304,000	—	243,979	—	—	15,606

(a) These amounts include perquisites and other benefits if the aggregate amount of such benefits exceeds $50,000. For Mr. Bemis, the amount shown for 2003 includes $121,147 for moving expenses and $36,456 for gross up payments. For Mr. Rowe, the amount shown for 2003 includes $269,435 for personal use of corporate aircraft, and $25,733 for gross-up payments. For Mr. Kingsley, the amount shown for 2003 includes $164,152 for personal use of corporate aircraft.

(b) As of December 31, 2003 the officers named above held the following amounts of restricted shares:

	Number of restricted shares	Dollar value of restricted shares
Michael B. Bemis	6,500	$ 431,430
Pamela B. Strobel	19,705	1,307,624
John W. Rowe	78,269	5,193,931
Oliver D. Kingsley, Jr.	59,843	3,971,181
Robert S. Shapard	26,177	1,737,106
Frank M. Clark	18,403	1,221,252

The number of shares above includes performance shares which were granted in January 2004 with respect to 2003 and are included in the Summary Compensation Table for 2003. One-third of the shares awarded vested immediately and one-third vests on each of the second and third anniversaries of the grant date. At the officer's election, subject to meeting 125% of their stock ownership requirements, one-half of future vested performance shares may be settled in cash based on the fair market value of the stock at the time of vesting. Unvested shares continue to receive dividends. Shares are valued at the closing price of December 31, 2003: $66.36.

(c) Mr. Bemis commenced employment on August 12, 2002.

(d) Mr. Bemis received a $100,000 sign on bonus when hired in August 2002, payable in January 2003. In connection with his resignation as of February 1, 2004, Mr. Bemis received a lump sum severance payment of $450,000 and a fully vested award of 15,000 shares, worth $1,004,700, representing final payment of his special incentive award program with respect to the Sithe transaction, and $9,936 to terminate an apartment lease.
(e) Ms. Strobel was CEO through April 30, 2003.
(f) Mr. Shapard commenced employment on October 21, 2002.

The table below shows the number and value of exercised and unexercised stock options for the named executive officers of ComEd during 2003. Value is determined using the market value of Exelon common stock at the December 31, 2003 price of $66.36 per share, less the value of Exelon common stock at the exercise price. All options whose exercise price exceeds the market value at the date of valuation are valued at zero.

Executive officer	Number of shares acquired by exercise	Dollar value realized from exercise	Number of securities underlying remaining options		Dollar value of in-the-money options	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael B. Bemis	—	$ —	—	—	$ —	$ —
Pamela B. Strobel	47,500	1,151,353	142,250	76,000	1,908,395	1,380,600
John W. Rowe	—	—	706,467	541,633	14,015,095	5,523,244
Oliver D. Kingsley, Jr.	57,000	1,411,320	287,917	113,333	4,600,461	2,041,794
Robert S. Shapard	—	—	6,667	49,333	115,739	834,461
Frank M. Clark	19,584	196,694	63,000	50,333	432,180	905,844

The following table presents options granted to the named executive officers of ComEd in 2003.

Executive officer	Number of securities underlying options granted	Percentage of total options granted to employees	Exercise or base price ($/share)	Options expiration date	Grant date present value (a)
Michael B. Bemis	—	0.00%	—	—	$ —
Pamela B. Strobel	36,000	1.14%	49.61	1/26/2013	397,800
John W. Rowe	175,000	5.52%	49.61	1/26/2013	1,933,750
Oliver D. Kingsley, Jr.	60,000	1.89%	49.61	1/26/2013	663,000
Robert S. Shapard	36,000	1.14%	49.61	1/26/2013	397,800
Frank M. Clark	27,000	0.85%	49.61	1/26/2013	298,350

(a) The “grant date present values” are an estimate based on the Black-Scholes option pricing model. Although executives risk forfeiting these options in some circumstances, these risks are not factored into the calculated values. The actual value of these options will be determined by the excess of the stock price over the exercise price on the date that the options are exercised. There is no certainty that the actual value realized will be at or near the value estimated by the Black-Scholes option pricing model. The assumptions used for the Black-Scholes model are as of the date of the grants, January 27, 2003 and are as follows: Risk free interest rate: 3.04%; Volatility: 30.60%; Dividend Yield: 3.34%; Time of Exercise: 5 Years.

Generation

Summary Compensation Table

Name	Year	Annual Compensation			Long-Term Compensation			All other compensation
		Salary	Bonus	Other (a)	Restricted Stock awards (b)	Number of options awarded	Payouts	
Oliver D. Kingsley, Jr.	2003	$ 824,038	$ 969,924	$ 185,294	$ 1,164,737	60,000	$ —	$ 41,202
	2002	728,634	823,680	102,387	2,373,140	80,000	—	36,432
	2001	650,000	928,000	—	597,729	—	—	32,499
John W. Rowe	2003	1,185,289	1,400,000	342,341	2,733,360	175,000	—	59,264
	2002	1,104,000	1,550,000	185,121	1,909,985	200,000	—	55,200
	2001	1,050,000	1,500,300	71,369	1,354,104	233,000	—	52,729
John L. Skolds	2003	530,673	393,837	—	634,530	40,000	—	26,534
	2002	492,423	499,800	—	416,724	45,000	—	24,621
	2001	430,000	483,900	59,772	353,750	—	—	21,499
Ian P. McLean	2003	411,827	273,607	—	634,530	36,000	—	20,591
	2002	385,462	187,176	—	—	49,644	1,000,000	3,846
	2001	362,311	323,100	134,267	261,042	—	149,160	683
John F. Young (c)	2003	311,923	214,159	144,943	371,086	15,000	—	159,635
	2002	—	—	—	—	—	—	—
	2001	—	—	—	—	—	—	—
Robert S. Shapard (d)	2003	512,404	411,362	—	634,530	36,000	—	25,620
	2002	96,154	83,609	72,344	102,742	20,000	—	1,923
	2001	—	—	—	—	—	—	—

(a) These amounts include perquisites and other benefits if the aggregate amount of such benefits exceeds $50,000. For Mr. Kingsley, the amount shown for 2003 includes $164,152 for personal use of corporate aircraft. For Mr. Rowe, the amount shown for 2003 includes $269,435 for personal use of corporate aircraft, and $25,733 for gross-up payments. For Mr. Young, the amount shown for 2003 includes $82,578 for moving expenses and $59,359 for gross up payments.

(b) As of December 31, 2003 the officers named above held the following amounts of restricted shares:

	Number of restricted shares	Dollar value of restricted shares
Oliver D. Kingsley, Jr.	59,843	$ 3,971,181
John W. Rowe	78,269	5,193,931
John L. Skolds	27,337	1,814,083
Ian McLean	13,626	904,221
John F. Young	8,202	544,285
Robert S. Shapard	26,177	1,737,106

The number of shares above includes performance shares which were granted in January 2004 with respect to 2003 and are included in the Summary Compensation Table for 2003. One-third of the shares awarded vested immediately and one-third vests on each of the second and third anniversaries of the grant date. At the officer's election, subject to meeting 125% of their stock ownership requirements, one-half of future vested performance shares may be settled in cash based on the fair market value of the stock at the time of vesting. Unvested shares continue to receive dividends. Shares are valued at the closing price of December 31, 2003: $66.36.

(c) Mr. Young commenced employment on March 3, 2003. Other compensation includes a $150,000 signing bonus.

(d) Mr. Shapard commenced employment on October 21, 2002. He was an executive officer of Generation through September 9, 2003.

The table below shows the number and value of exercised and unexercised stock options for the named executive officers of Generation during 2003. Value is determined using the market value of Exelon common stock at the December 31, 2003 price of $66.36 per share, less the value of Exelon common stock at the exercise price. All options whose exercise price exceeds the market value at the date of valuation are valued at zero.

Executive officer	Number of shares acquired by exercise	Dollar value realized from exercise	Number of securities underlying remaining options		Dollar value of in-the-money options	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Oliver D. Kingsley, Jr.	57,000	$ 1,411,320	287,917	113,333	$ 4,600,461	$ 2,041,794
John W. Rowe	—	—	706,467	541,633	14,015,095	5,523,244
John L. Skolds	28,500	289,275	95,000	70,000	840,400	1,253,200
Ian P. McLean	135,000	2,491,374	89,548	69,096	1,413,216	1,237,872
John F. Young	—	—	—	15,000	—	256,500
Robert Shapard	—	—	6,667	49,333	115,739	834,461

The following table presents options granted to the named executive officers of Generation in 2003.

Executive officer	Number of securities underlying options granted	Percentage of total options granted to employees	Exercise or base price ($/share)	Options expiration date	Grant date present value (a)
Oliver D. Kingsley, Jr.	60,000	1.89%	49.61	1/26/2013	$ 663,000
John W. Rowe	175,000	5.52%	49.61	1/26/2013	1,933,750
John L. Skolds	40,000	1.26%	49.61	1/26/2013	442,000
Ian P. McLean	36,000	1.14%	49.61	1/26/2013	397,800
John F. Young (b)	15,000	0.47%	49.26	3/02/2013	148,200
Robert S. Shapard	36,000	1.14%	49.61	1/26/2013	397,800

(a) The “grant date present values” are an estimate based on the Black-Scholes option pricing model. Although executives risk forfeiting these options in some circumstances, these risks are not factored into the calculated values. The actual value of these options will be determined by the excess of the stock price over the exercise price on the date that the options are exercised. There is no certainty that the actual value realized will be at or near the value estimated by the Black-Scholes option pricing model. The assumptions used for the Black-Scholes model are as of the date of the grants, January 27, 2003 and are as follows: Risk free interest rate: 3.04%; Volatility: 30.60%; Dividend Yield: 3.34%; Time of Exercise: 5 Years.

(b) Commenced employment on March 3, 2003. The assumptions used for the Black-Scholes model are as of the date of the grant, March 3, 2003 and are as follows: Risk-free interest rate: 2.68%; Volatility: 28.30%; Dividend Yield: 3.34%; Time of Exercise: 5 years.

Retirement Benefit Plans

Exelon Retirement Benefits

The following tables show the estimated annual retirement benefits payable on a straight-life annuity basis to participating employees, including officers, in the earnings and year of service classes indicated, under Exelon’s non-contributory retirement plans applicable to ComEd and Generation.

Effective January 1, 2001, Exelon Corporation assumed sponsorship of the Commonwealth Edison Company Service Annuity System and the PECO Energy Company Service Annuity Plan. Effective December 31, 2001, these plans were merged to form the Exelon Corporation Retirement Program, which incorporates the separate benefit formula of each merged plan for employees in business units formerly covered by that merged plan. Effective January 1, 2001, Exelon Corporation also established two cash balance pension plans which cover management employees and electing bargaining unit employees hired on or after such date. The amounts shown in the table are not subject to any deduction for Social Security or other offset amounts.

Covered Compensation

Covered compensation includes salary and bonus which is disclosed in the Summary Compensation Table for the named executive officers. The calculation of retirement benefits under the plans is based upon average earnings for the highest consecutive five-year period under the PECO Energy Company Service Annuity Benefit Formula and for the highest four-year period (three-year for certain represented employees) under the ComEd Service Annuity Benefit Formula.

The Internal Revenue Code limits the annual benefits that can be paid from a tax-qualified retirement plan to $170,000 as of January 1, 2001. As permitted by the Employee Retirement Income Security Act of 1974, Exelon sponsored supplemental plans which allow the payment out of its general assets of any benefits calculated under provisions of the applicable retirement plan which may be above these limits.

Credited Years of Service

The executive officers who are named in the Summary Compensation Tables have the following credited years of service as of December 31, 2003 (partial years are not included):

ComEd		Generation	
Michael B. Bemis	—	Oliver D. Kingsley, Jr.	31 years
Pamela B. Strobel	19 years	John W. Rowe	25 years
John W. Rowe	25 years	John L. Skolds	3 years
Oliver D. Kingsley, Jr.	31 years	Ian P. McLean	4 years
Robert S. Shapard	1 year	John F. Young	1 year
Frank M. Clark	38 years	Robert S. Shapard	1 year

In addition, Mr. Skolds will receive an additional 7 1/2 years of service upon his 5th anniversary of employment and 7 1/2 years upon his 10th anniversary

Recognizing shareholder concern about executive compensation, Exelon agreed that after January 1, 2004, it would not grant additional unearned service credits for current executives in the ComEd and PECO pension plans without shareholder approval. It also agreed that it would not provide more than two years' service credit under new change-in-control agreements without shareholder approval. If Exelon should need to offer new executives more than the pension benefits that they would give up to come to work for Exelon, the additional pension benefits would be performance-based and not guaranteed. The agreement does not affect benefits or compensation under existing agreements, arrangements or change-in-control provisions, and it does not limit Exelon's rights to provide compensation or benefits outside the pension plans.

Service Annuity System Benefit Table – PECO

	Annual normal retirement benefits based on specified years of service and earnings						
Highest 5-year annual earnings	10 years	15 years	20 years	25 years	30 years	35 years	40 years
$ 100,000	$ 19,119	$ 26,179	$ 33,239	$ 40,299	$ 47,358	$ 54,418	$ 61,478
200,000	39,619	54,429	69,239	84,049	98,858	113,668	128,478
300,000	60,119	82,679	105,239	127,799	150,358	172,918	195,478
400,000	80,619	110,929	141,239	171,549	201,858	232,168	262,478
500,000	101,119	139,179	177,239	215,299	253,358	291,418	329,478
600,000	121,619	167,429	213,239	259,049	304,858	350,668	396,478
700,000	142,119	195,679	249,239	302,799	356,358	409,918	463,478
800,000	162,619	223,929	285,239	346,549	407,858	469,168	530,478
900,000	183,119	252,179	321,239	390,299	459,358	528,418	597,478
1,000,000	203,619	280,429	357,239	434,049	510,858	587,668	664,478

Service Annuity System Benefit Table – ComEd

Highest 5-year annual earnings	Annual normal retirement benefits based on specified years of service and earnings						
	10 years	15 years	20 years	25 years	30 years	35 years	40 years
$ 100,000	$ 17,783	$ 29,472	$ 40,282	$ 50,414	$ 60,031	$ 69,261	$ 78,200
200,000	35,867	59,922	82,180	103,036	122,808	141,743	160,033
300,000	53,951	90,371	124,078	155,659	185,584	214,223	241,865
400,000	72,029	120,820	165,976	208,281	248,359	286,704	323,698
500,000	90,118	151,269	207,874	260,903	311,136	359,185	405,531
600,000	108,202	181,719	249,772	313,252	373,912	431,666	487,364
700,000	126,285	212,168	291,670	366,147	436,687	504,148	569,196
800,000	144,369	242,618	333,568	418,769	499,463	476,628	651,029
900,000	162,453	273,067	375,466	471,391	562,240	649,109	732,862
1,000,000	180,536	303,517	417,364	524,013	625,016	721,590	814,694

Cash Balance Pension Plan

Mr. Shapard participates in the Exelon Corporation Cash Balance Pension Plan. Under that plan, a notional account is established for each participant. For each active participant, the account balance grows as a result of annual benefit credits and annual investment credits.

Currently, the benefit credit under the plan is 5.75% of base pay and actual annual incentive award (subject to the Code Section 401(a)(17) compensation limit). The annual investment credit is the greater of 4% or the average for the year of the S&P 500 Stock Index and the applicable interest rate used under Code Section 417(e) to determine lump sums, determined as of November of such year. Although employees receive benefit credits only while they are active participants, investment credits are added to the account each year until benefits are distributed.

Benefits are vested and nonforfeitable after completion of at least five years of service, and are payable following termination of employment. Apart from the vesting requirement, and as described above, years of service are not relevant to a determination of accrued benefits under the Cash Balance Pension Plan.

Employment Agreements

Employment Agreement with John W. Rowe

Under the amended and restated employment agreement between Exelon and Mr. Rowe, Mr. Rowe has been serving as Chief Executive Officer of Exelon, Chairman of the Board and a member of the Exelon board of directors since the 2002 annual meeting of shareholders.

Under the employment agreement, which continues in effect until Mr. Rowe's termination, Mr. Rowe's annual base salary is determined by Exelon's compensation committee. He is eligible to participate in the annual incentive award program, long-term incentive plan and all savings, deferred compensation, retirement and other employee benefit plans generally available to other senior executives of Exelon on the same basis as other senior executives of Exelon. His life insurance coverage will be at least three times his base salary.

In addition, Mr. Rowe is entitled to receive a special supplemental executive retirement plan (SERP) benefit upon termination of employment for any reason other than for cause. The special SERP benefit, when added to all other retirement benefits provided to Mr. Rowe by Exelon, will equal Mr. Rowe's SERP benefit, calculated under the terms of the SERP in effect on March 10, 1998 as if:

- he had attained age 60 (or his actual age, if greater),
- he had earned 20 years of service on March 16, 1998 and one additional year of service on each anniversary after that date and prior to termination, and

- his annual incentive awards for each of 1998 and 1999 had been $300,000 greater than the annual incentive awards he actually received for those years.

On February 19, 1999, Mr. Rowe was granted a right to receive, on termination of employment, 12,344 shares of Exelon common stock, increased by the number of shares that could have been acquired with dividends on such number of shares after that date and subject to adjustment for events such as recapitalization, merger, or stock splits.

Except as provided in the next paragraph, if Exelon terminates Mr. Rowe's employment for reasons other than cause, death or disability or if he terminates employment for good reason, he would be entitled to the following benefits:

- for the two-year severance period, continuation of life, disability, accident, health and other welfare benefits for him and his family, plus post-retirement health care coverage for him and his wife,
- all exercisable options remain exercisable until the applicable option expiration date, and
- unvested options continue to become exercisable during the two-year severance period and thereafter remain exercisable until the applicable option expiration date.

The term "good reason" means any material breach of the employment agreement by Exelon, including (1) a failure to provide compensation and benefits required under the employment agreement, (2) causing Mr. Rowe to report to someone other than the board of directors, (3) any material adverse change in Mr. Rowe's status, responsibilities or perquisites, or (4) any announcement by the board of directors without Mr. Rowe's consent that Exelon is seeking a replacement for Mr. Rowe.

Mr. Rowe will receive the termination benefits described in "Change in Control Employment Agreements" below rather than the benefits described in the previous paragraph, if Exelon terminates Mr. Rowe without cause or he terminates with good reason, and

- the termination occurs within 24 months after a change in control of Exelon or within 18 months after a Significant Acquisition (as each is defined below in "Change in Control Employment Agreements"), or
- the termination occurs prior to the earlier of normal retirement or December 31, 2004, or
- Mr. Rowe resigns before normal retirement because of the failure to be appointed or elected as the sole CEO and Chairman of the Board and as a member of the Exelon board of directors,

except that:

- instead of receiving the target annual incentive for the year in which termination occurs, Mr. Rowe will receive an annual incentive award for the year in which termination occurs, based on the higher of the prior year's annual incentive payment or the average annual incentives paid over the prior three years,
- in determining the severance payment for Mr. Rowe, the average incentive awards for three years preceding the termination will be used rather than a two-year average,
- following the three-year period during which welfare benefits are continued, Mr. Rowe and his wife will be eligible to receive post-retirement health care coverage, and
- change in control benefits are not provided to Mr. Rowe for a termination of employment in the event of a Disaggregation (as defined in the "Change in Control Employment Agreements" section below).

With respect to a termination of employment during the change in control or Significant Acquisition periods described above, the following events will constitute additional grounds for termination for good reason: (1) a good faith determination by Mr. Rowe that he is substantially unable to perform, or that there has been a material reduction in, any of his duties, functions, responsibilities or authority, (2) the failure of any successor to assume

his employment agreement, (3) a relocation of Exelon's office of more than 50 miles or (4) a 20% increase in the amount of time that Mr. Rowe must spend traveling for business outside of the Chicago area.

Mr. Rowe is subject to confidentiality restrictions and to non-competition, non-solicitation and non-disparagement restrictions continuing in effect for two years following his termination of employment.

Employment Agreement with Oliver D. Kingsley, Jr.

Exelon and Exelon Generation Company (Generation) entered into an amended employment agreement with Mr. Kingsley as of September 5, 2002, which restated his employment agreement with Commonwealth Edison Company in effect at the time of the merger forming Exelon and under which Mr. Kingsley will serve as senior executive vice president of Exelon. Mr. Kingsley's employment agreement was further amended as of April 28, 2003, and by its current terms will expire as of October 31, 2004.

Under the amended employment agreement, Mr. Kingsley's annual base salary will be $875,000, and his target performance award under the annual incentive plan will be 85% of his base salary, with a maximum payout of 170% of his base salary. Mr. Kingsley will be eligible to participate in long-term incentive, stock option, and other equity incentive plans, savings and retirement plans and welfare plans, and to receive fringe benefits on the same basis as peer executives of Exelon. Mr. Kingsley is entitled to 30 days of paid vacation per year.

In addition, Exelon will reimburse Mr. Kingsley for his daughter's medical care expenses for a 15-year period (up to $100,000 in any year). The 15-year period will commence, at Mr. Kingsley's option, on September 5, 2002, or on his termination or employment, or when coverage for his daughter otherwise lapses.

Mr. Kingsley received a grant of 35,000 shares of restricted stock on September 5, 2002. Twenty percent of the shares vest each January 1, beginning with January 1, 2003, subject to acceleration in the event Mr. Kingsley's employment is terminated by Exelon (other than for cause) or his employment terminates due to his death or disability, or upon his retirement following expiration of his employment agreement.

Following Mr. Kingsley's termination of employment for any reason, he will be eligible to elect retiree health coverage on the same terms as peer employees eligible for early retirement benefits. In addition, all restricted stock (other than the September 5, 2002 grant, which vests as described above) and all stock options will become fully vested. Options remain exercisable until (1) the option expiration date for options granted before January 1, 2002 or (2) the earlier of the fifth anniversary of his termination date or the option's expiration date, for options granted after that date.

Mr. Kingsley's employment agreement provides for an enhanced supplemental retirement benefit determined by treating him under the SERP as if he had 30 years of service as of October 31, 2002, plus (1) one additional year each October 31 during his employment and (2) an additional year for each year during the severance period described below. Severance payments will be included in compensation under the SERP. The enhanced SERP benefit will be paid to Mr. Kingsley following termination of employment.

Except as provided in the following paragraph, Mr. Kingsley will receive the following benefits if he should be terminated other than for cause, disability or death:

- a prorated annual incentive award (at target) for the year in which termination occurs,
- 24 monthly payments, each equal to 1/12 the sum of (1) his base salary at the time of termination plus (2) his average annual incentive award payments for the two years preceding the termination date,
- continuation of health, life, and disability coverage for two years after the date of termination, plus the right to elect retiree health coverage thereafter on the same terms as peer employees eligible for early retirement benefits,

- all performance shares or units, deferred stock units or restricted share units become fully vested and nonforfeitable;
- if Mr. Kingsley will be retiring at the end of the severance period, financial counseling services for the two-year severance period, and
- outplacement services for at least six months.

Mr. Kingsley will (1) receive the termination benefits described in "Change in Control Employment Agreements" below, rather than the benefits described in the preceding paragraph, and (2) be eligible to receive retiree health benefits for himself and his eligible dependents, if Exelon terminates Mr. Kingsley without cause and

- the termination occurs within 24 months after a change in control of Exelon or a Disaggregation (each as defined below in "Change in Control Employment Agreements"), or
- within 18 months after a Significant Acquisition (as defined below in "Change in Control Employment Agreements").

Mr. Kingsley's employment agreement contains confidentiality requirements and also non-competition, non-solicitation and non-disparagement provisions, which are effective for two years following his termination of employment.

Change in Control Employment Agreements

Exelon has entered into change in control employment agreements with the named executive officers other than Messrs. Rowe and Kingsley, which generally protect such executives' position and compensation levels for two years after a change in control. The agreements remain in effect until June 1, 2004, subject to an annual extension each June 1 if there has not been a change in control.

During the twenty-four month period following a change in control (or during the 18-month period following another significant corporate transaction affecting the executive's business unit in which Exelon shareholders retain between 60% and 66 2/3% control (a "Significant Acquisition")) if a named executive officer resigns for good reason or if the executive's employment is terminated by the company other than for cause or disability, the executive is entitled to the following:

- the executive's target annual incentive for the year in which termination occurs;
- severance payments equal to three times the sum of (1) the executive's base salary plus (2) the higher of the executive's target annual incentive for the year of termination or the executive's average annual incentive award payments for the two years preceding the termination;
- a benefit equal to the amount payable under the SERP determined as if (1) the SERP benefit were fully vested, (2) the executive had three additional years of age and years of service (two years for executives hired after 2003) and (3) the severance pay constituted covered compensation for purposes of the SERP;
- a cash payment equal to the actuarial equivalent present value of the unvested portion of the executive's accrued benefits under Exelon's defined benefit retirement plan;
- all options, performance shares or units, deferred stock units, restricted stock, or restricted share units become fully vested, and options remain exercisable until (1) the option expiration date, for options granted before January 1, 2002 or (2) the earlier of the fifth anniversary of his termination date or the option's expiration date, for options granted after that date;
- life, disability, accident, health and other welfare benefit coverage continues for three years; and
- outplacement services for at least twelve months.

The change in control benefits are also provided if the executive is terminated other than for cause or disability, or terminates for good reason (1) after a tender offer or proxy contest commences, or after Exelon enters into an agreement, consummation of which would cause a change in control, and within one year after such termination a change in control does occur, or (2) within two years after a sale or spin-off of the executive's business unit in contemplation of a change in control that actually occurs within 60 days after such sale or spin-off (a "Disaggregation").

A change in control generally occurs (1) when any person acquires 20% of Exelon's voting securities, (2) when the incumbent members of the board of directors (or new members nominated by a majority of incumbent directors) cease to constitute at least a majority of the members of the board, (3) upon consummation of a reorganization, merger or consolidation, or sale or other disposition of at least 50% of Exelon's operating assets (excluding a transaction where Exelon stockholders retain at least 60% of the voting power) or (4) upon stockholder approval of a plan of complete liquidation or dissolution.

"Good reason," under the change in control employment agreements generally includes any of the following occurring within 2 years after a change in control or Disaggregation or within 18 months after a Significant Acquisition: (1) a material reduction in salary, compensation or benefits, (2) failure of a successor to assume the agreement, or (3) a material breach of the agreement by the company, or (4) any of the following, but only after a change in control or Disaggregation: (a) a material adverse reduction in the nature or scope of the Executive's office, position, duties and responsibilities, (b) required relocation of more than 50 miles, or (c) required travel of more than the greater of 24 days per year or at least 20% more than prior to the change in control or other trigger event. The mere occurrence of a Disaggregation is not "good reason."

Executives who have entered into change in control employment agreements will be eligible to receive an additional payment to cover excise taxes imposed under Section 4999 of the Internal Revenue Code on "excess parachute payments" or under similar state or local law if the after-tax amount of payments and benefits subject to these taxes exceeds 110% of the "safe harbor" amount that would not subject the employee to these excise taxes. If the after-tax amount, however, is less than 110% of the safe harbor amount, payments and benefits subject to these taxes would be reduced or eliminated to equal the safe harbor amount.

Report of the Exelon Compensation Committee

ComEd and Generation are controlled subsidiaries of Exelon and as such do not have compensation committees. Instead, that function is fulfilled for ComEd and Generation by the Compensation Committee of the Exelon Board of Directors. The following is the report of the Exelon Compensation Committee

What is our compensation philosophy? Exelon's executive compensation program is designed to motivate and reward senior management for achieving high levels of business performance and outstanding financial results. In 2003, Exelon continued to reward executives on the basis of compensation that is benchmarked and aligned with the best practices of high performing energy services companies and general industry firms. This philosophy reflects a commitment to attracting and retaining key executives to ensure continued focus on achieving long-term growth in shareholder value.

The Compensation Committee (the "Committee"), composed entirely of independent directors, is responsible for administering executive compensation programs, policies and practices. Exelon's executive compensation program comprises three elements:

- Base salary;
- Annual incentives; and
- Long-term incentives.

These components balance short-term and longer range business objectives and align executive financial rewards with those of Exelon's shareholders.

The Committee commissioned a study of compensation programs in the fall of 2003. This analysis was conducted by a leading external management compensation consulting firm and included an assessment of business plans, strategic goals, peer companies and competitive compensation levels benchmarked with the external market.

The study results indicated that the mix of compensation components (i.e., salary, annual and long-term incentives) is effectively aligned with the best practices of the external market. Exelon's pay-for-performance philosophy places an emphasis on pay-at-risk. Pay will exceed market levels when excellent performance is achieved. Failure to achieve target goals will result in below market pay.

Base salaries for Exelon's executives are determined based on individual performance with reference to the salaries of executives in similar positions in general industry, and where appropriate, the energy services sector. Executive salaries are targeted to approximate the median (50th percentile) salary levels of the companies identified and surveyed.

Mr. Rowe's 2003 Base Salary: The independent directors of the board, on the recommendations of the Compensation and Corporate Governance Committees, determined Mr. Rowe's base salary for serving as the Chief Executive Officer by considering:

- A review of benchmark levels of base pay, which were provided by external consulting firms, and
- performance achieved against financial and operational goals, and
- the implementation of Exelon's strategic plans.

Mr. Rowe's annualized base salary was increased to $1,200,000 effective March 1, 2003.

Other Named Executives' 2003 Base Salaries: The base salaries of the other named executive officers listed in the Summary Compensation Table were determined based upon individual performance and by considering comparable compensation data from the industry surveys referred to above.

Exelon establishes corporate and business unit measures each year which are based on factors necessary to achieve strategic business objectives. These measures are incorporated into financial, customer and internal indicators designed to measure corporate and business unit performance.

The annual incentive awards paid to Exelon executives for 2003 were determined in accordance with the Exelon incentive programs. Annual incentives were paid to executives based on a combination of the achievement of pre-determined corporate and business unit-specific measures and individual performance. The incentive plan was designed to tie executive annual incentives to the achievement of key goals of Exelon, as applicable, and the executive's particular business unit.

For 2003, Mr. Rowe's annual incentive payout was determined using the Earnings Per Share corporate performance measure.

2003 Annual Incentive Award: In evaluating Mr. Rowe's performance, the directors considered the overall performance of Exelon against the measures that were achieved under the applicable incentive program. The board also considered the leadership demonstrated in positioning Exelon for the future.

Exelon decided to take select one-time charges (primarily non-cash) in 2003, which could have affected payouts under the Company's Annual Incentive Program. These events significantly reduced Exelon's earnings recorded under Generally Accepted Accounting Principles (GAAP).

In reviewing the issue, the Committee agreed that basing the incentive award on GAAP earnings would be inconsistent with the Company's strong operating performance and Exelon's robust stock price throughout the

year. However, since Earnings Per Share is such an integral component of the award, the Committee concluded that reward should be adjusted to reflect the adverse effects of these significant events.

The Committee, after considering these issues, permitted the exclusion of the one-time events described above from the earnings calculation used for the 2003 incentive awards based upon Exelon's continued strong operating and earnings performance for the year.

The Committee also accepted management's recommendation to impose some accountability for these one-time events. Award payouts for all participants were reduced by 20 to 30 percent. Mr. Rowe, other named executives and senior executives absorbed a 30 percent reduction.

Other Named Executive Officers' 2003 Annual Incentives: The final 2003 incentive plan payouts as approved by the Committee for the other named executive officers listed in the Summary Compensation Table were determined in accordance with the applicable incentive programs and each individual's performance.

Exelon established a long-term incentive program that includes a combination of non-qualified stock options (60%) and performance shares (40%). Exelon granted long-term incentives in the form of stock options to key management employees, including the named executive officers, effective January 27, 2003. The purpose of stock options is to align compensation directly to increases in shareholder value. Individuals receiving stock options are provided the right to buy a fixed number of shares of Exelon common stock at the closing price of such stock on the grant date. Options typically vest over a four-year period and have a term of ten years.

Stock Option Awards: Mr. Rowe received a grant of 175,000 non-qualified stock options on January 27, 2003. Other senior executives and other executives received grants on January 27, 2003 to motivate executives to achieve stock appreciation in support of shareholder value.

Exelon Performance Share Awards: Long-term incentives were awarded in the form of restricted stock to retain key executives engaged in positioning Exelon Corporation. Awards were determined based upon the successful completion of strategic goals designed to achieve long-term business success and increased shareholder value. Depending on Exelon Corporation's performance each year, the Committee could award performance shares with prohibitions on sale or transfer until the restrictions lapse.

Performance shares are paid in Exelon stock: 33% vest upon award date, 33% after the second year and 34% after the third year.

The 2003 Long Term Performance Share Program was based on Total Shareholder Return (TSR) comparing Exelon to companies listed on the Dow Jones Utility Index and the Standard and Poor's 500 Index using a three-year TSR compounded monthly. The other component in determining the award was an assessment by the Committee on strategic goals emphasizing growth in cash and earnings.

The board of directors approved Mr. Rowe's Performance Share Award of 42,000 shares. All other executives named also received Performance Share Awards.

Under Section 162(m) of the Internal Revenue Code ("Code"), executive compensation in excess of $1 million paid to a chief executive officer or other person among the four highest compensated officers is generally not deductible for purposes of corporate federal income taxes. However, "qualified performance-based compensation" which is paid pursuant to a plan meeting certain requirements of the Code and applicable regulations remains deductible. The Committee intends to continue reliance on performance-based compensation programs, consistent with sound executive compensation policy. Such programs will be designed to fulfill, in the best possible manner, future corporate business objectives. The Committee's policy has been to seek to cause executive incentive compensation to qualify as "performance-based" in order to preserve its deductibility for federal income tax purposes to the extent possible without sacrificing flexibility in designing appropriate compensation programs. However, in order to provide executives with appropriate incentives, the Committee may also determine, in light of all applicable circumstances, that it would be in the best interests of Exelon for

awards to be paid under certain of its incentive compensation programs or otherwise in a manner that would not satisfy the requirements to qualify as performance-based compensation under Code Section 162(m).

For 2003, the Committee approved an annual incentive award plan design that provided for the final awards paid to named executive officers to be adjusted based on their individual contribution to Exelon's financial and operational results. In approving this approach, the Committee concluded that the benefits of exercising discretion in assessing individual performance outweighed the impact of these incentive payments not qualifying as performance-based compensation under Section 162(m).

The portion of compensation that does not qualify under Code Section 162(m) and is not deferred, will not be deductible by Exelon for purposes of corporate federal income taxes. Mr. Rowe has elected to defer 100% of his long-term incentive award payable in 2004.

Exelon is seeking at the 2004 Annual Meeting approval from the shareholders of a qualified performance-based annual incentive program for 2004 for named executive officers and select senior management that will meet the requirements under Code Section 162(m) and preserve deductibility of the incentive program for corporate federal income tax purposes.

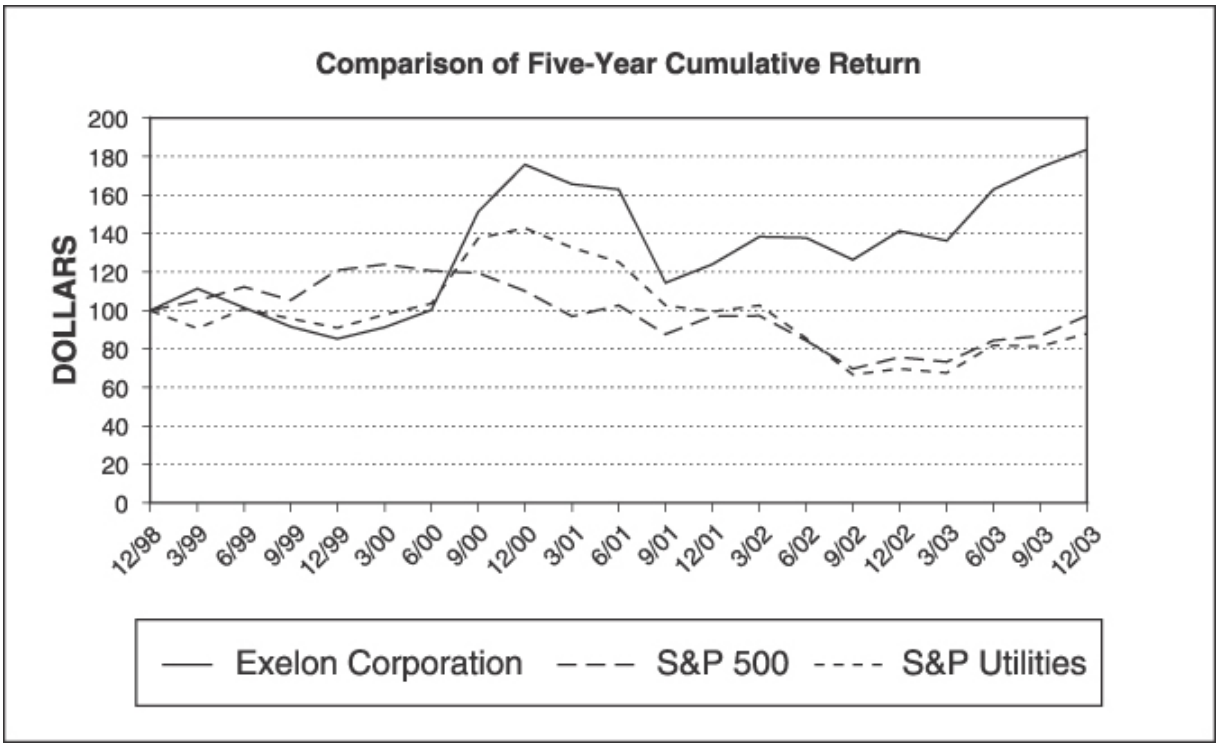
Compensation Committee:
Edward A. Brennan, Chairman
Rosemarie B. Greco
Ronald Rubin
Richard L. Thomas

Stock Performance Graph

The performance graph below illustrates a five year comparison of cumulative total returns based on an initial investment of $100 in PECO Energy Company common stock that was exchanged for Exelon Corporation common stock in the share exchange on October 20, 2000 as compared with the S&P 500 Stock Index and the S&P Utility Average for the period 1999 through 2003.

This performance chart assumes:

- $100 invested on December 31, 1998 in PECO Energy Company common stock in the S&P 500 Stock Index and in the S&P Utility Index.
- All dividends are reinvested.
- PECO Energy common stock exchanged for Exelon Corporation common stock on a 1:1 basis on October 20, 2000.



	1998	1999	2000	2001	2002	2003
Exelon Corporation	$ 100.00	$ 85.35	$ 175.81	$ 123.94	$ 141.35	$ 183.55
S&P 500	100.00	121.02	109.99	96.98	75.60	97.24
S&P Utilities	100.00	90.91	142.73	99.45	69.67	87.78

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Exelon

The information required by Item 12 relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the stock ownership information under the heading “BENEFICIAL OWNERSHIP” in the 2004 Exelon Proxy Statement.

Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (a)
Equity compensation plans approved by security holders	13,621,723	$ 49.32	10,592,183
Equity compensation plans not approved by security holders	531,970	41.11	—
Total	14,153,693	$ 49.01	10,592,183

(a) Excludes securities to be issued upon exercise of outstanding options.

ComEd

Over 99% of ComEd's common stock is held indirectly by Exelon. Accordingly, the only beneficial holder of more than five percent of ComEd's voting securities is Exelon, and none of the directors or executive officers of ComEd hold any of their voting securities.

The following table presents the beneficial ownership of Exelon's common stock by ComEd's directors and executive officers.

Name		Beneficially owned shares (a)	Shares that may be acquired (b)	Deferred or phantom shares (c)	Total shares
Wellington Management Company, LLP		22,024,775			22,024,775(d)
Barclays Global Investors, NA		20,987,379			20,987,379(e)
Edward A. Brennan	Director	3,984	—	8,541	12,525
M. Walter D'Alessio	Director	6,173	—	13,698	19,871
Nicholas DeBenedictis	Director	—	—	1,615	1,615
Bruce DeMars	Director	4,421	—	3,576	7,997
G. Fred DiBona, Jr.	Director	1,450	—	6,699	8,149
Nelson A. Diaz	Director	—	—	—	—
Sue L. Gin	Director	12,616	—	6,388	19,004
Rosemarie B. Greco	Director	1,000	—	7,848	8,848
Edgar D. Jannotta	Director	6,620	—	11,817	18,437
John M. Palms, Ph.D	Director	1,258	—	11,143	12,401
John W. Rogers, Jr.	Director	3,687	—	6,200	9,887
Ronald Rubin	Director	7,363	—	13,958	21,321
Richard L. Thomas	Director	10,607	—	10,264	20,871
Michael Bemis	Director and Officer	6,773	—	130	6,903
Pamela B. Strobel	Director and Officer	186,828	47,000	25,439	259,267
John W. Rowe	Director and Officer	1,091,949	197,917	106,497	1,396,363
Oliver D. Kingsley, Jr.	Director and Officer	371,529	71,667	70,043	513,239
Robert S. Shapard	Director and Officer	32,094	40,333	895	73,322
Frank M. Clark	Director and Officer	95,846	31,917	12,801	140,564
Total Director and Officers as a Group (22) (f)		2,043,533	441,601	340,957	2,826,091

(a) These shares include non-qualified stock options that are exercisable within 60 days of December 31, 2003.
(b) These shares include shares of Exelon's common stock that can be acquired upon the exercise of non-qualified stock options granted under Exelon plans that are not exercisable within 60 days of December 31, 2003.

(c) These shares include shares not considered to be beneficially owned under the rules of the Securities and Exchange Commission because they are held in various Exelon plans.

(d) In a Form 13G filed with the SEC on February 12, 2004 an investment adviser, Wellington Management Company, LLP 75 State Street, Boston, MA 02109, disclosed that as of December 31, 2003, it was the beneficial owner of 22,024,775 Exelon shares, or approximately 6.735% of Exelon's issued and outstanding common shares. Wellington disclosed that it shared voting power as to 12,479,889 shares and share dispositive power as to 22,045,775 shares.

(e) In a Form 13G filed with the SEC on February 17, 2004, a bank, Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105, and its affiliates, including banks, investment advisers, and broker/dealers, disclosed that as of December 31, 2003, they were the beneficial owners of an aggregate of 20,987,379 Exelon shares, or approximately 6.41% of Exelon's issued and outstanding shares.

(f) Beneficial ownership of directors and executive officers as a group represents approximately 0.9% of the outstanding shares of Exelon common stock. The total ownership as a group includes executive officers who are not named in the table.

PECO

The information required by Item 12 relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the stock ownership information under the heading "Beneficial Ownership" in the 2004 PECO Information Statement.

No PECO securities are authorized for issuance under equity compensation plans. For information about Exelon securities authorized for issuance to PECO employees under Exelon equity compensation plans, see above under "Exelon – Securities Authorized Under Equity Compensation Plans."

Generation

Generation is a wholly owned indirect subsidiary of Exelon. The following table presents the beneficial ownership of Exelon's common stock by Generation's directors and executive officers.

Name		Beneficially owned shares (a)	Shares that may be acquired (b)	Deferred or phantom shares (c)	Total shares
Wellington Management Company, LLP		22,045,775			22,045,775(d)
Barclays Global Investors, NA		20,987,379			20,987,379(e)
Edward A. Brennan	Director	3,984	—	8,541	12,525
M. Walter D'Alessio	Director	6,173	—	13,698	19,871
Nicholas DeBenedictis	Director	—	—	1,615	1,615
Bruce DeMars	Director	4,421	—	3,576	7,997
G. Fred DiBona, Jr.	Director	1,450	—	6,699	8,149
Nelson A. Diaz	Director	—	—	—	—
Sue L. Gin	Director	12,616	—	6,388	19,004
Rosemarie B. Greco	Director	1,000	—	7,848	8,848
Edgar D. Jannotta	Director	6,620	—	11,817	18,437
John M. Palms, Ph.D	Director	1,258	—	11,143	12,401
John W. Rogers, Jr.	Director	3,687	—	6,200	9,887
Ronald Rubin	Director	7,363	—	13,958	21,321
Richard L. Thomas	Director	10,607	—	10,264	20,871
Oliver D. Kingsley, Jr.	Director and Officer	371,529	71,667	70,043	513,239
John W. Rowe	Director and Officer	1,091,949	197,917	106,497	1,396,363
John L. Skolds	Director and Officer	137,588	45,000	25,321	207,909
Ian McLean	Director and Officer	158,427	45,096	2,096	205,619
John F. Young	Director and Officer	2,500	15,000	—	17,500
Robert S. Shapard	Director and Officer	32,094	40,333	895	73,322
Total Directors and Officers as a Group (21) (f)		1,956,389	445,638	316,774	2,718,801

(a) These shares include non-qualified stock options that are exercisable within 60 days of December 31, 2003.
(b) These shares include shares of Exelon's common stock that can be acquired upon the exercise of non-qualified stock options granted under Exelon plans that are not exercisable within 60 days of December 31, 2003.
(c) These shares include shares not considered to be beneficially owned under the rules of the Securities and Exchange Commission because they are held in various Exelon plans.
(d) In a Form 13G filed with the SEC on February 12, 2004 an investment adviser, Wellington Management Company, LLP 75 State Street, Boston, MA 02109, disclosed that as of December 31, 2003, it was the beneficial owner of 22,045,775 Exelon shares, or approximately 6.735% of Exelon's issued and outstanding common shares. Wellington disclosed that it shared voting power as to 12,479,889 shares and share dispositive power as to 22,045,775 shares.
(e) In a Form 13G filed with the SEC on February 17, 2004, a bank, Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105, and its affiliates, including banks, investment advisers, and broker/dealers, disclosed that as of December 31, 2003, they were the beneficial owners of an aggregate of 20,987,379 Exelon shares, or approximately 6.41% of Exelon's issued and outstanding shares.
(f) Beneficial ownership of directors and executive officers as a group represents approximately 0.8% of the outstanding shares of Exelon common stock. The total ownership as a group includes executive officers who are not named in the table.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Exelon

The information required by Item 13 is incorporated herein by reference to the information labeled "OTHER INFORMATION – Transactions with Management" in the 2004 Exelon Proxy Statement.

ComEd

None.

PECO

None.

Generation

None.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Exelon

The information required by Item 14 is incorporated herein by reference to the information labeled "INDEPENDENT PUBLIC ACCOUNTANTS" in the 2004 Exelon Proxy Statement.

ComEd

ComEd is an indirect controlled subsidiary of Exelon and does not have a separate audit committee. Instead, that function is fulfilled for ComEd by the Exelon Audit Committee. In July 2002 the Exelon Audit Committee adopted a policy for pre-approval of services to be performed by the independent accountants. The committee pre-approves annual budgets for audit, audit-related and tax compliance and planning services. The

services that the committee will consider include services that do not impair the accountant's independence and add value to the audit, including audit services such as attest services and scope changes in the audit of the financial statements, audit-related services such as accounting advisory services related to proposed transactions and new accounting pronouncements, the issuance of comfort letters and consents in relation to financings, the provision of attest services in relation to regulatory filings and contractual obligations, and tax compliance and planning services. With respect to non-budgeted services in amounts less than $500,000, the committee delegated authority to the committee's chairman to pre-approve such services. All other services must be pre-approved by the committee. The committee receives quarterly reports on all fees paid to the independent accountants. None of the services provided by the independent accountants was provided pursuant to the de minimis exception to the pre-approval requirements contained in the SEC's rules.

The following table presents fees for professional audit services rendered by PricewaterhouseCoopers LLP for the audit of ComEd's annual financial statements for the years ended December 31, 2003 and 2002, and fees billed for other services rendered by PricewaterhouseCoopers LLP during those periods. These fees include an allocation of amounts billed directly to Exelon Corporation. Certain amounts for 2002 have been reclassified to conform to 2003 presentation.

	Year Ended December 31,	
(in thousands)	2003	2002
Audit fees	$ 984	$ 1,030
Audit related fees (1)	196	96
Tax fees (2)	333	153
All other fees (3)	—	139

(1) Audit related fees consist of assurance and related services that are reasonably related to the performance of the audit or review of ComEd's financial statements. This category includes fees for regulatory work, depreciation studies and internal control projects.

(2) Tax fees consist of the aggregate fees billed for professional services rendered by PricewaterhouseCoopers LLP for tax compliance, tax advice, and tax planning.

(3) All other fees reflects work performed in connection with ComEd's business continuity planning.

PECO

The information required by Item 14 is incorporated herein by reference to the information labeled "INDEPENDENT PUBLIC ACCOUNTANTS" in the 2004 PECO Information Statement.

Generation

Generation is an indirect controlled subsidiary of Exelon and does not have a separate audit committee. Instead, that function is fulfilled for Generation by the Exelon Audit Committee. In July 2002 the Exelon Audit Committee adopted a policy for pre-approval of services to be performed by the independent accountants. The committee pre-approves annual budgets for audit, audit-related and tax compliance and planning services. The services that the committee will consider include services that do not impair the accountant's independence and add value to the audit, including audit services such as attest services and scope changes in the audit of the financial statements, audit-related services such as accounting advisory services related to proposed transactions and new accounting pronouncements, the issuance of comfort letters and consents in relation to financings, the provision of attest services in relation to regulatory filings and contractual obligations, and tax compliance and planning services. With respect to non-budgeted services in amounts less than $500,000, the committee delegated authority to the committee's chairman to pre-approve such services. All other services must be pre-approved by the committee. The committee receives quarterly reports on all fees paid to the independent accountants. None of the services provided by the independent accountants was provided pursuant to the de minimis exception to the pre-approval requirements contained in the SEC's rules.

The following table presents fees for professional audit services rendered by PricewaterhouseCoopers LLP for the audit of Generation's annual financial statements for the years ended December 31, 2003 and 2002, and fees billed for other services rendered by PricewaterhouseCoopers LLP during those periods. These fees include an allocation of amounts billed directly to Exelon Corporation. Certain amounts for 2002 have been reclassified to conform to 2003 presentation.

	Year Ended December 31,	
(in thousands)	**2003**	**2002**
Audit fees	$ 1,477	$ 1,598
Audit related fees (1)	441	166
Tax fees (2)	331	812
All other fees (3)	—	226

(1) Audit related fees consist of assurance and related services that are reasonably related to the performance of the audit or review of Generation's financial statements. This category includes fees for purchase accounting reviews, audits of employee benefit plans and internal control projects.

(2) Tax fees consist of the aggregate fees billed for professional services rendered by PricewaterhouseCoopers LLP for tax compliance, tax advice, and tax planning.

(3) All other fees reflects work performed in connection with Generation's business continuity planning.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Report of Independent Auditors on Financial Statement Schedule

To the Shareholders and Board of Directors
of Exelon Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 28, 2004, appearing in the 2003 Annual Report to Shareholders of Exelon Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(1)(ii) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Chicago, Illinois
January 28, 2004

(a) FinancialStatements and Financial Statement Schedules

(1) Exelon

(i) Financial Statements

Consolidated Statements of Income for the years 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the years 2003, 2002 and 2001

Consolidated Balance Sheets as of December 31, 2003 and 2002

Consolidated Statements of Changes in Shareholders' Equity for the years 2003, 2002 and 2001

Consolidated Statements of Comprehensive Income for the years 2003, 2002 and 2001

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule

EXELON CORPORATION AND SUBSIDIARY COMPANIES

Schedule II – Valuation and Qualifying Accounts
(in millions)

Column A	Column B	Column C		Column D	Column E
		Additions and adjustments			
Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
For The Year Ended December 31, 2003					
Allowance for uncollectible accounts	$ 132	$ 103	$ (9)	$ 116(a)	$ 110
Reserve for obsolete materials	$ 18	$ 4	$ 1	$ 5	$ 18
For The Year Ended December 31, 2002					
Allowance for uncollectible accounts	$ 213	$ 129	$ —	$ 210(a)	$ 132
Reserve for obsolete materials	$ 18	$ 9	$ 4	$ 13	$ 18
For The Year Ended December 31, 2001					
Allowance for uncollectible accounts	$ 200	$ 145	$ —	$ 132(a)	$ 213
Reserve for obsolete materials	$ 103	$ 16	$ —	$ 101	$ 18

(a) Write-off of individual accounts receivable.

(2) ComEd

(i) Financial Statements

(ii) Financial Statement Schedule

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES

Schedule II – Valuation and Qualifying Accounts
(in millions)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions and adjustments				
Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Restructuring Transfers (a)	Balance at End of Year
For The Year Ended December 31, 2003						
Allowance for uncollectible accounts	$ 24	$ 46	$ —	$ 54	$ —	$ 16
Reserve for obsolete materials	$ 5	$ 4	$ —	$ 1	$ —	$ 8
For The Year Ended December 31, 2002						
Allowance for uncollectible accounts	$ 49	$ 50	$ —	$ 75	$ —	$ 24
Reserve for obsolete materials	$ 6	$ —	$ —	$ 1	$ —	$ 5
For The Year Ended December 31, 2001						
Allowance for uncollectible accounts	$ 60	$ 42	$ 1	$ 54	$ —	$ 49
Reserve for obsolete materials	$ 98	$ —	$ —	$ 14	$ 78	$ 6

(a) Represents amounts transferred as part of the 2001 Corporate Restructuring. See ITEM 8. Financial Statements and Supplementary Information – ComEd – Note 1 of Notes to Consolidated Financial Statements.

(3) PECO

(i) Financial Statements

Consolidated Statements of Income for the years 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the years 2003, 2002 and 2001

Consolidated Balance Sheets as of December 31, 2003 and 2002

Consolidated Statements of Changes in Shareholders' Equity for the years 2003, 2002 and 2001

Consolidated Statements of Comprehensive Income for the years 2003, 2002 and 2001

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES

Schedule II – Valuation and Qualifying Accounts
(in millions)

Column A	Column B	Column C		Column D	Column E	Column F
		Additions and adjustments				
Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Restructuring Transfers (a)	Balance at End of Year
For The Year Ended December 31, 2003						
Allowance for uncollectible accounts	$ 72	$ 52	$ 8	$ 60 (b)	$ —	$ 72
For The Year Ended December 31, 2002						
Allowance for uncollectible accounts	$ 110	$ 45	$ —	$ 83 (b)	$ —	$ 72
Reserve for obsolete materials	$ 1	$ —	$ —	$ 1	$ —	$ —
For The Year Ended December 31, 2001						
Allowance for Uncollectible Accounts	$ 131	$ 69	$ —	$ 67 (b)	$ 23	$ 110
Reserve for obsolete materials	$ 3	$ 6	$ —	$ 7	$ 1	$ 1

(a) Represents amounts transferred as part of the 2001 Corporate Restructuring. See ITEM 8. Financial Statements and Supplementary Information – PECO – Note 1 of Notes to the Consolidated Financial Statements.

(b) Write-off of individual accounts receivable.

(4) Generation

(i) Financial Statements

Consolidated Statements of Income for the years 2003, 2002 and 2001

Consolidated Statements of Cash Flow for the years 2003, 2002 and 2001

Consolidated Balance Sheets as of December 31, 2003 and 2002

Consolidated Statements of Changes in Divisional/Member's Equity for the years 2003, 2002 and 2001

Consolidated Statements of Comprehensive Income for the years 2003, 2002 and 2001

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

Schedule II – Valuation and Qualifying Accounts
(in millions)

Column A	Column B	Column C		Column D	Column E
		Additions and adjustments			
Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
For The Year Ended December 31, 2003					
Allowance for uncollectible accounts	$ 22	$ 1	$ (9)	$ —	$ 14
Reserve for obsolete materials	$ 13	$ 1	$ —	$ 5	$ 9
For The Year Ended December 31, 2002					
Allowance for uncollectible accounts	$ 17	$ 26	$ —	$ 21(a)	$ 22
Reserve for obsolete materials	$ 12	$ 10	$ 3	$ 12	$ 13
For The Year Ended December 31, 2001					
Allowance for uncollectible accounts	$ 2	$ 16	$ —	$ 1(a)	$ 17
Reserve for obsolete materials	$ 79	$ 11	$ —	$ 78	$ 12

(a) Write-off of individual accounts receivable.

(b) Reports on Form 8-K

Exelon, ComEd, PECO and/or Generation filed Current Reports on Form 8-K during the fourth quarter of 2003 regarding the following items:

Date of Earliest Event Reported	Description of Item Reported and Filer(s)
October 1, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation, regarding Generation's exercise of certain termination options under its purchased power agreements with Midwest Generation.
October 3, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation, announcing that Exelon will buy British Energy's fifty percent interest in AmerGen.
October 31, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd, PECO and Generation, announcing the replacement of their $1.5 billion credit facility and providing additional information regarding the debt outstanding as of September 30, 2003.
November 3, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd and Generation, announcing Exelon's agreement to acquire the operating assets of Illinois Power from Dynegy, Inc.
November 10, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd and Generation, announcing modifications to legislation they were seeking to facilitate Exelon's proposed acquisition of Illinois Power.
November 22, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon, ComEd and Generation, announcing that the Illinois General Assembly did not act in the fall legislative session to approve the legislation necessary to facilitate Exelon's proposed acquisition of Illinois Power. In the absence of the legislation, Dynegy and Exelon terminated the agreement through which Exelon would have acquired substantially all of the assets and liabilities of Illinois Power.
November 25, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation regarding the completion of a series of transactions resulting in Generation and Reservoir each indirectly owning a 50% interest in Sithe and the purchase by Exelon of interests in synthetic fuel-producing facilities.
December 15, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon announcing that it has entered into an agreement to sell Exelon Thermal to Macquarie Bank Limited of Australia.
December 22, 2003	"ITEM 5. OTHER EVENTS" filed by Exelon and Generation regarding Generation's purchase of British Energy's fifty percent interest in AmerGen Energy Company, LLC. As a result, Generation is now the sole owner of AmerGen Energy Company, LLC.

(c) Exhibits

Certain of the following exhibits are incorporated herein by reference under Rule 12b-32 of the Securities and Exchange Act of 1934, as amended. Certain other instruments which would otherwise be required to be listed below have not been so listed because such instruments do not authorize securities in an amount which exceeds 10% of the total assets of the applicable registrant and its subsidiaries on a consolidated basis and the relevant registrant agrees to furnish a copy of any such instrument to the Commission upon request.

Exhibit No.	Description
2-1	Amended and Restated Agreement and Plan of Merger dated as of October 20, 2000, among PECO Energy Company, Exelon Corporation and Unicom Corporation (File No. 1-01401, PECO Energy Company Form 10-Q for the quarter ended September 30, 2000, Exhibit 2-1).
3-1	Articles of Incorporation of Exelon Corporation (Registration Statement No. 333-37082, Form S-4, Exhibit 3-1).
3-2	Amended and Restated Bylaws of Exelon Corporation, adopted January 27, 2004.
3-3	Amended and Restated Articles of Incorporation of PECO Energy Company (File No. 1-01401, 2000 Form 10-K, Exhibit 3-3).
3-4	Bylaws of PECO Energy Company, adopted February 26, 1990 and amended January 26, 1998 (File No. 1-01401, 1997 Form 10-K, Exhibit 3-2).
3-5	Restated Articles of Incorporation of Commonwealth Edison Company effective February 20, 1985, including Statements of Resolution Establishing Series, relating to the establishment of three new series of Commonwealth Edison Company preference stock known as the “$9.00 Cumulative Preference Stock,” the “$6.875 Cumulative Preference Stock” and the “$2.425 Cumulative Preference Stock” (File No. 1-1839, 1994 Form 10-K, Exhibit 3-2).
3-6	Bylaws of Commonwealth Edison Company, effective September 2, 1998, as amended through October 20, 2000 (File No. 1-1839, 2000 Form 10-K, Exhibit 3-6).
3-7	Certificate of Formation of Exelon Generation Company, LLC (Registration Statement No. 333-85496, Form S-4, Exhibit 3-1).
3-8	First Amended and Restated Operating Agreement of Exelon Generation Company, LLC executed as of January 1, 2001.
4-1	First and Refunding Mortgage dated May 1, 1923 between The Counties Gas and Electric Company (predecessor to PECO Energy Company) and Fidelity Trust Company, Trustee (First Union National Bank, successor), (Registration No. 2-2281, Exhibit B-1).

Exhibit No.	Description
4-1-1	Supplemental Indentures to PECO Energy Company's First and Refunding Mortgage:

Dated as of	File Reference	Exhibit No.
May 1, 1927	2-2881	B-1(c)
March 1, 1937	2-2881	B-1(g)
December 1, 1941	2-4863	B-1(h)
November 1, 1944	2-5472	B-1(i)
December 1, 1946	2-6821	7-1(j)
September 1, 1957	2-13562	2(b)-17
May 1, 1958	2-14020	2(b)-18
March 1, 1968	2-34051	2(b)-24
March 1, 1981	2-72802	4-46
March 1, 1981	2-72802	4-47
December 1, 1984	1-01401, 1984 Form 10-K	4-2(b)
April 1, 1991	1-01401, 1991 Form 10-K	4(e)-76
December 1, 1991	1-01401, 1991 Form 10-K	4(e)-77
June 1, 1992	1-01401, June 30, 1992 Form 10-Q	4(e)-81
March 1, 1993	1-01401, 1992 Form 10-K	4(e)-86
May 1, 1993	1-01401, March 31, 1993 Form 10-Q	4(e)-88
May 1, 1993	1-01401, March 31, 1993 Form 10-Q	4(e)-89
August 15, 1993	1-01401, Form 8-A dated August 19, 1993	4(e)-92
May 1, 1995	1-01401, Form 8-K dated May 24, 1995	4(e)-96
September 15, 2002	1-01401, September 30, 2002 Form 10-Q	4-1
October 1, 2002	1-01401, September 30, 2002 Form 10-Q	4-2
April 15, 2003	0-16844, March 31, 2003 Form 10-Q	4-1

4-2	Exelon Corporation Dividend Reinvestment and Stock Purchase Plan (Registration Statement No. 333-84446, Form S-3, Prospectus).
4-3	Mortgage of Commonwealth Edison Company to Illinois Merchants Trust Company, Trustee (BNY Midwest Trust Company, as current successor Trustee), dated July 1, 1923, as supplemented and amended by Supplemental Indenture thereto dated August 1, 1944. (File No. 2-60201, Form S-7, Exhibit 2-1).

Exhibit No.	Description
4-3-1	Supplemental Indentures to aforementioned Commonwealth Edison Mortgage.

Dated as of	File Reference	Exhibit No.
August 1, 1946	2-60201, Form S-7	2-1
April 1, 1953	2-60201, Form S-7	2-1
March 31, 1967	2-60201, Form S-7	2-1
April 1,1967	2-60201, Form S-7	2-1
February 28, 1969	2-60201, Form S-7	2-1
May 29, 1970	2-60201, Form S-7	2-1
June 1, 1971	2-60201, Form S-7	2-1
April 1, 1972	2-60201, Form S-7	2-1
May 31, 1972	2-60201, Form S-7	2-1
June 15, 1973	2-60201, Form S-7	2-1
May 31, 1974	2-60201, Form S-7	2-1
June 13, 1975	2-60201, Form S-7	2-1
May 28, 1976	2-60201, Form S-7	2-1
June 3, 1977	2-60201, Form S-7	2-1
May 17, 1978	2-99665, Form S-3	4-3
August 31, 1978	2-99665, Form S-3	4-3
June 18, 1979	2-99665, Form S-3	4-3
June 20, 1980	2-99665, Form S-3	4-3
April 16, 1981	2-99665, Form S-3	4-3
April 30, 1982	2-99665, Form S-3	4-3
April 15, 1983	2-99665, Form S-3	4-3
April 13, 1984	2-99665, Form S-3	4-3
April 15, 1985	2-99665, Form S-3	4-3
April 15, 1986	33-6879, Form S-3	4-9
June 15, 1990	33-38232, Form S-3	4-12
October 1, 1991	33-40018, Form S-3	4-13
October 15, 1991	33-40018, Form S-3	4-14
May 15, 1992	33-48542, Form S-3	4-14
September 15, 1992	33-53766, Form S-3	4-14
February 1, 1993	1-1839, 1992 Form 10-K	4-14
April 1, 1993	33-64028, Form S-3	4-12
April 15, 1993	33-64028, Form S-3	4-13
June 15, 1993	1-1839, Form 8-K dated May 21, 1993	4-1
July 15, 1993	1-1839, Form 10-Q for quarter ended June 30, 1993.	4-1
January 15, 1994	1-1839, 1993 Form 10-K	4-15
December 1, 1994	1-1839, 1994 Form 10-K	4-16
June 1, 1996	1-1839, 1996 Form 10-K	4-16
March 1, 2002	1-1839, 2001 Form 10-K	4-4-1
May 20, 2002		
June 1, 2002		
October 7, 2002		
January 13, 2003	1-1839, Form 8-K dated January 22, 2003	4-4
March 14, 2003	1-1839, Form 8-K dated April 7, 2003	4-4
August 13, 2003	1-1839, Form 8-K dated August 25, 2003	4-4

Exhibit No.	Description
4-3-2	Instrument of Resignation, Appointment and Acceptance dated as of February 20, 2002, under the provisions of the Mortgage dated July 1, 1923, and Indentures Supplemental thereto, regarding corporate trustee (File No. 1-1839, 2001 Form 10-K, Exhibit 4-4-2).
4-3-3	Instrument dated as of January 31, 1996, under the provisions of the Mortgage dated July 1, 1923 and Indentures Supplemental thereto, regarding individual trustee (File No. 1-1839, 1995 Form 10-K, Exhibit 4-29).
4-4	Indenture dated as of September 1, 1987 between Commonwealth Edison Company and Citibank, N.A., Trustee relating to Notes (File No. 1-1839, Form S-3, Exhibit 4-13).
4-4-1	Supplemental Indentures to aforementioned Indenture.

Dated as of	File Reference	Exhibit No.
September 1, 1987	33-32929, Form S-3	4-16
January 1, 1997	1-1839, 1999 Form 10-K	4-21
September 1, 2000	1-1839, 2000 Form 10-K	4-7-3

4-5	Indenture dated June 1, 2001 between Generation and First Union National Bank (now Wachovia Bank, National Association) (Registration Statement No. 333-85496, Form S-4, Exhibit 4.1).
4-6	Indenture dated December 19, 2003 between Generation and Wachovia Bank, National Association.
4-7	Indenture to Subordinated Debt Securities dated as of June 24, 2003 between PECO Energy Company, as Issuer, and Wachovia Bank National Association, as Trustee (File No. 0-16844, PECO Energy Company Form 10-Q for the quarter ended June 30, 2003, Exhibit 4.1).
4-8	Preferred Securities Guarantee Agreement between PECO Energy Company, as Guarantor, and Wachovia Trust Company, National Association, as Trustee, dated as of June 24, 2003 (File No. 0-16844, PECO Energy Company Form 10-Q for the quarter ended June 30, 2003, Exhibit 4.2).
4-9	PECO Energy Capital Trust IV Amended and Restated Declaration of Trust among PECO Energy Company, as Sponsor, Wachovia Trust Company, National Association, as Delaware Trustee and Property Trustee, and J. Barry Mitchell, George R. Shicora and Charles S. Walls as Administrative Trustees dated as of June 24, 2003 (File No. 0-16844, PECO Energy Company Form 10-Q for the quarter ended June 30, 2003, Exhibit 4.3).
10-1	Stock Purchase Agreement among Exelon (Fossil) Holdings, Inc., as Buyer and The Stockholders of Sithe Energies, Inc., as Sellers, and Sithe Energies, Inc. (File No. 0-16844, PECO Energy Company Form 10-Q for the quarter ended September 30, 2000, Exhibit 10-1).
10-2	$1,250,000,000 Credit and Reimbursement Agreement dated as of January 31, 2001 by and among Exelon Boston Generating, LLC (successor to Sithe Boston Generating, LLC), as Borrower, the Lenders named therein, Bayerische Landesbank Girozentrale, as DSR LC Issuer, BNP Paribas, as Administrative Agent (File No. 333-85496, Exelon Generation Company, LLC 2002 Form 10-K, Exhibit 10-2).
10-3	Power Purchase Agreement among Generation and PECO (Registration Statement No. 333-85496, Form S-4, Exhibit 10.1).
10-4	Power Purchase Agreement among Generation and ComEd (Registration Statement No. 333-85496, Form S-4, Exhibit 10.2).
10-5	Amended and restated employment agreement between Exelon Corporation and John W. Rowe dated as of November 26, 2001* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-2).

Exhibit No.	Description
10-6	Employment Agreement by and among Exelon Corporation, Exelon Generation Company, LLC and Oliver D. Kingsley, Jr. dated as of September 5, 2002* (File Nos. 1-16169 and 333-85496, September 30, 2002 Form 10-Q, Exhibit 10-1).
10-7	Amended and restated employment agreement between Exelon Corporation, Exelon Generation Company, LLC and Oliver D. Kingsley, Jr. dated as of April 29, 2003.*
10-8	Exelon Corporation Deferred Compensation Plan (File No. 1-16169, 2001 Form 10-K, Exhibit 10-3).
10-9	Exelon Corporation Retirement Program (File No. 1-16169, 2001 Form 10-K, Exhibit 10-4).
10-10	PECO Energy Company Unfunded Deferred Compensation Plan for Directors* (Registration Statement No. 333-49780, Form S-8, Exhibit 4-4).
10-11	Exelon Corporation Long-Term Incentive Plan As Amended and Restated effective January 28, 2002 * (File No. 1-16169, Exelon Proxy Statement dated March 13, 2002, Appendix B).
10-11-1	Form of Restricted Stock Award Agreement under the Exelon Corporation Long-Term Incentive Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-6-1).
10-11-2	Forms of Transferable Stock Option Award Agreement under the Exelon Corporation Long-Term Incentive Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-6-2).
10-11-3	Forms of Stock Option Award Agreement under the Exelon Corporation Long-Term Incentive Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-6-3).
10-12	PECO Energy Company Management Incentive Compensation Plan *(File No. 1-01401, 1997 Proxy Statement, Appendix A).
10-13	PECO Energy Company 1998 Stock Option Plan* (Registration Statement No. 333-37082, Post-Effective Amendment No. 1 to Form S-4, Exhibit 4-3).
10-14	Exelon Corporation Employee Savings Plan (File No. 1-16169, 2001 Form 10-K, Exhibit 10-9).
10-15	Second Amended and Restated Trust Agreement for PECO Energy Transition Trust (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated May 2, 2000, Exhibit 4.1).
10-16	Indenture dated as of March 1, 1999 between PECO Energy Transition Trust and The Bank of New York. (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated March 25, 1999, Exhibit 4.3.1).
10-16-1	Series Supplement dated as of March 25, 1999 between PECO Energy Transition Trust and The Bank of New York. (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated March 25, 1999, Exhibit 4.3.2).
10-16-2	Series Supplement dated as of March 1, 2001 between PECO Energy Transition Trust and The Bank of New York. (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated March 1, 2001, Exhibit 4.3.2).
10-16-3	Series Supplement dated as of May 2, 2000 between PECO Energy Transition Trust and The Bank of New York (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated May 2, 2000, Exhibit 4.3.2).
10-17	Intangible Transition Property Sale Agreement dated as of March 25,1999, as amended and restated as of May 2, 2000, between PECO Energy Transition Trust and PECO Energy Company. (File No. 333-58055, PECO Energy Transition Trust Report on Form 8-K dated May 2, 2000, Exhibit 10.1).
10-17-1	Amendment No. 1 to Intangible Transition Property Sale Agreement dated as of March 25, 1999, as amended and restated as of May 2, 2000 (File No. 1-01401, PECO Energy Company and PECO Energy Transition Trust Report on Form 8-K dated March 1, 2001).

Exhibit No.	Description
10-18	Master Servicing Agreement dated as of March 25, 1999, as amended and restated as of May 2, 2000, between PECO Energy Transition Trust and PECO Energy Company. (File No. 333-58055, PECO Energy Transition Trust Current Report on Form 8-K dated May 2, 2000, Exhibit 10.2).
10-18-1	Amendment No. 1 to Master Servicing Agreement dated as of March 25, 1999, as amended and restated as of May 2, 2000 (File No. 1-01401, PECO Energy Company and PECO Energy Transition Trust Report on Form 8-K dated March 1, 2001).
10-19	Exelon Corporation Cash Balance Pension Plan (File No. 1-16169, 2001 Form 10-K, Exhibit 10-14).
10-20	Joint Petition for Full Settlement of PECO Energy Company's Restructuring Plan and Related Appeals and Application for a Qualified Rate Order and Application for Transfer of Generation Assets dated April 29, 1998. (Registration Statement No. 333-58055, Exhibit 10.3).
10-21	Joint Petition for Full Settlement of PECO Energy Company's Application for Issuance of Qualified Rate Order Under Section 2812 of the Public Utility Code dated March 8, 2000 (Amendment No. 1 to Registration Statement No. 333-31646, Exhibit 10.4).
10-22	Unicom Corporation Amended and Restated Long-Term Incentive Plan *(File No. 1-11375, Unicom Proxy Statement dated April 7, 1999, Exhibit A).
10-22-1	First Amendment to Unicom Corporation Amended and Restated Long Term Incentive Plan *(Registration Statement No. 333-49780, Form S-8, Exhibit 4-8).
10-22-2	Second Amendment to Unicom Corporation Amended and Restated Long Term Incentive Plan *(Registration Statement No. 333-49780, Form S-8, Exhibit 4-9).
10-23	Unicom Corporation General Provisions Regarding 1996 Stock Option Awards Granted under the Unicom Corporation and Long-Term Incentive Plan. *(File Nos. 1-11375 and 1-1839, 1996 Form 10-K, Exhibit 10-9).
10-24	Unicom Corporation General Provisions Regarding 1996B Stock Option Awards Granted under the Unicom Corporation Long-Term Incentive Plan. *(File Nos. 1-11375 and 1-1839, 1996 Form 10-K, Exhibit 10-8).
10-25	Unicom Corporation General Provisions Regarding Stock Option Awards Granted under the Unicom Corporation Long-Term Incentive Plan (Effective July 10, 1997) (File Nos. 1-11375 and 1-1839, 1999 Form 10-K, Exhibit 10-8).
10-26	Unicom Corporation Deferred Compensation Unit Plan, as amended *(File Nos. 1-11375 and 1-1839, 1995 Form 10-K, Exhibit 10-12).
10-27	Exelon Corporation Corporate Stock Deferral Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-22).
10-28	Unicom Corporation Retirement Plan for Directors, as amended *(Registration Statement No. 333-49780, Form S-8, Exhibit 4-12).
10-29	Commonwealth Edison Company Retirement Plan for Directors, as amended *(Registration Statement No. 333-49780, Form S-8, Exhibit 4-13).
10-30	Unicom Corporation 1996 Directors' Fee Plan *(File No. 1-11375, Unicom Proxy Statement dated April 8, 1996, Appendix A).
10-30-1	Second Amendment to Unicom Corporation 1996 Directors Fee Plan *(Registration Statement No. 333-49780, Form S-8, Exhibit 4-11).
10-31	Change in Control Agreement between Unicom Corporation, Commonwealth Edison Company and certain senior executives * (File Nos. 1-11375 and 1-1839, 1998 Form 10-K, Exhibit 10-24).

Exhibit No.	Description
10-31-1	Forms of Change in Control Agreement Between PECO Energy Company and Certain Employees * (File No. 1-1401, 2000 Form 10-K, Exhibit 10-25-1).
10-32	Commonwealth Edison Company Executive Group Life Insurance Plan* (File No. 1-1839, 1980 Form 10-K, Exhibit 10-3).
10-32-1	Amendment to the Commonwealth Edison Company Executive Group Life Insurance Plan *(File No. 1-1839, 1981 Form 10-K, Exhibit 10-4).
10-32-2	Amendment to the Commonwealth Edison Company Executive Group Life Insurance Plan dated December 12, 1986 *(File No. 1-1839, 1986 Form 10-K, Exhibit 10-6).
10-32-3	Amendment to the Commonwealth Edison Company Executive Group Life Insurance Plan to implement program of “split dollar life insurance” dated December 13, 1990 *(File No. 1-1839, 1990 Form 10-K, Exhibit 10-10).
10-32-4	Amendment to Commonwealth Edison Company Executive Group Life Insurance Plan to stabilize the death benefit applicable to participants dated July 22, 1992 *(File No. 1-1839, 1992 Form 10-K, Exhibit 10-13).
10-33	First Amendment to Exelon Corporation Employee Savings Plan (File No. 1-16169, 2001 Form 10-K, Exhibit 10-29).
10-33-1	First Amendment to the Commonwealth Edison Company Supplemental Management Retirement Plan. * (File No. 1-1839, 2000 Form 10-K, Exhibit 10-27-1)
10-34	Second Amendment and Restated Exelon Corporation Key Management Severance Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-30).
10-35	Forms of Change in Control Agreement between Exelon Corporation and certain senior executives (File No. 1-16169, 2001 Form 10-K, Exhibit 10-31).
10-36	Amendment No. 1 to Exelon Corporation Supplemental Management Retirement Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-32).
10-37	Form of Stock Award Agreement under the Unicom Corporation Long-Term Incentive Plan *(File Nos. 1-11375 and 1-1839, 1997 Form 10-K, Exhibit 10-37).
10-38	Amended and Restated Key Management Severance Plan for Unicom Corporation and Commonwealth Edison Company dated March 8, 1999 * (File No. 1-1839, 1999 Form 10-K, Exhibit 10-38).
10-38-1	Exelon Corporation Employee Stock Purchase Plan (Registration Statement No. 333-61390, Form S-8, Exhibit 4.2).
10-38-2	First Amendment to the Exelon Corporation Employee Stock Purchase Plan (File No. 1-16169, 2001 Form 10-K, Exhibit 10-34-2).
10-39	PECO Energy Company Supplemental Pension Benefit Plan (As Amended and Restated January 1, 2001)* (File No. 1-1401, 2001 Form 10-K, Exhibit 10-35).
10-40	Exelon Corporation 2001 Performance Share Awards for Power Team Employees under the Exelon Corporation Long Term Incentive Plan* (File No. 1-16169, 2001 Form 10-K, Exhibit 10-36).
10-41	Agreement Regarding Various Matters Involving or Affecting Rates for Electric Service Offered by Commonwealth Edison Company dated as of March 3, 2003 among Commonwealth Edison Company and the other parties named therein (File No. 1-16169, Commonwealth Edison Company 2002 Form 10-K, Exhibit 10-41).
10-41-1	Amendment dated as of March 10, 2003 to the Agreement Regarding Various Matters Involving or Affecting Rates for Electric Service Offered by Commonwealth Edison Company (File No. 1-16169, Commonwealth Edison Company 2002 Form 10-K, Exhibit 10-41-1).

Exhibit No.	Description
10-42	Retirement and Separation between Exelon Corporation, PECO Energy Company and Kenneth G. Lawrence, dated as of May 11, 2003 (File No. 0-16844, PECO Energy Company September 30, 2003 Form 10-Q, Exhibit 10.1).
10-43	Purchase and Sale Agreement dated as of October 10, 2003 between British Energy Investment Ltd. and Exelon Generation Company, LLC relating to the sale and purchase of 100% of the shares of British Energy US Holdings Inc. (File Nos. 1-16169 and 333-85496, Exelon Corporation and Exelon Generation Company, LLC September 30, 2003 Form 10-Q, Exhibit 10.2).
10-44	$750,000,000 364-Day Credit Agreement dated as of October 31, 2003 among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC as Borrowers and Various Financial Institutions as Lenders.
10-44-1	$750,000,000 Three Year Credit Agreement dated as of October 31, 2003 among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC as Borrowers and Various Financial Institutions as Lenders.
10-45	$850,000,000 Credit Agreement dated as of September 29, 2003 among Exelon Generation Company, LLC as Borrower and Various Financial Institutions as Lenders.
14	Exelon Code of Conduct
	Subsidiaries
21-1	Exelon Corporation (File No. 1-16169, 2002 Form 10-K, Exhibit 21-1).
21-2	Commonwealth Edison Company (File No. 1-1839, 2000 Form 10-K, Exhibit 21-3).
21-3	PECO Energy Company (File No. 1-1401, 2000 Form 10-K, Exhibit 21-2).
21-4	Exelon Generation Company, LLC
	Consent of Independent Auditors
23-1	Exelon Corporation
23-2	Commonwealth Edison Company
23-3	PECO Energy Company
	Power of Attorney
24-1	Edward A. Brennan
24-2	M. Walter D’Alessio
24-3	Bruce DeMars
24-4	G. Fred DiBona, Jr.
24-5	Sue L. Gin
24-6	Edgar D. Jannotta
24-7	John M. Palms, Ph.D.
24-8	John W. Rogers, Jr.
24-9	Ronald Rubin
24-10	Richard L. Thomas
24-11	Nicholas DeBenedictis
24-12	Rosemarie B. Greco
99-1	Exelon Corporation’s Current Report on Form 8-K dated February 20, 2004, (File No. 1-16169).

Exhibit No.	Description
	Certifications Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as to the Annual Report on Form 10-K for the year ended December 31, 2003 filed by the following officers for the following registrants:
31-1	Filed by John W. Rowe for Exelon Corporation
31-2	Filed by Robert S. Shapard for Exelon Corporation
31-3	Filed by John L. Skolds for Commonwealth Edison Company
31-4	Filed by J. Barry Mitchell for Commonwealth Edison Company
31-5	Filed by John L. Skolds for PECO Energy Company
31-6	Filed by J. Barry Mitchell for PECO Energy Company
31-7	Filed by Oliver D. Kingsley Jr. for Exelon Generation Company, LLC
31-8	Filed by J. Barry Mitchell for Exelon Generation Company, LLC
	Certifications Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code (Sarbanes – Oxley Act of 2002) as to the Annual Report on Form 10-K for the year ended December 31, 2003 filed by the following officers for the following registrants:
32-1	Filed by John W. Rowe for Exelon Corporation
32-2	Filed by Robert S. Shapard for Exelon Corporation
32-3	Filed by John L. Skolds for Commonwealth Edison Company
32-4	Filed by J. Barry Mitchell for Commonwealth Edison Company
32-5	Filed by John L. Skolds for PECO Energy Company
32-6	Filed by J. Barry Mitchell for PECO Energy Company
32-7	Filed by Oliver D. Kingsley Jr. for Exelon Generation Company, LLC
32-8	Filed by J. Barry Mitchell for Exelon Generation Company, LLC

* Compensatory plan or arrangements in which directors or officers of the applicable registrant participate and which are not available to all employees.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Chicago and State of Illinois on the 20th day of February, 2004.

EXELON CORPORATION

By: /s/ JOHN W. ROWE

Name: John W. Rowe
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 20th day of February, 2004.

Signature	Title
/s/ JOHN W. ROWE **John W. Rowe**	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT S. SHAPARD **Robert S. Shapard**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MATTHEW F. HILZINGER **Matthew F. Hilzinger**	Vice President and Corporate Controller (Principal Accounting Officer)

This annual report has also been signed below by John W. Rowe, Attorney-in-Fact, on behalf of the following Directors on the date indicated:

EDWARD A. BRENNAN
M. WALTER D'ALESSIO
BRUCE DEMARS
G. FRED DIBONA, JR.
SUE L. GIN
NICHOLAS DEBENEDICTIS
ROSEMARIE B. GRECO
EDGAR D. JANNOTTA
JOHN M. PALMS, PH.D.
JOHN W. ROGERS, JR.
RONALD RUBIN
RICHARD L. THOMAS

By: /s/ JOHN W. ROWE

Name: John W. Rowe
Title: Chairman and Chief Executive Officer

February 20, 2004

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Chicago and State of Illinois on the 20th day of February, 2004.

COMMONWEALTH EDISON COMPANY

By: /s/ JOHN W. ROWE

Name: John W. Rowe
Title: Chairman and Chief Executive Officer, Exelon, and Chair and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 20th day of February, 2004.

Signature	Title
/s/ JOHN W. ROWE **John W. Rowe**	Chairman and Chief Executive Officer, Exelon, and Chair and Director
/s/ JOHN L. SKOLDS **John L. Skolds**	President, Exelon Energy Delivery (Principal Executive Officer)
/s/ J. BARRY MITCHELL **J. Barry Mitchell**	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)
/s/ FRANK M. CLARK **Frank M. Clark**	President and Director
/s/ DUANE M. DESPARTE **Duane M. DesParte**	Vice President and Controller (Principal Accounting Officer)
/s/ OLIVER D. KINGSLEY JR. **Oliver D. Kingsley Jr.**	Director
/s/ ROBERT S. SHAPARD **Robert S. Shapard**	Director
/s/ S. GARY SNODGRASS **S. Gary Snodgrass**	Director

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Chicago and State of Illinois on the 20th day of February, 2004.

PECO ENERGY COMPANY

By: /s/ JOHN W. ROWE

Name: **John W. Rowe**
Title: **Chairman and Chief Executive Officer, Exelon, and Director**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 20th day of February, 2004.

Signature	Title
/s/ JOHN W. ROWE **John W. Rowe**	Chairman and Chief Executive Officer, Exelon, and Director
/s/ JOHN L. SKOLDS **John L. Skolds**	President, Exelon Energy Delivery (Principal Executive Officer)
/s/ J. BARRY MITCHELL **J. Barry Mitchell**	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)
/s/ DENIS P. O'BRIEN **Denis P. O'Brien**	President and Director
/s/ DUANE M. DESPARTE **Duane M. DesParte**	Vice President and Controller (Principal Accounting Officer)
/s/ OLIVER D. KINGSLEY JR. **Oliver D. Kingsley Jr.**	Director
/s/ ROBERT S. SHAPARD **Robert S. Shapard**	Director

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Chicago and State of Illinois on the 20th day of February, 2004.

EXELON GENERATION COMPANY, LLC

By: /s/ JOHN W. ROWE

Name: John W. Rowe
Title: Chairman and Chief Executive Officer, Exelon

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 20th day of February, 2004.

Signature	Title
/s/ JOHN W. ROWE **John W. Rowe**	Chairman and Chief Executive Officer, Exelon
/s/ OLIVER D. KINGSLEY JR. **Oliver D. Kingsley Jr.**	Chief Executive Officer and President (Principal Executive Officer)
/s/ J. BARRY MITCHELL **J. Barry Mitchell**	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)
/s/ MATTHEW F. HILZINGER **Matthew F. Hilzinger**	Vice President and Corporate Controller, Exelon (Principal Accounting Officer)

Exhibit 3.2

EXELON CORPORATION
AMENDED AND RESTATED
B Y L A W S

ARTICLE I.
Offices and Fiscal Year

Section 1.01 Registered Office. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at 2301 Market Street, Philadelphia, Pennsylvania 19103.

Section 1.02 Other Offices. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be necessary, advisable or appropriate for the business of the corporation.

Section 1.03 Fiscal Year. The fiscal year of the corporation shall begin on the first day of January in each year.

ARTICLE II.
Notice - Waivers - Meetings Generally

Section 2.01 Manner of Giving Notice.

(a) General Rule. Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger services specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, to the address (or to the telex, TWX or facsimile transmission telephone number) of the person appearing on the books of the corporation, or as otherwise permitted by applicable law, or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission, when received. Notwithstanding the foregoing, written notice of any meeting of shareholders may be sent by any class of mail, postage prepaid, so long as such notice is sent at least 20 calendar days prior to the date of the meeting. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Adjourned Shareholder Meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of

the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting or the Business Corporation Law requires notice of the business to be transacted and such notice has not previously been given.

Section 2.02 Notice of Meetings of the Board of Directors.

Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX, facsimile or other electronic transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03 Notice of Meetings of Shareholders.

(a) General Rule. Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting not less than five nor more than 90 calendar days prior to the date of the meeting. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a meeting of shareholders that has as one of its purposes adoption, amendment or repeal of these bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

Section 2.04 Waiver of Notice.

(a) Written Waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting

for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05 Modification of Proposal Contained in Notice.

Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06 Exception to Requirement of Notice.

(a) General Rule. Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders Without Forwarding Addresses. Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall recommence sending notices and other communications to the shareholder in the manner provided by these bylaws.

Section 2.07 Use of Conference Telephone and Similar Equipment. Any director may participate in any meeting of the board of directors or a committee thereof, and the board of directors may provide by resolution with respect to a specific meeting of shareholders or with respect to a class of meetings of shareholders that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone, video conference or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at the meeting.

ARTICLE III.
Shareholders

Section 3.01 Place of Meeting. Meetings of the shareholders of the corporation may be held at such place within or without the Commonwealth of Pennsylvania as may be designated by the Board of Directors, or in the absence of a designation by the Board of Directors, by the chairman of the board or the president and stated in the notice of a meeting.

Section 3.02 Annual Meeting. The annual meeting of the shareholders for the election of directors and the transaction of other business, if any, shall be held on such date and time as may be fixed by the board and stated in the notice of meetings (or, if the board fails to designate a date and time, at 10:30 a.m. on the fourth Wednesday in April of each year or, if such Wednesday is a legal holiday in the Commonwealth of Pennsylvania or in such other jurisdiction where such meeting may be held, the next succeeding business day). Failure to hold such meeting at the designated time or on the designated date or to elect some or all of the members of the board at such meeting or any adjournment thereof shall not affect otherwise valid corporate acts or work a forfeiture or dissolution of the corporation. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

Section 3.03 Special Meetings. Special meetings of the shareholders may be called at any time by resolution of the board of directors, which may fix the date, time and place of the meeting, and shall be called as provided in the terms of the Preferred Stock. If the board does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 calendar days after the date of the action calling the special meeting.

Section 3.04 Quorum and Adjournment.

(a) General Rule. A meeting of the shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. Except as otherwise provided in the terms of the Preferred Stock, the presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned, except as otherwise provided by the Business Corporation Law, for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting. Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this Section of

these bylaws, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum. Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 calendar days because of an absence of a quorum, although less than a quorum as fixed in this Section of these bylaws, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05 Action by Shareholders.

(a) General Rule. Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class, in each case at a duly organized meeting of shareholders. Except as otherwise provided in the terms of the Preferred Stock or when acting by unanimous consent to remove a director or directors, the shareholders of the corporation may act only at a duly organized meeting.

(b) Conduct of Business. Only such business will be conducted at an annual or special meeting of shareholders as shall have been properly brought before the meeting by or at the direction of the board of directors, or with respect to an annual meeting, by any shareholder who complies with the procedures set forth in this Section.

(1) For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given to the secretary of the corporation timely written notice of the shareholder's intention to make a proposal, in the manner and form prescribed herein.

(i) To be timely, a shareholder's notice with respect to an annual meeting of shareholders must be addressed to the secretary of the corporation at the principal executive offices of the corporation and received by the secretary not less than 120 calendar days in advance of the first anniversary of the date on which the corporation first mailed its proxy materials to shareholders for the prior year's annual meeting of shareholders, and this notice requirement shall not be affected by any adjournment of said meeting; provided, however, that in the event public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, notice by the shareholder to be timely must be so received not later than the close of

business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting.

(ii) A shareholder's notice to the secretary must set forth as to each matter the shareholder proposes to bring before the annual meeting (A) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the corporation's books, of the shareholder proposing such business and of the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and number of shares of the corporation that are owned beneficially and of record by the shareholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (D) any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business.

(iii) Notwithstanding the foregoing provisions of these bylaws, a shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder with respect to the matters set forth in this Section. For purposes of this Section, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Bloomberg Business News, or Reuters Economic Services or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act, or publicly filed by the corporation with any national securities exchange or quotation service through which the corporation's stock is listed or traded, or furnished by the corporation to its shareholders. Notwithstanding the foregoing, no notice of the date of the annual meeting is required for the advance notice provision of this Section 3.05 (b) to be effective if the annual meeting is held on such date as specified in Section 3.02 of these bylaws. Nothing in this Section will be deemed to affect any rights of shareholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(2) At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with Section 2.03 of these bylaws or (ii) otherwise brought before the meeting by the presiding officer or by or at the direction of a majority of the total number of directors that the corporation would have if there were no vacancies on the board of directors (the "Whole Board").

(3) The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with this Section of these bylaws will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

Section 3.06 Organization.

(a) Presiding Officer and Secretary of Meeting. At every meeting of the shareholders, the chairman of the board, or such other officer of the corporation designated by a majority of the Whole Board, will call meetings of shareholders to order or, in the case of vacancy in office and absence by action of the Whole Board, one of the following officers present in the order stated: The chief executive officer, if there be one, the president, if there be one, the vice presidents in their order of rank and seniority shall act as "presiding officer" of the meeting. The term "presiding officer" means an officer who presides over a meeting of shareholders. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, a person appointed by the presiding officer of the meeting, shall act as secretary of the meeting.

(b) Rules of Conduct. Unless otherwise determined by the board of directors prior to the meeting, the presiding officer of the meeting of shareholders will determine the order of business and have the authority to make such rules or regulations for the conduct of meetings of shareholders as such presiding officer deems necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to shareholders of record of the corporation and their duly authorized and constituted proxies, and such other persons as the board of directors or the presiding officer shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comment by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless, and to the extent determined by the board of directors or the presiding officer of the meeting, meetings of shareholders need not be conducted in accordance with rules of parliamentary procedure.

Section 3.07 Voting Rights of Shareholders. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08 Voting and other Action by Proxy.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by, the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted, or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Form of Proxy. Every proxy shall be in a form approved by the secretary of the corporation or as otherwise provided by the Business Corporation Law.

(c) Revocation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

(d) Expenses. The corporation shall pay the reasonable expenses of solicitation of votes or proxies of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09 Voting by Fiduciaries and Pledgees. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this Section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10 Voting by Joint Holders of Shares.

(a) General Rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception. If there has been filed with the secretary of the corporation a copy, certified by an attorney-at-law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the latest document so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11 Voting by Corporations.

(a) Voting by Corporate Shareholders. Any domestic or foreign corporation for profit or not-for-profit that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.12 Determination of Shareholders of Record.

(a) Fixing Record Date. The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except as otherwise provided in the articles or in the case of an adjourned meeting, shall be not more than 90 calendar days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this Subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose, except that the record date

fixed to determine the holders of Preferred Stock entitled to receive dividends thereon shall not precede the respective dividend payment date by more than 40 calendar days. When a determination of shareholders of record has been made as provided in this Section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When Record Date Is Not Fixed. If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee. The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

Section 3.13 Voting Lists.

(a) General Rule. The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that, if the corporation has 5,000 or more shareholders, in lieu of the making of the list the corporation may make the information therein available at the meeting by any other means.

(b) Effect of List. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.14 Judges of Election.

(a) Appointment. In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be

shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies. In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report. On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15 Minors as Security Holders. The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

ARTICLE IV.
Board of Directors

Section 4.01 Powers.

(a) General Rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Personal Liability of Directors.

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expenses of any nature, including, without limitation, attorneys' fees and disbursements) for any action taken, or any failure to take any action before, on or after the date of these bylaws, unless:

(i) the director has breached or failed to perform the duties of his or her office under Subchapter B of Chapter 17 of the Business Corporation Law; and

(ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, State or Federal law.

(3) No amendment or repeal of this Section 4.01 shall have any effect on the liability or alleged liability of any director of the corporation for or with respect to any such act on the part of such director occurring prior to the effective date of such amendment or repeal.

(c) Directors. A director shall stand in a fiduciary relation to the corporation and shall perform his duties as a director, including his duties as a member of any committee of the board upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of the corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his duties, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented.

(2) Counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such person.

(3) A committee of the board upon which he does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

Section 4.02 Qualifications and Selection of Directors.

(a) Qualifications. Each director of the corporation shall be a natural person of full age who need not be a resident of the Commonwealth of Pennsylvania or a shareholder of the corporation, except as may be required under corporate governance principles approved by the board of directors. For purposes of Section 4.05, a director's failure to hold the number of shares as and when required under corporate governance principles approved by the board of directors shall constitute cause for such director's removal.

(b) Notice of Certain Nominations Required. Nominations for election of directors may be made by any shareholder entitled to vote for the election of directors if timely written notice in proper form (the "Notice") of the shareholder's intent to nominate a director at the meeting is given by the shareholder and received by the secretary of the corporation. To be timely, a shareholder's Notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 120 calendar days before the first anniversary of the date on which the corporation first mailed its proxy materials for the prior year's annual meeting of shareholders; provided, however, that in the event that public announcement of the date of the annual meeting is not made at least 75 calendar days prior to the date of the annual meeting, Notice by the shareholder to be timely must be so received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the annual meeting. The requirements of this Subsection shall not apply to a nomination for directors made to the shareholders by the board of directors or a committee thereof.

(c) Contents of Notice. To be in proper written form, the Notice shall be in writing and shall contain or be accompanied by:

(1) the name and residence address of the nominating shareholder and of the beneficial owner, if any, on whose behalf the nomination is made;

(2) a representation that the shareholder giving the Notice is a holder of record of voting stock of the corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Notice;

(3) the class and number of shares of voting stock of the corporation owned beneficially and of record by the shareholder giving the Notice and by the beneficial owner, if any, on whose behalf the nomination is made;

(4) such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the rules and regulations established by the Securities and Exchange Commission under the Exchange Act (or pursuant to any successor act or regulation)

had proxies been solicited with respect to such nominee by the management or board of directors of the corporation;

(5) a description of all arrangements or understandings between or among any of (A) the shareholder giving the Notice, (B) the beneficial owner on whose behalf the Notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the Notice;

(6) a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder;

(7) a representation that each nominee meets the objective criteria for "independence" under applicable New York Stock Exchange listing standards and any additional objective criteria for "independence" under corporate governance principles approved by the board of directors; and

(8) the signed consent of each nominee to serve as a director of the corporation if so elected.

(d) Determination of Compliance. The presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this Section and, in such event, the presiding officer will so declare to the meeting, and the defective nomination shall be disregarded. Any such decision by the presiding officer shall be conclusive and binding upon all shareholders of the corporation for any purpose. Notwithstanding the foregoing provisions of this Section, a shareholder must also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder, with respect to the matters set forth in this Section or otherwise relating to the nomination of directors by shareholders.

(e) Election of Directors. Except as otherwise provided in these bylaws, directors of the corporation shall be elected by the shareholders only at an annual meeting of shareholders, unless such election of directors is required by the terms of any series of Preferred Stock. In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03 Number and Term of Office.

(a) Number. The board of directors shall consist of such number of directors as may be determined from time to time by resolution of a majority of the Whole Board.

(b) Term of Office. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation. Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

(d) Classified Board of Directors. The directors shall be classified in respect to the time for which they shall severally hold office as follows:

(1) The term of office of at least one class shall expire in each year.

(2) Except as otherwise provided in the terms of the Preferred Stock or in the articles, the members of each class shall be elected for a period of three years.

(3) The number of directors constituting each class shall be approximately equal in size.

Section 4.04 Vacancies.

(a) General Rule. Except as otherwise provided in the terms of the Preferred Stock, vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve for the balance of the unexpired term of the class for which such director has been chosen, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors. When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05 Removal of Directors.

(a) Removal by the Shareholders. The entire board of directors, or any class of the board, or any individual director may be removed from office by vote of the shareholders entitled to vote thereon only for cause. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting. The repeal of a provision of the articles or bylaws prohibiting, or the addition of a provision to the articles or bylaws permitting, the removal by the shareholders of the board, a class of the board or a director without assigning any cause shall not apply to any incumbent director during the balance of the term for which the director was selected.

(b) Removal by the Board. The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

Section 4.06 Place of Meetings. Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07 Organization of Meetings. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, the chairman of the corporate governance committee, or, in the case of a vacancy in the office or absence of both the chairman of the board and the chairman of the corporate governance committee, one of the following officers present in the order stated: the chief executive officer, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 4.08 Regular Meetings. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09 Special Meetings. Special meetings of the board of directors shall be held whenever called by the chairman of the board, the chief executive officer, if there be one, or by two or more of the directors.

Section 4.10 Quorum of and Action by Directors.

(a) General Rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and except as otherwise provided in these bylaws the acts of a majority of the directors present and

voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

(c) Notation of Dissent. A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this Section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.11 Committees of the Board.

(a) Establishment and Powers. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate Committee Members. The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate

member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term. Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures. The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 4.12 Compensation. The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V.
Officers

Section 5.01 Officers Generally.

(a) Number, Qualifications and Designation. The officers of the corporation shall be a chairman of the board, president, one or more vice presidents (which term shall include vice presidents, executive vice presidents and senior vice presidents), a secretary, a treasurer, and a chief executive officer , as the board of directors may designate by resolution, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president, secretary and treasurer shall be natural persons of full age. The board of directors may elect from among the members of the board a chairman of the board and vice chairman of the board who shall be officers of the corporation. Any number of offices may be held by the same person.

(b) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

Section 5.02 Election, Term of Office and Resignations.

(a) Election and Term of Office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected by the board of directors, and each such officer shall hold office at the discretion of the board until his or her death, resignation or removal with or without cause.

(b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03 Subordinate Officers, Committees and Agents. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including without limitation, one or more vice presidents, one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04 Removal of Officers and Agents. Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06 Authority.

(a) General Rule. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

(b) Chief Executive Officer. The the board of directors may designate from time to time by resolution a chief executive officer. Such chief executive officer may be, but need not be, the president or chairman of the board.

Section 5.07 Chairman of the Board; Vice Chairman of the Board. Except as otherwise provided by these bylaws, the chairman of the board shall preside at all meetings of the shareholders and of the board of directors. The chairman of the board shall perform such other duties as may from time to time be requested by the board of directors. In addition, the board of directors may designate by resolution a vice chairman of the board with such duties as may from time to time be requested by the board of directors.

Section 5.08 The Chief Executive Officer. The chief executive officer, if there be one, may have general supervision over the business and operations of the corporation, subject however, to the control of the board of directors or the chairman of the board. Such chief executive officer may sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, may perform all duties incident to the office of chief executive officer and such other duties as from time to time may be assigned by the board of directors and the chairman of the board.

Section 5.09 The President. The president may have general supervision over the business and operations of the corporation, subject however, to the control of the board of directors, the chairman of the board and the chief executive officer, as applicable. The president may sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, may perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of directors, the chairman of the board and the chief executive officer, as applicable.

Section 5.10 The Vice Presidents. The vice presidents (which term shall include vice presidents, executive vice presidents and senior vice presidents) shall perform such duties as may from time to time be assigned to them by the board of directors or by the chief executive officer.

Section 5.11 The Secretary. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or by the chief executive officer.

Section 5.12 The Treasurer. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his, or its custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of

the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or by the chief executive officer.

Section 5.13 Salaries. The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer or committee as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI.
Certificates of Stock, Transfer, Etc.

Section 6.01 Share Certificates.

(a) Form of Certificates. Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. Certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register. The share register or transfer books and blank share certificates shall be kept by the treasurer or by any transfer agent or registrar designated by the board of directors for that purpose.

Section 6.02 Issuance. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine.

Section 6.03 Transfer. Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. §§ 8101 et seq., and its amendments and supplements.

Section 6.04 Record Holder of Shares. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.05 Lost, Destroyed or Mutilated Certificates. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the officers of the corporation may, in their discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if such officers shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as any of them may direct.

ARTICLE VII.
Indemnification of Directors, Officers and Other Authorized Representatives

Section 7.01 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted or required by the Business Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than such law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 7.03 of this Article VII with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the corporation.

Section 7.02 Right to Advancement of Expenses. The right to indemnification conferred in Section 7.01 of this Article VII shall include the right to be paid by the corporation the expenses (including, without limitation, attorneys' fees and expenses) incurred in defending any such proceeding in advance of its final disposition (herein-after

an “advancement of expenses”); provided, however, that, if the Business Corporation Law so requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a “final adjudication”) that such indemnitee is not entitled to be indemnified for such expenses under this Section 7.02 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 7.01 and 7.02 of this Article VII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee’s heirs, executors and administrators. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing. Each person who shall act as an indemnitee of the corporation shall be deemed to be doing so in reliance upon the rights provided by this Article.

Section 7.03 Right of Indemnitee to Bring Suit. If a claim under Section 7.01 or 7.02 of this Article VII is not paid in full by the corporation within 60 calendar days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 calendar days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Business Corporation Law. Neither the failure of the corporation (including its board of directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Business Corporation Law, nor an actual determination by the corporation (including its board of directors, independent legal counsel or shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be

indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the corporation.

Section 7.04 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the articles, these bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

Section 7.05 Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Business Corporation Law.

Section 7.06 Indemnification of Employees and Agents of the Corporation. The corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

Section 7.07 Interpretation. The provisions of this Article are intended to constitute bylaws authorized by Section 1746 of the Business Corporation Law.

ARTICLE VIII.
Emergency Bylaws

Section 8.01 Scope of Article. This Article shall be applicable during any emergency resulting from a catastrophe as a result of which a quorum of the board of directors cannot readily be assembled. To the extent not in conflict with this Article, these bylaws shall remain in effect during the emergency.

Section 8.02 Special Meetings of the Board. A special meeting of the board of directors may be called by any director by means feasible at the time.

Section 8.03 Emergency Committee of the Board.

(a) Composition. The emergency committee of the board shall consist of nine persons standing highest on the following list who are available and able to act:

The chief executive officer.

Members of the board of directors.

President.

The individual who, immediately prior to the emergency, was the senior officer in charge of nuclear operations.

The individual who, immediately prior to the emergency, was the senior officer in charge of other operations.

The individual who, immediately prior to the emergency, was the senior officer in charge of finance operations.

Other officers.

Where more than one person holds any of the listed ranks, the order of precedence shall be determined by length of time in rank. Each member of the emergency committee thus constituted shall continue to act until replaced by an individual standing higher on the list. The emergency committee shall continue to act until a quorum of the board of directors is available and able to act. If the corporation has no directors, the emergency committee shall cause a special meeting of shareholders for the election of directors to be called and held as soon as practicable.

(b) Powers. The emergency committee shall have and may exercise all of the powers and authority of the board of directors, including the power to fill a vacancy in any office of the corporation or to designate a temporary replacement for any officer of the corporation who is unavailable, but shall not have the power to fill vacancies in the board of directors.

(c) Quorum. A majority of the members of the emergency committee in office shall constitute a quorum.

(d) Status. Each member of the emergency committee who is not a director shall during his or her service as such be entitled to the rights and immunities conferred by law, the articles and these bylaws upon directors of the corporation and upon persons acting in good faith as a representative of the corporation during an emergency.

ARTICLE IX.
Miscellaneous

Section 9.01 Corporate Seal. The corporation may have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors from time to time.

Section 9.02 Checks. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors or any person authorized by resolution of the board of directors may from time to time designate.

Section 9.03 Contracts. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board

of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 9.04 Interested Directors or Officers; Quorum.

(a) General Rule. A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in Subsection (a).

Section 9.05 Deposits. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time determine.

Section 9.06 Corporate Records.

(a) Required Records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register

shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

Section 9.07 Amendment of Bylaws.

(a) General Rule. Except as otherwise provided in the express terms of any series of the shares of the corporation, any one or more of the foregoing bylaws and, except as otherwise stated in this Section 9.07(a), any other bylaws made by the board of directors or shareholders may be altered or repealed by the board of directors. The shareholders or the board of directors may adopt new bylaws except that the board of directors may not adopt, alter or repeal bylaws that the Business Corporation Law specifies may be adopted only by shareholders, and the board of directors may not alter or repeal any bylaw adopted by the shareholders that presumes that such bylaw shall not be altered or repealed by the board of directors.

(b) Effective Date. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change.

As adopted January 27, 2004.

Exhibit 3.8

FIRST AMENDED AND RESTATED OPERATING AGREEMENT

OF

EXELON GENERATION COMPANY, LLC

(a Pennsylvania limited liability company)

THIS FIRST AMENDED AND RESTATED OPERATING AGREEMENT OF EXELON GENERATION COMPANY, LLC (this "Agreement") is executed as of January 1, 2001 by Exelon Ventures Company, LLC (the "Member"). The Member, intending to be legally bound, hereby states the terms of its agreement as to the affairs of, and the conduct of the business of, a limited liability company (the "Company") to be managed by the Member, as follows:

ARTICLE 1
FORMATION, PURPOSE AND DEFINITIONS

1.1 **Establishment of Limited Liability Company**. PECO Energy Company caused a limited liability company to be established and organized on or about December 27, 2000 pursuant to the provisions of the Pennsylvania Limited Liability Company Law of 1994, as amended (the "Act"), to carry on a business for profit. This Agreement, in accordance with the Act, amends and restates terms relating to the governance and business affairs of the Company. The Member is hereby admitted to membership in the Company and, as provided in Section 5.2 until this Agreement is amended appropriately to contemplate the admission of additional members and their right to conduct the Company's business, the Member shall be the sole member of the Company.

1.2 **Name**. The name of the Company is Exelon Generation Company, LLC. The Company may conduct its activities under any other permissible name designated by the Member. The Member shall be responsible for complying with any registration requirements if an alternate name is used.

1.3 **Principal Place of Business of the Company**. The principal place of business of the Company shall be located at 300 Exelon Way, Kennett Square, Chester County, Pennsylvania 19348, or at such other or additional locations as the Member, in its discretion, may determine. The registered agent for the service of process, if any, and the registered office of the Company shall be the person (if any) and location stated in the Company's Certificate of Organization filed with the Pennsylvania Department of State. The Member may, from time to time, change such registered agent and registered office, by appropriate filings as required by law.

1.4 **Purpose**. The Company's purpose shall be to engage in all lawful businesses for which limited liability companies may be organized under the Act. The Company shall have the authority to do all things necessary or advisable in order to accomplish such purposes.

1.5 **Duration**. Unless the Company shall be earlier terminated in accordance with Article 7, it shall continue in existence in perpetuity.

1.6 **Other Activities of Member**. The Member may engage in or possess an interest in other business ventures of any nature, whether or not similar to or competitive with the activities of the Company.

1.7 **Federal Income Tax Status**. The Company has been structured to qualify as an entity that will not be required to pay income tax at the state or federal level.

ARTICLE 2
CAPITAL CONTRIBUTIONS

2.1 **Capital Contributions**. The Member, as its contribution to the capital of the Company, hereby contributes $1,000 to the Company. The receipt by the Member from the Company of any distributions whatsoever (whether pursuant to Section 3.1 or otherwise and whether or not such distributions may be considered a return of capital) shall not increase the Member's obligations under this Section 2.1.

2.2 **Additional Capital Contributions**. Except as provided in Section 2.1, the Member may, but shall not be required to, make additional capital contributions to the Company.

2.3 **Limitation of Liability of Member**. The Member shall not have any liability or obligation for any debts, liabilities or obligations of the Company, or of any agent or employee of the Company, beyond the Member's capital contribution, except as may be expressly required by this Agreement or applicable law.

2.4 **Loans**. If the Member makes any loans to the Company, or advances money on its behalf, the amount of any such loan or advance shall not be deemed an increase in, or contribution to, the capital contribution of the Member. Interest shall accrue on any such loan at an annual rate agreed to by the Company and the Member (but not in excess of the maximum rate allowable under applicable usury laws).

ARTICLE 3
DISTRIBUTIONS

3.1 **Distributions**. The Company shall make cash distributions to the Member at the times and in the manner that the Member deems appropriate and as permitted by law.

ARTICLE 4
RIGHTS AND DUTIES OF THE MEMBER

4.1 **Management**. The business and affairs of the Company shall be managed solely by the Member. In doing so, the Member shall not be deemed a "manager" within the meaning of the Act. The Member shall direct, manage, and control the business of the Company to the best of the Member's ability.

4.2 **Action by Written Consent**. Any action by the Member may be taken in the form of a written consent rather than at a Member's meeting. The Company shall maintain a permanent record of all actions taken by the Member.

4.3 **Powers of the Member**. The Member shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise, possessed by the Member under the laws of the Commonwealth of Pennsylvania. Without limiting the generality of the foregoing, the Member shall have the specific power and authority to cause the Company, in the Company's own name:

(a) To sell or otherwise dispose of all or substantially all of the assets of the Company (or a substantial portion of the assets) as part of a single transaction or plan so long as that disposition is not in violation of or a cause of a default under any other agreement to which the Company may be bound;

(b) To execute all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments; bills of sale; leases; partnership agreements; operating agreements of other limited liability companies; and any other instruments or documents necessary, in the opinion of the Member, to the business of the Company;

(c) To enter into any and all other agreements on behalf of the Company, with any other person for any purpose, in such form as the Member may approve;

(d) To make distributions in accordance with Section 3.1; and

(e) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

Unless authorized in writing to do so by this Agreement or by the Member, no attorney-in-fact, employee, or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose.

4.4 **Officers and Agents**. The Company may have such officers and agents with such respective rights and duties as the Member may from time to time determine. The Member may delegate to one or more agents, officers, employees or other persons (who shall not be deemed "managers" within the meaning of the Act) any and all powers to manage the Company that the Member possesses under this Agreement and the Act.

4.5 **Member Has No Exclusive Duty to Company**. The Member shall not be required to manage the Company as its sole and exclusive function and, as provided in Section 1.6, it may have other business interests and may engage in other activities in addition to those relating to the Company. The Company shall not have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Member or to the income or proceeds derived from such investments or activities. The Member shall incur no liability to the Company as a result of engaging in any other business or venture.

4.6 **Indemnification**. The Member shall, and any officer, employee or agent of the Company may in the Member's absolute discretion, be indemnified by the Company to the fullest extent permitted by Section 8945 of the Act and as may be otherwise permitted by applicable law.

ARTICLE 5
TRANSFER OF MEMBERSHIP INTERESTS

5.1 **General Restriction**. Until and unless this Agreement is appropriately amended to contemplate the admission of additional members, the Member may not transfer, whether voluntarily or involuntarily, any portion of its membership interest in the Company; provided, however, that the Member may assign or otherwise transfer, as a whole or in one or more partial or successive assignments or transfers, its membership interest to any direct or indirect subsidiary of the holding company of which the Member is then a direct or indirect subsidiary or to such holding company ("Permitted Transfers") and following any such Permitted Transfer(s), such permitted transferee shall be considered hereunder and for all purposes under the Act as the Member. For purposes of this Agreement, a "transfer" includes, but is not limited to, any sale, assignment, gift, exchange, pledge, hypothecation, collateral assignment or creation of any security interest.

5.2 **Single Member**. Until and unless this Agreement is appropriately amended to contemplate the admission of additional members, the Company shall at all times have only one Member.

ARTICLE 6
DISSOCIATION OF THE MEMBER

6.1 **Dissociation**. The Member shall not be entitled voluntarily to withdraw, resign or dissociate from the Company or assign his membership interest prior to the dissolution and winding-up of the Company, and any attempt by the Member to do so shall be ineffective; provided, however, that "permitted transfers" under Section 5.1 shall not be a violation of this Section 6.1.

ARTICLE 7
DISSOLUTION AND LIQUIDATION

7.1 **Events Triggering Dissolution**. The Company shall dissolve and commence winding up and liquidation upon the first to occur of any of the following ("Liquidating Events"):

(a) the written consent of the Member; or

(b) the entry of a decree of judicial dissolution under Section 8972 of the Act.

The Company shall not be dissolved for any other reason, including without limitation, the Member's becoming bankrupt or executing an assignment for the benefit of creditors and any such bankruptcy or assignment shall not effect a transfer of any portion of Member's membership interest in the Company.

7.2 **Liquidation.** Upon dissolution of the Company in accordance with Section 7.1, the Company shall be wound up and liquidated by the Member or by a liquidating manager selected by the Member. The proceeds of such liquidation shall be applied and distributed in the following order of priority:

(a) to creditors, including the Member if it is a creditor, in the order of priority as established by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made and liabilities for distributions to the Member under Section 8932 or 8933 of the Act; and then

(b) to the setting up of any reserves in such amount and for such period as shall be necessary to make reasonable provisions for payment of all contingent, conditional or unmatured claims and obligations known to the Company and all claims and obligations known to the Company but for which the identity of the claimant is unknown; and then

(c) to the Member, which liquidating distribution may be made to the Member in cash or in kind, or partly in cash and partly in kind.

7.3 **Certificate of Dissolution**. Upon the dissolution of the Company and the completion of the liquidation and winding up of the Company's affairs and business, the Member shall on behalf of the Company prepare and file a certificate of dissolution with the Pennsylvania Department of State, if and as required by the Act. When such certificate is filed, the Company's existence shall cease.

ARTICLE 8
ACCOUNTING AND FISCAL MATTERS

8.1 **Fiscal Year**. The fiscal year of the Company shall be the calendar year.

8.2 **Method of Accounting**. The Member shall select a method of accounting for the Company as deemed necessary or advisable and shall keep, or cause to be kept, full and accurate records of all transactions of the Company in accordance with sound accounting principles consistently applied.

8.3 **Financial Books and Records**. All books of account shall, at all times, be maintained in the principal office of the Company or at such other location as specified by the Member.

ARTICLE 9
MISCELLANEOUS

9.1 **Binding Effect**. Except as otherwise provided in this Agreement to the contrary, this Agreement shall be binding upon and inure to the benefit of the Member and, subject to Article 5, its successors and assigns.

9.2 **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without reference to conflict of laws principles.

9.3 **Severability**. The invalidity or unenforceability of any particular provision of this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

9.4 **Gender**. As used in this Agreement, the masculine gender shall include the feminine and the neuter, and vice versa, and the singular shall include the plural.

IN WITNESS WHEREOF, the Member has signed this instrument as of the date first written above.

EXELON VENTURES COMPANY, LLC

By: Exelon Corporation, its sole member

By: /s/ Todd D Cutler

Name: Todd D. Cutler

Title: Assistant Secretary

Exhibit 4.6

EXELON GENERATION COMPANY, LLC

TO

WACHOVIA BANK, NATIONAL ASSOCIATION

Trustee

Indenture

Dated as of December 19, 2003

5.35% Senior Notes due 2014

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THE SECURITIES

INDENTURE, dated as of December 19, 2003, between EXELON GENERATION COMPANY, LLC, a limited liability company duly organized and existing under the laws of the Commonwealth of Pennsylvania (herein called the "Company"), having its principal office at Kennett Square, Pennsylvania, and Wachovia Bank, National Association, a national banking association, as Trustee (herein called the "Trustee"), having its corporate trust office at Charlotte, North Carolina.

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of its 5.35% Senior Notes due 2014 (herein called the "Original Securities") of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture. The Company has agreed pursuant to a Registration Rights Agreement to use its best efforts to effect a registered exchange offer for the Original Securities (the "Registered Exchange Offer"). The Securities to be issued in the Registered Exchange Offer (the "Exchange Securities") will be issued under the Indenture and will have substantially the same terms as the Original Securities. The Original Securities and the Exchange Securities shall rank equally in right of payment with all existing and future unsecured and unsubordinated obligations of the Company.

All things necessary to make the Original Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, and intending to be legally bound hereby, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

Section 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) each of the terms defined in this Article has the meaning assigned to it in this Article and include the plural as well as the singular;

(2) each other term used herein which is defined in the Trust Indenture Act, either directly or by reference therein, has the meaning assigned to it therein;

(3) each accounting term not otherwise defined herein has the meaning assigned to it in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(4) the words "herein", "hereof' and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Holder, has the meaning specified in Section 104.

"Additional Securities" means Securities issued as Additional Securities pursuant to Section 203 of the Indenture.

"Adjusted Treasury Rate" has the meaning set forth in the form of the Securities contained in Section 203.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Member" means any member of, or participant in, the Depositary.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Asset Sale" means any sale, lease, sale-leaseback, transfer, conveyance or other disposition of any assets, including by way of the issue by the Company or any Subsidiary of the Company of any equity interest in any Subsidiary, except (i) in the ordinary course of business to the extent that such property is worn out or is no longer useful or necessary in connection with the operation of the Company's business or sale inventory or (ii) if, prior to such conveyance or disposition, each Rating Agency provides a ratings reaffirmation of the then existing rating of the Securities after giving effect to such Asset Sale. For purposes of this definition, "Rating Agency" means each of Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch Ratings.

"Authorizing Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Beneficial Owner" means, for Securities in book-entry from, the person who acquires an interest in the Securities which is reflected on the records of the Depositary through its participants.

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

"Clearstream" means Clearstream Banking, société anonyme, Luxembourg.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Comparable Treasury Issue" has the meaning set forth in the form of the Securities contained in Section 203.

"Comparable Treasury Price" has the meaning set forth in the form of the Securities contained in Section 203.

"Corporate Trust Office" means the principal office of the Trustee in The City of Charlotte, North Carolina at which at any particular time its corporate trust business shall be administered.

"Corporation" means a corporation, association, company, joint-stock company or business trust.

"Covenant Defeasance" has the meaning specified in Section 1203.

"Defaulted Interest" has the meaning specified in Section 307.

"Defeasance" has the meaning specified in Section 1202.

"Depositary" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more Global Securities, DTC for so long as it shall be a clearing agency registered under the Exchange Act, or such successor (which shall be a clearing agency registered under the Exchange Act) as the Company shall designate from time to time in an Officers' Certificate delivered to the Trustee.

"DTC" means The Depository Trust Company.

"Euroclear" means Morgan Guaranty Trust Company of New York (Brussels office) as operator of the Euroclear system.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended (or any successor act), and the rules and regulations thereunder.

"Exchange Offer" has the meaning set forth in the form of the Securities contained in Section 202.

"Exchange Registration Statement" has the meaning set forth in the form of the Securities contained in Section 202.

"Exchange Security" means any Security issued in exchange for an Original Security or Original Securities pursuant to the Exchange Offer.

"Global Security" means a Security in the form prescribed in Section 204 evidencing all or part of the Securities, issued to the Depositary or its nominee, and registered in the name of such Depositary or its nominee.

"Governing Body" means the governing body of the Company or any duly authorized committee of that body.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which have a remaining weighted average life to maturity of not more than 18 months from the date of investment therein.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" of any person means (i) all indebtedness of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property or services, (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (v) all lease obligations of such person characterized as capital lease obligations under U.S. generally accepted accounting principles (excluding leases of property in the ordinary course of business), and (vi) all Indebtedness of the type referred to in clauses (i) through (v) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien or security interest on property of such person.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and

any such supplemental indenture, the provisions of the Trust Indenture Act, if any, that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Banc One Capital Markets, Inc., Barclays Capital Inc., Morgan Stanley & Co. Incorporated, The Williams Capital Group, L.P. and Wachovia Capital Markets, LLC.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate signed by the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be reasonably acceptable to the Trustee.

"Original Securities" means the Company's 5.35% Senior Notes due 2014 and all Securities other than Exchange Securities.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by

a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded, Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means the Company or any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, limited partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Purchase Agreement" means the Purchase Agreement, dated December 19, 2003, among the Company and the Initial Purchasers.

"Quotation Agent" has the meaning set forth in the form of the Securities contained in Section 203.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Reference Treasury Dealer Quotations" has the meaning set forth in the form of the Securities contained in Section 203.

"Registered Securities" means the Exchange Securities and all other Securities sold or otherwise disposed of pursuant to an effective registration statement under the Securities Act, together with their respective Successor Securities.

"Registration Rights Agreement" means the Registration Rights Agreement among the Company and the Initial Purchasers, dated December 19, 2003, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Regular Record Date" for the interest payable on any Interest Payment Date means the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act (or any successor provision), as it may be amended from time to time.

"Regulation S Certificate" means a certificate substantially in the form set forth in Annex B.

"Regulation S Global Security" has the meaning specified in Section 201.

"Regulation S Legend" means a legend substantially in the form of the legend required in the form of Security set forth in Section 202 to be placed upon each Regulation S Security.

"Regulation S Securities" means all Securities required pursuant to Section 305(b) to bear a Regulation S Legend. Such term includes the Regulation S Global Security.

"Resale Registration Statement" has the meaning set forth in the form of the Securities contained in Section 202.

"Restricted Global Security" has the meaning specified in Section 201.

"Restricted Period" means the period of 41 consecutive days beginning on and including the later of (i) the day on which Securities are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (ii) the day on which the closing of the offering of Securities pursuant to the Purchase Agreement occurs.

"Restricted Securities" means all Securities required pursuant to Section 305(c) to bear the Restricted Securities Legend. Such term includes the Restricted Global Security.

"Restricted Securities Certificate" means a certificate substantially in the form set forth in Annex A.

"Restricted Securities Legend" means a legend substantially in the form of the legend required in the form of Security set forth in Section 202 to be placed upon each Restricted Security.

"Rule 144A" means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

"Rule 144A Securities" means all Securities initially distributed in connection with the offering of the Original Securities by the Initial Purchasers or in connection with the offering of Additional Securities in reliance upon Rule 144A.

"Sale/Leaseback Transaction" means, with respect to any Person, any direct or indirect arrangement pursuant to which any real or personal property is sold by such Person and is thereafter leased back from the purchaser or transferee thereof by such Person.

"Securities" means the Original Securities, the Exchange Securities and the Additional Securities, if any.

"Securities Act" means the Securities Act of 1933, as amended (or any successor act), and the rules and regulations thereunder.

"Securities Act Legend" means the Restricted Securities Legend and/or the Regulation S Legend.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Interest" has the meaning set forth in the form of the Original Security contained in Section 202. Unless the context otherwise requires, references herein to "interest" on the Securities shall include Special Interest.

"Special Interest Notice" has the meaning specified in Section 301.

"Special Interest Payment Event" has the meaning set forth in the form of the Original Security contained in Section 202.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of interest is due and payable.

"Step-Down Date" has the meaning set forth in the form of the Original Security contained in Section 202.

"Step-Up" has the meaning set forth in the form of the Original Security contained in Section 202.

"Subsidiary" means a corporation or other entity of which sufficient voting stock or other ownership or economic interests having ordinary voting power to elect a majority of the board of directors (or equivalent body) is held, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the

election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Successor Security" of any particular Security means every Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be, with regard to any record date. Only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 105. Notices, Etc., to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notice to Holders, Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but

such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

Section 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need

not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

Security Forms

Section 201. Forms Generally.

The Securities and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

Upon their original issuance, the Rule 144A Securities and the Regulation S Securities shall be issued in the form of separate Global Securities registered in the name of the Depositary or its nominee and deposited with the Trustee, as custodian for the Depositary, for credit by the Depositary to the respective accounts of beneficial owners of the Securities represented thereby (or such other accounts as they may direct). The Global Security representing Rule 144A Securities, together with its Successor Securities which are Global Securities other than Regulation S Global Securities, are collectively herein called the "Restricted Global Security". The Global Security representing Regulation S Securities, together with its Successor Securities which are Global Securities other than Restricted Global Securities, are collectively herein called the "Regulation S Global Security".

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 202. Form of Face of Security.

[If the Security is a Global Security, insert the legends required by Section 204 of the Indenture.]

[If Restricted Securities, then insert — **THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND IN ANY EVENT MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IN ACCORDANCE**

WITH THE INDENTURE, COPIES OF WHICH ARE AVAILABLE FOR INSPECTION AT THE CORPORATE TRUST OFFICE OF THE TRUSTEE.

EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. EACH HOLDER OF THIS SECURITY REPRESENTS TO EXELON GENERATION COMPANY, LLC THAT (a) SUCH HOLDER WILL NOT SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY (WITHOUT THE CONSENT OF EXELON GENERATION COMPANY, LLC) OTHER THAN (i) TO A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A UNDER THE SECURITIES ACT, (ii) IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, (iii) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, SUBJECT, IN THE CASE OF CLAUSES (ii), (iii) OR (iv), TO THE RECEIPT BY EXELON GENERATION COMPANY, LLC OF AN OPINION OF COUNSEL OR SUCH OTHER EVIDENCE ACCEPTABLE TO EXELON GENERATION COMPANY, LLC THAT SUCH RESALE, PLEDGE OR TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND THAT (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO HEREIN AND DELIVER TO THE TRANSFEREE (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) PRIOR TO THE SALE OF A COPY OF THE TRANSFER RESTRICTIONS APPLICABLE HERETO (COPIES OF WHICH MAY BE OBTAINED FROM THE TRUSTEE).]

[If Regulation S Securities, then insert — **THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION UNDER SUCH LAWS.]**

EXELON GENERATION COMPANY, LLC

5.35% SENIOR NOTES DUE 2014

CUSIP NO.

No. $

Exelon Generation Company, LLC, a limited liability company duly organized and existing under the laws of the Commonwealth of Pennsylvania (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received and intending to be legally bound hereby, hereby promises to pay to , or registered assigns, the principal sum set forth above [to be inserted in Global Securities - or such other principal sum on the schedule attached hereto (which shall not exceed U.S. $) (which principal amount may from time to time be increased or decreased to such other principal amounts by adjustments made on the records of the Trustee hereinafter referred to in accordance with the Indenture)] [to be inserted in definitive Securities - upon surrender] on January 15, 2014, and to pay interest thereon from or from the most recent Interest Payment Date to which interest has been paid or duly provided for [If Exchange Securities, then insert: on the Original Securities], semi-annually on January 15 and July 15 in each year commencing , at the rate of 5.35% per annum, until the principal hereof is paid in full or made available for payment. [If Original Securities, then insert: ; provided, however, that if (i) on or prior to the 270th day following the original issue date of the Securities, neither (x) an exchange offer (the "Exchange Offer") registered pursuant to the Company's registration statement (the "Exchange Registration Statement") under the Securities Act, registering a security substantially identical to this Security (except that such Security will not contain terms with respect to the Special Interest payments described below or transfer restrictions) has been consummated nor (y) if applicable, in lieu thereof, a registration statement registering this Security for resale (a "Resale Registration Statement") has become or been declared effective; or (ii) either the Exchange Registration Statement or, if applicable, the Resale Registration Statement is filed and declared effective (except as specifically permitted therein) but shall thereafter cease to be effective without being succeeded promptly by an additional registration statement filed and declared effective, in each case (i) and (ii) upon the terms and conditions set forth in the Registration Rights Agreement (each such event referred to in clauses (i) and (ii), a "Special Interest Payment Event"), then additional interest will accrue (in addition to interest at the stated rate above) (the "Step-Up") from the date of such Special Interest Payment Event at a rate of 0.50% per annum, determined daily, on the principal amount hereof, and such additional interest shall be payable until such time (the "Step Down Date") as no Special Interest Payment Event is in effect or the first date the Securities become freely tradeable under Rule 144(k) of the Securities Act. Interest accruing as a result of the Step-Up (which shall be computed on the basis of a 365-day year and the actual number of days elapsed) is referred to herein as "Special Interest." Accrued Special Interest, if any, shall be paid semi-annually on January 15 and July 15 in each year. Any accrued and unpaid interest (including Special Interest) on this Security upon the issuance of an Exchange Security (as defined in the Indenture) in exchange for this Security shall cease to be payable to the Holder hereof but such accrued and unpaid interest (including Special Interest) shall be payable on the next Interest Payment Date for such Exchange Security to the Holder thereof on the related Regular Record Date.]

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. If any Interest Payment Date falls on a day that is not a Business Day, it shall be postponed to the following Business Day. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

If this Security is issued in the form of a Global Security, payments of the principal of (and premium, if any) and interest on this Security shall be made in immediately available funds to the Depositary. If this Security is issued in certificated form, payment of the principal of (and premium, if any) and interest on this Security will be made at the corporate trust office of the Trustee or the office of the Company in The City of New York, New York maintained for such purpose, and at any other office or agency maintained by the Company for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

EXELON GENERATION COMPANY, LLC

By: _____

Name:
Title:

Attest:

_____

Name:
Title:

Section 203. Form of Reverse of Security.

This Security is one of a duly authorized issue of [Original] [Exchange] Securities of the Company designated as its 5.35% Senior Notes due 2014 (herein called the "Securities"), issued under an Indenture, dated as of December 19, 2003 (herein called the "Indenture"), between the Company and Wachovia Bank, National Association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture). The Securities will be unlimited in aggregate principal amount. The Original Securities will initially be issued in an aggregate principal amount of $500,000,000. The Company may, without the consent of the Holders, create and issue additional Securities (the "Additional Securities") ranking equally with the Securities and otherwise similar in all respects so that the Additional Securities shall be consolidated and form a single series with the Securities. The Company may not issue Additional Securities if an Event of Default shall occur and be continuing with respect to the Securities. [If Original Securities, then insert: The Company may issue Exchange Securities substantially identical to this Security (except that such Exchange Security will not contain terms with respect to the payment of Special Interest (as described on the face of this Security) or transfer restrictions) pursuant to an Exchange Offer or, in lieu thereof, a Resale Registration Statement.] Reference is hereby made to the Indenture and all indentures supplemental thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time, as a whole or in part, at the election of the Company, at a Redemption Price equal to the greater of (a) 100% of the principal amount of the Securities to be redeemed, plus accrued interest to the Redemption Date, or (b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Securities to be redeemed (not including any portion of payments of interest

accrued as of the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate plus 20 basis points, plus accrued interest to the Redemption Date.

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

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the rate per annum 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 that Redemption Date.

"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 Securities that would be used, at the time of the 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 Securities.

"Comparable Treasury Price" means, with respect to any Redemption Date: (a) the average of the Reference Treasury Dealer Quotations for the Redemption Date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (b) 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 (a) each of Citigroup Global Markets Inc. and J.P. Morgan 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 (b) 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.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

The Securities do not have the benefit of any sinking fund obligations.

In the event of a deposit or withdrawal of an interest in this Security (including upon an exchange, transfer, redemption or repurchase of this Security in part only) effected in accordance with the Applicable Procedures, the Security Registrar, upon receipt of notice of such event from the Depositary's custodian for this Security, shall make an adjustment on its records

to reflect an increase or decrease of the Outstanding principal amount of this Security resulting from such deposit or withdrawal, as the case may be.

If an Event of Default shall occur and be continuing, the principal of all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this Security, or (ii) certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 50% in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Outstanding Securities a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in The City of New York, New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney

duly authorized in writing, and thereupon one or more new Securities of the same tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof as provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of the same tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Interest [if an Original Security, then insert: (other than Special Interest)] on this Security shall be computed on the basis of a 360-day year of twelve 30-day months.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Section 204. Additional Provisions Required in Global Security.

Any Global Security issued hereunder shall, in addition to the provisions contained in Sections 202 and 203, bear a legend in substantially the following form:

[If a Global Security, insert — **THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.]**

[If a Global Security to be held by The Depository Trust Company, insert — **UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY 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 205. Form of Trustee's Certificate of Authentication.

This is one of the Securities of the series referred to in the within-mentioned Indenture.

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____

Authorized Officer

ARTICLE THREE

The Securities

Section 301. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Original Securities will initially be issued in an aggregate principal amount of $500,000,000, except for Additional Securities and Securities authenticated and delivered pursuant to Section 306. The Company may, without the consent of the Holders, create and issue Additional Securities ranking equally with the Securities and otherwise similar in all respects so that the Additional Securities shall be consolidated and form a single series with the Securities. The Trustee shall authenticate Additional Securities upon receipt of an Officers' Certificate, subject to Section 303, specifying the amount of Additional Securities to be authenticated.

The Company may issue as Exchange Securities another series of Securities from time to time pursuant to an Exchange Offer, in each case pursuant to a Authorizing Resolution, subject to Section 303, included in an Officers' Certificate delivered to the Trustee, in authorized denominations in exchange for a like principal amount of Original Securities. Upon any such exchange the Original Securities shall be canceled in accordance with Section 309 and shall no longer be deemed Outstanding for any purpose.

The Securities shall be known and designated as the "5.35% Senior Notes due 2014" of the Company. Their Stated Maturity shall be January 15, 2014, and they shall bear interest from December 19, 2003, in the case of the Original Securities, from the date of authentication, in the case of Additional Securities, and from the most recent Interest Payment Date to which interest on the Original Securities has been paid, in the case of the Exchange

Securities and thereafter, in all cases from the most recent Interest Payment Date to which interest has been paid or duly provided for, at a per annum interest rate of 5.35%, until the principal thereof is paid or made available for payment; provided, however, with respect to Original Securities, if there has been a Special Interest Payment Event, a Step-Up will occur and the Original Securities will from such date bear Special Interest until the Step-Down Date. Accrued Special Interest, if any, shall be paid in cash in arrears semi-annually on January 15 and July 15 in each year, and the amount of accrued Special Interest shall be determined on the basis of a 365-day year and the number of days actually elapsed. In connection with the cash payment of any Special Interest, the Company shall notify the Trustee (the "Special Interest Notice") on or before the later to occur of (i) the Regular Record Date preceding such payment of any Special Interest, and (ii) the date on which any such Additional Interest begins to accrue, of the amount of Special Interest to be paid by the Company on the next Interest Payment Date. In the event of the occurrence of a Step-Down Date during the period between the date on which the Special Interest Notice is given and the next Interest Payment Date, the Company shall so notify the Trustee and shall provide the Trustee with the revised amount of Special Interest to be paid by the Company on such Interest Payment Date.

If the Securities are issued in the form of a Global Security, payments of the principal of (and premium, if any) and interest on the Securities shall be made in immediately available funds to the Depositary. If the Securities are issued in certificated form, the principal of and premium, if any, and interest on the Securities shall be payable at the corporate trust office of the Trustee in The City of New York, New York, maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

The Securities shall be redeemable as provided in Article Eleven.

The Securities shall not have the benefit of any sinking fund obligations.

Section 302. Denominations.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

Section 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its President or one of its Vice Presidents and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for

authentication, together with the items specified in the following paragraph; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

The Company's request to the Trustee to authenticate Securities shall be accompanied by the following:

(1) A Company Order requesting authentication and specifying the principal amount of the Securities to be authenticated and whether such Securities are Original Securities, Additional Securities or Exchange Securities.

(2) An Authorizing Resolution.

(3) In the case of Additional Securities, an Officer's Certificate that no Event of Default has occurred and is continuing.

(4) In the case of Exchange Securities, delivery to the Trustee of a like principal amount of Original Securities for cancellation.

(5) An Opinion of Counsel that the Securities have been duly and validly issued in accordance with the Indenture and are entitled to the rights and benefits set forth herein and, in the case of the issuance of Exchange Securities, that the exchange for Original Securities has been effected in compliance with the Act.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. The Global Securities shall be issued only as temporary Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in

exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 305. Registration; Restriction on Transfer and Exchange.

(a) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Such Security Register shall distinguish between Original Securities, Exchange Securities and any Additional Securities.

Subject to other provisions of this Indenture regarding restrictions on transfer, upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same tenor of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

At the option of the Holder and subject to the other provisions of this Section 305, Securities may be exchanged for other Securities of the same tenor of any authorized denominations and of a like aggregate principal amount and bearing the applicable legends set forth in Section 202, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or

exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1108 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 1104 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

(b) Certain Transfers and Exchanges. Notwithstanding any other provision of this Indenture or the Securities, transfers and exchanges of Securities and beneficial interests in a Global Security of the kinds specified in this Section 305(b) shall be made only in accordance with this Section 305(b).

(i) Non-Global Security to Non-Global Security. A Security that is not a Global Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Security that is not a Global Security as provided in Section 305(a), provided that, if the Security to be transferred in whole or in part is a Restricted Security, or is a Regulation S Security and the transfer is to occur during the Restricted Period, then the Trustee shall have received (i) a Restricted Securities Certificate, satisfactory to the Trustee and duly executed by the transferor Holder or his attorney duly authorized in writing, in which case the transferee Holder shall take delivery in the form of a Restricted Security or (ii) a Regulation S Certificate, satisfactory to the Trustee and duly executed by the transferor Holder or his attorney duly authorized in writing, in which case the transferee Holder or his attorney duly authorized in writing shall take delivery in the form of a Regulation S Security.

(ii) Exchange of Book-Entry Securities for Certificated Securities. A beneficial interest in a Global Security may not be exchanged for a Security in certificated form unless (i) DTC (x) notifies the Company that it is unwilling or unable to continue as Depositary for the Global Security or (y) has ceased to be a clearing agency registered under the Exchange Act, and in either case the Company thereupon fails to appoint a successor Depositary within 90 days, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Securities in certificated form or (iii) there shall have occurred and be continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default with respect to the Securities. In all cases, certificated Securities delivered in exchange for any Global Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with its customary procedures). Any certificated Security issued in exchange for an interest in a Global Security will bear the legend restricting transfers that is borne by such Global Security. Any such exchange will be effected through the DWAC System and an appropriate adjustment will be made in the records of the Security Registrar to reflect a decrease in the principal amount of the relevant Global Security.

(iii) Restricted Global Security to Regulation S Global Security. If the owner of a beneficial interest in the Restricted Global Security wishes at any time to transfer such interest to a Person who wishes to acquire the same in the form of a beneficial interest in the Regulation S Global Security, such transfer may be effected only in accordance with the provisions of this Section 305(b)(iii) and Section 305(b)(v) below and subject to the Applicable Procedures. Upon receipt by the Trustee, as Security Registrar, or (i) an order given by the Depositary or its authorized representative directing that a beneficial interest in the Regulation S Global Security in a specified principal amount be created to a specified Agent Member's account and that a beneficial interest in the Restricted Global Security in an equal amount be debited from another specified Agent Member's account and (ii) a Regulation S Certificate, satisfactory to the Trustee and duly executed by the Holder of such Restricted Global Security or his attorney in fact duly authorized in writing, then the Trustee, as Security Registrar but subject to Section 305(b)(v) below, shall reduce the principal amount of such Restricted Global Security and increase the principal amount of such Regulation S Global Security by such specified principal amount.

(iv) Regulation S Global Security to Restricted Global Security. If the owner of a beneficial interest in the Regulation S Global Security wishes at any time to transfer such interest to a Person who wishes to acquire the same in the form of a beneficial interest in the Restricted Global Security, such transfer may be effected only in accordance with this Section 305(b)(iv) and subject to the Applicable Procedures. Upon receipt by the Trustee, as Security Registrar, of (i) an order given by the Depositary or its authorized representative directing that a beneficial interest in the Restricted Global Security in a specified principal amount be credited to a specified Agent Member's account and that a beneficial interest in the Regulation S Global Security in an equal principal amount be debited from another specified Agent Member's account and (ii) if such transfer is to occur during the Restricted Period, a Restricted Securities Certificate, satisfactory to the Trustee and duly executed by the Holder of such Regulation S Global Security or his attorney in fact duly authorized in writing, then the Trustee, as Security Registrar, shall reduce the principal amount of such Regulation S Global Security and increase the principal amount of such Restricted Global Security by such specified principal amount.

(v) Regulation S Global Security to be Held Through Euroclear or Clearstream during Restricted Period. The Company shall use its best efforts to cause the Depositary to ensure that, until the expiration of the Restricted Period, beneficial interests in the Regulation S Global Security may be held only in or through accounts maintained at the Depositary by Euroclear and Clearstream (or by Agent Members acting for the account thereof), and no person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account; provided that this Section 305(b)(v) shall not prohibit any transfer or exchange of such an interest in accordance with Section 305(b)(iv) above.

(c) Securities Act Legends. Rule 144A Securities and their Successor Securities shall bear the Restricted Securities Legend and Regulation S Securities and their Successor Securities shall bear the Regulation S Legend, subject to the following:

(i) subject to the following Clauses of this Section 305(c), a Security or any portion thereof which is exchanged, upon transfer or otherwise, for a Global Security or any portion thereof shall bear the Securities Act Legend borne by such Global Security while represented thereby;

(ii) subject to the following Clauses of this Section 305(c), a new Security which is not a Global Security and is issued in exchange for another Security (including a Global Security) or any portion thereof, upon transfer or otherwise, shall bear the Securities Act Legend borne by such other Security, provided that, if such new Security is required pursuant to Section 305(b)(ii) to be issued in the form of a Restricted Security, it shall bear the Restricted Securities Legend and, if such new Security is so required to be issued in the form of a Regulation S Security, it shall bear the Regulation S Legend;

(iii) a new Security which does not bear a Securities Act Legend may be issued in exchange for or in lieu of a Security (other than a Global Security) or any portion thereof which bears such a legend if, in the Company's judgment, placing such a legend upon such new Security is not necessary to ensure compliance with the registration requirements of the Securities Act, and the Trustee, at the direction of the Company, shall authenticate and deliver such a new Security as provided in this Article Three; and

(iv) notwithstanding the foregoing provisions of this Section 305(c), a Successor Security of a Security that does not bear a particular form of Securities Act Legend shall not bear such form of legend unless the Company has reasonable cause to believe that such Successor Security is a "restricted security" within the meaning of Rule 144, in which case the Trustee, at the direction of the Company, shall authenticate and deliver a new Security bearing the Restricted Securities Legend in exchange for such Successor Security as provided in this Article Three.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest (including Special Interest) on any Security which is payable but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, and such money when deposited shall be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of

such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

(3) Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

Section 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months, except that Special Interest shall be computed on the basis of a 365-day year and the actual number of days elapsed.

Section 311. CUSIP Numbers.

The Company in issuing Securities may use "CUSIP" numbers (if then generally in use) in addition to serial numbers; if so, the Trustee shall use such CUSIP numbers in addition to serial numbers in notices of redemption and repurchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such CUSIP numbers either as printed on the Securities or as contained in any notice of a redemption or repurchase and that reliance may be placed only on the serial or other identification numbers printed on the Securities, and any such redemption or repurchase shall not be affected by any defect in or omission of such CUSIP numbers.

ARTICLE FOUR

Satisfaction and Discharge

Section 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust sufficient cash or Government Securities for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such

deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(C) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(D) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

Section 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

Remedies

Section 501. Events of Default.

"Event of Default", wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any installment of interest upon any Security as and when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of all or any part of the principal of (or premium, if any, on) any Security as and when the same shall become due and payable, either at its Maturity, upon redemption, by declaration of acceleration or otherwise; or

(3) default in the performance, or breach, of any covenant or agreement of the Company in this Indenture (other than a covenant or agreement a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the

Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(4) an event of default, as defined in any of the Company's instruments under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of the Company that has resulted in the acceleration of such Indebtedness, or any default occurring in payment of any such Indebtedness at final maturity (and after the expiration of any applicable grace periods), other than such Indebtedness the principal of, and interest on which, does not individually, or in the aggregate, exceed $50,000,000; or

(5) one or more final judgments, decrees or orders of any court, tribunal, arbitrator, administrative or other governmental body or similar entity for the payment of money is rendered against the Company or any of its properties in an aggregate amount in excess of $50,000,000 (excluding the amount covered by insurance) and such judgment, decree or order remains unvacated, undischarged and unstayed for more than 60 consecutive days, except while being contested in good faith by appropriate proceedings; or

(6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company of a voluntary case or proceeding under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default (other than an Event of Default specified in Section 501(6) or (7)) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities may declare the principal of all the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal shall become immediately due and payable. If an Event of Default specified in Section 501(6) or (7) occurs, the principal of and interest on all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Securities,

(B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, respectively.

Section 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Section 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 513. Waiver of Past Default.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Security, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee.

Section 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

The Trustee

Section 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default of which the Trustee has actual knowledge within 90 days after a default occurs hereunder as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term “default” means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Governing Body may be sufficiently evidenced by a Authorizing Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers’ Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities.

The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

Section 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Section 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property "be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Authorizing Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Authorizing Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee,

the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to any applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

Section 701. Company to Furnish Trustee Names and Addresses of Holders.

If the Trustee is not the Security Registrar, the Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 703. Reports by Trustee.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

Section 704. Reports by Company.

(a) The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided thereby.

(b) For so long as any Securities are deemed to be “restricted securities”, as defined in Rule 144 under the Securities Act, and the Company is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company shall furnish to Holders of the Securities and to prospective purchasers of those Securities designated by such Holders, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) For so long as the Company is not subject to Section 13 or Section 15(d) of the Exchange Act, the Company shall furnish to the Trustee copies of annual audited financial statements prepared in accordance with U.S. generally accepted accounting principles and certified by the Company’s independent public accountants and with unaudited interim financial statements prepared in accordance with U.S. generally accepted accounting principles for each of the first three quarters of each fiscal year.

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

Section 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company, unless:

(i) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under (A) the laws of the United States of America, any State thereof or the District of Columbia or (B) the laws of a foreign jurisdiction and consents to the jurisdiction of the courts of the United States and, in each case (A) or (B), shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed; and

(ii) immediately prior to and after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

Section 802. Successor Substitute.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Authorizing Resolution, and the Trustee, at any time and from time to time, may enter into one

or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to secure the Securities; or

(4) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that such action pursuant to this Clause (4) shall not adversely affect the interests of the Holders in any material respect.

Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than 50% in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Authorizing Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section or Section 513 except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indenture.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

Covenants

Section 1001. Payment of Principal, Premium and Interest.

The Company will duly and punctually pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms of the Securities and this Indenture.

Section 1002. Maintenance of Office or Agency.

If the Securities are not issued as Global Securities, the Company will maintain in The City of New York, New York an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside The City of New York, New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York, New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 1003. Money for Security Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent,

such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, New York notice that such money remains unclaimed and that after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 1004. Statement by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Section 1005. Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

Section 1006. Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or property of the Company, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 1007. Restrictions on Certain Liens.

The Company will not issue, assume, guarantee or permit to exist any Indebtedness secured by any lien on any property of the Company, whether owned on the date that the Securities are issued or thereafter acquired, without in any such case effectively securing the Outstanding Securities (together with, if the Company shall so determine, any other Indebtedness of or guaranteed by the Company ranking equally with the Securities) equally and ratably with such Indebtedness (but only so long as such Indebtedness is so secured); provided, however, that the foregoing restriction shall not apply to the following permitted liens:

(i) pledges or deposits in the ordinary course of business in connection with bids, tenders, contracts or statutory obligations or to secure surety or performance bonds,

(ii) liens imposed by law, such as carriers', warehousemen's and mechanics' liens, arising in the ordinary course of business,

(iii) liens for property taxes being contested in good faith,

(iv) minor encumbrances, easements or reservations which do not in the aggregate materially adversely affect the value of the properties or impair their use,

(v) liens on property existing at the time of acquisition thereof by the Company, or to secure any indebtedness incurred by the Company prior to, at the time of, or within 90 days after the later of the acquisition, the completion of construction (including any improvements on an existing property) or the commencement of commercial operation of the property, which indebtedness is incurred for the purpose of financing all or any part of the purchase price or construction or improvements,

(vi) liens to secure purchase money Indebtedness not in excess of the cost or value of the property acquired,

(vii) mortgages securing obligations issued by a state, territory or possession of the United States, or any political subdivision of any of the foregoing or the District of Columbia, to finance the acquisition or construction of property, and on which the interest is not, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, includible in gross income of the holder by reason of Section 103(a)(1) of the Internal Revenue Code (or any successor to such provision) as in effect at the time of the issuance of such obligations, or

(viii) other liens to secure Indebtedness so long as the amount of outstanding Indebtedness secured by liens pursuant to this provision does not exceed 10% of the Company's consolidated net tangible assets.

In the event that the Company shall propose to pledge, mortgage or hypothecate any property, other than as permitted by clauses (i) through (viii) of the previous paragraph, the Company shall (prior thereto) give written notice thereof to the Trustee, who shall give notice to

the Holders, and the Company shall, prior to or simultaneously with such pledge, mortgage or hypothecation, effectively secure all the Securities equally and ratably with such Indebtedness.

Section 1008. Limitation on Sale/Leaseback Transactions.

The Company shall not enter into any Sale/Leaseback Transaction with any Subsidiary. In addition, the Company shall not enter into any Sale/Leaseback Transaction unless:

(i) the Sale/Leaseback Transaction is entered into prior to, concurrently with or within 90 days after the acquisition, the completion of construction (including any improvements on an existing property) or the commencement of commercial operations of the property; or

(ii) the Company could otherwise grant a lien on the property as a permitted lien described in Section 1007. In determining whether the Company could have granted a lien on a property the subject of a Sale/Leaseback Transaction pursuant to Section 1007(v), the amount of Indebtedness being secured shall be deemed to be equal to the amount capitalized, under generally accepted accounting principles, in respect of the lease involved in such Sale/Leaseback transaction.

Section 1009. Limitation on Asset Sales.

Except for the sale of the Company's properties and assets substantially as an entirety as described in Section 801, and other than assets required to be sold to conform with governmental regulations, the Company shall not consummate any Asset Sale if the aggregate book value of all such Asset Sales consummated since the date of issuance of the Securities would exceed 25% of the Company's net tangible assets as of the beginning of the Company's most recently ended full fiscal quarter; provided, however, that any such Asset Sale will be disregarded for purposes of the 25% limitation specified herein if the proceeds thereof are (i) within twelve (12) months of such Asset Sale, invested or reinvested by the Company in new generation assets, or (ii) used by the Company to repay its Indebtedness.

ARTICLE ELEVEN

Redemption of Securities

Section 1101. Right of Redemption.

The Securities may be redeemed at the election of the Company, as a whole or from time to time in part, at the Redemption Price equal to the greater of (a) 100% of the principal amount of the Securities to be redeemed, plus accrued interest to the Redemption Date, or (b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Securities to be redeemed (not including any portion of payments of interest accrued as of the Redemption Date), discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate plus 20 basis points, plus accrued interest to the Redemption Date.

Section 1102. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by any provision of this Indenture, shall be made in accordance with such provision and this Article.

Section 1103. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities pursuant to Section 1101 shall be evidenced by a Authorizing Resolution. In case of any redemption at the election of the Company of less than all the Securities, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed.

Section 1104. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities are to be redeemed, the particular Securities (treating the Original Securities, the Additional Securities and the Exchange Securities as a single series) to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $1,000 or any integral multiple thereof) of the principal amount of Securities of a denomination larger than $1,000.

The Trustee shall promptly notify the Company and each Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

Section 1105. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities are to be redeemed, the identification (and, in the case of partial redemption of any Securities, the principal amounts) of the particular Securities to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date,

(5) the place or places where such Securities are to be surrendered for payment of the Redemption Price,

(6) that in the case that a Security is only redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities in an aggregate amount equal to the unredeemed portion of the Security,

(7) the aggregate principal amount of Securities being redeemed, and

(8) the CUSIP number, provided that no representation is made as to the correctness or accuracy of the CUSIP number or numbers listed in such notice or printed on the Securities being redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1106. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

Section 1107. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

Section 1108. Securities Redeemed in Part.

Any Security which is to be redeemed only in part shall be surrendered at an office or agency of the Company designated for that purpose pursuant to Section 1002 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security of the same tenor without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Global Security is so surrendered, such new Security shall also be a Global Security.

ARTICLE TWELVE

Defeasance and Covenant Defeasance

Section 1201. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may elect, at its option at any time, to have Section 1202 or Section 1203 applied to the Securities pursuant to such Section 1202 or 1203 and upon compliance with the conditions set forth below in this Article.

Section 1202. Defeasance and Discharge.

Upon the Company's exercise of its option to have this Section applied to the Securities, the Company shall be deemed to have been discharged from its obligations, with respect to the Securities on and after the date the conditions set forth in Section 1204 are satisfied (hereinafter called "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Securities and to have satisfied all its other obligations under the Securities and this Indenture (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of Holders of the Securities to receive, solely from the trust fund described in Section 1204 and as more fully set forth in such Section, payments in respect of the principal of and any premium and interest on such Securities when payments are due, (2) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002 and 1003, (3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (4) this Article. Subject to compliance with this Article, the Company may exercise its option to have this Section applied to the Securities notwithstanding the prior exercise of its option to have Section 1203 applied to the Securities.

Section 1203. Covenant Defeasance.

Upon the Company's exercise of its option to have this Section applied to the Securities, (1) the Company shall be released from any term, provision or condition provided in pursuant to Article Eight and Sections 1006 and 1007, and any covenants provided pursuant to Section 901(2) for the benefit of the Holders of such Securities and (2) the occurrence of any event specified in Section 501(3) shall be deemed not to be or result in an Event of Default on and after the date the conditions set forth in Section 1204 are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to the Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Section 501(3)) whether directly or indirectly by reason of any reference elsewhere herein to any such Section or Article or by reason of any reference in any such Section or Article to any other provision herein or in any other document, but the remainder of this Indenture shall be unaffected thereby.

Section 1204. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of Section 1202 or Section 1203 to the Securities:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefits of the Holders of the Securities, (A) money in an amount, or (B) Government Securities which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in each case sufficient to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on the Securities on the Stated Maturity, in accordance with the terms of this Indenture and the Securities.

(2) In the event of an election to have Section 1202 apply to the Securities, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this instrument, there has been a change in the applicable federal income tax law, in either case (A) or (B) to the effect that, and based thereon such opinion shall confirm that, the Holders of the Securities will not recognize gain or loss for federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to the Securities and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(3) In the event of an election to have Section 1203 apply to the Securities, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Securities will not recognize gain or loss for federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to the

Securities and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(4) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to the Securities shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified in Sections 501(4) and 501(5), at any time on or prior to the 123rd day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 123rd day).

(5) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Securities are in default within the meaning of such Act).

(6) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(7) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless such trust shall be registered under such Act or exempt from registration thereunder.

(8) The Company shall deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Securities over the other creditors of the Company, or with the intent of defeating, hindering, delaying or defaulting creditors of the Company or others.

(9) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

Section 1205. Deposited Money and Government Securities to Be Held in Trust; Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Section 1204 in respect of the Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any such Paying Agent as the Trustee may determine, to the Holders of the Securities, of all sums due and to become due thereon in respect of principal and any premium and interest but money so held in trust need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the Government Securities deposited pursuant to Section 1204 or the principal and interest received in respect thereof.

Anything in this Article to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Securities held by it as provided in Section 1204 with respect to the Securities which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect the Defeasance or Covenant Defeasance, as the case may be, with respect to the Securities.

Section 1206. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article with respect to the Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article with respect to the Securities, until such time as the Trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 1205 with respect to the Securities in accordance with this Article; provided, however, that if the Company makes any payment of principal of or any premium or interest an any Security following such reinstatement of its obligations, the Company shall be subrogated to the rights (if any) of the Holders of such Securities to receive such payment from the money so held in trust.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

EXELON GENERATION COMPANY, LLC

BY: EXELON VENTURES COMPANY, LLC, a Delaware limited liability company, as the Managing Member

By: EXELON CORPORATION, a Pennsylvania corporation, as the Managing Member

By: /s/ J. BARRY MITCHELL

J. Barry Mitchell
Senior Vice President and Treasurer

Attest:

/s/ TODD D. CUTLER

Todd D. Cutler
Assistant Secretary

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ GEORGE J. RAYZIS

Name: **George J. Rayzis**
Title: **Vice President**

Attest:

/s/ RALPH E. JONES

Name: **Ralph E. Jones**
Title: **Assistant Secretary**

RESTRICTED SECURITIES CERTIFICATE

(For transfers pursuant to §305(b)(i) and (iv) of the Indenture)

Wachovia Bank, National Association,
as Trustee
[Address of Trustee]

Attention: Corporate Trust Administration

Re: 5.35% Senior Notes due 2014 of Exelon Generation Company, LLC (the "Securities")

Reference is made to the Indenture, dated as of December 19, 2003 (the "Indenture"), between Exelon Generation Company, LLC (the "Company") and Wachovia Bank, National Association, as Trustee. Terms used herein and defined in the Indenture or in Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used herein as so defined.

This certificate relates to U.S. $ principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Securities"):

CUSIP No(s).

CERTIFICATE No(s).

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that (i) it is the sole beneficial owner of the Specified Securities, (ii) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do so or (iii) it is the Holder of a Global Security and has received a certification to the effect set forth below. Such beneficial owner or owners are referred to herein collectively as the "Owner". If the Specified Securities are represented by a Global Security, they are held through the Depositary or an Agent Member in the name of the Undersigned, as or on behalf of the Owner. If the Specified Securities are not represented by a Global Security, they are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "Transferee") who will take delivery in the form of a Restricted Security. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance

with Rule 144A or Rule 144 under the Securities Act and all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

(1) Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(A) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "qualified institutional buyer" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer, and

(B) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer; and

(2) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

the transfer is occurring after a holding period of at least one year (computed in accordance with paragraph (d) of Rule 144) has elapsed since the Specified Securities were last acquired from the Company or from an affiliate of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Purchasers.

Dated:

_____

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: _____

Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

REGULATION S CERTIFICATE

(For transfers pursuant to § 305(c)(i) and (iii) of the Indenture)

Wachovia Bank, National Association,
as Trustee
[Address of Trustee]

Attention: Corporate Trust Administration

Re: 5.35% Senior Notes due 2014 of Exelon Generation Company, LLC (the "Securities")

Reference is made to the Indenture, dated as of December 19, 2003 (the "Indenture), between Exelon Generation Company, LLC (the "Company") and Wachovia Bank, National Association, as Trustee. Terms used herein and defined in the Indenture or in Regulation S or Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used herein as so defined.

This certificate relates to U.S. $ principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Securities"):

CUSIP No(s).

CERTIFICATE No(s).

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that (i) it is the sole beneficial owner of the Specified Securities, (ii) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do, so or (iii) it is the Holder of a Global Security and has received a certification to the effect set forth below. Such beneficial owner or owners are referred to herein collectively as the "Owner". If the Specified Securities are represented by a Global Security, they are held through the Depositary or an Agent Member in the name of the Undersigned, as or on behalf of the Owner. If the Specified Securities are not represented by a Global Security, they are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "Transferee") who will take delivery in the form of a Regulation S Security.

In connection with such transfer, the Owner hereby certifies or has certified that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 904 of Regulation S or Rule 144 under the Securities Act and with all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies or has certified as follows:

(1) Rule 904 Transfers. If the transfer is being effected in accordance with Rule 904 of Regulation S:

(A) the Owner is not a distributor of the Securities, an affiliate of the Company or any such distributor or a person acting on behalf of any of the foregoing;

(B) the offer of the Specified Securities was not made to a person in the United States or for the account or benefit of a U.S. Person;

(ii) either:

(i) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or

(ii) the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the International Securities Market Association or another designated offshore securities market and neither the Owner nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States;

(iii) no directed selling efforts have been made in the United States by or on behalf of the Owner or any affiliate thereof,

(iv) if the Owner is a dealer in securities or has received a selling concession, fee or other remuneration in respect of the Specified Securities, and the transfer is to occur during the Restricted Period, then the requirements of Rule 904(c)(1) have been satisfied, and

(v) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

(2) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

the transfer is occurring after a holding period of at least one year (Computed in accordance with paragraph (d) of Rule 144) has elapsed since the Specified Securities were last acquired from the Company or from an affiliate of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of Rule 144.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Purchasers.

Dated:

_____

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: _____

Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

Exhibit 10.7

April 29, 2003

Oliver D. Kingsley, Jr.
618 Fox Glen Drive
St. Charles, Illinois 60174

Dear Oliver:

I am pleased to confirm our mutual understanding concerning your continued employment with Exelon Corporation.

You have agreed to accept the position of President and Chief Operating Officer of Exelon, in lieu of your current position as Senior Executive Vice President of Exelon, effective May 5, 2003. You will continue in your current position as President and Chief Executive Officer of Exelon Generation Company, LLC ("Genco").

Your employment agreement dated as of September 5, 2002 will remain in full force and effect, with the changes noted below. As you discussed with S. Gary Snodgrass, you will continue to be entitled to your enhanced SERP benefits, retiree medical coverage and the provision for your daughter's medical coverage on your retirement, as well as all the other benefits under the employment agreement, with the changes noted below.

1. Your base salary will be increased to $850,000 per year, effective May 5, 2003, and will remain in effect for the term of your employment.
2. Your target annual incentive will be increased to 100% of your base salary, effective May 5, 2003, and will remain in effect for the term of your employment.
3. You will be eligible for stock options and performance share awards as determined by the Compensation Committee of Exelon' s Board of Directors, taking into account your new position. Subject to the Committee's approval, your target stock option grant for 2004 will be 70,000 shares. Effective May 5, 2003, your target performance shares will be 20,000 shares, and the amount of your actual award for 2003 will be pro-rated to reflect this change.
4. You will retire from all your positions with Exelon and its affiliates effective on the earlier of your death, resignation, removal or the date your term as President and Chief Operating Officer of Exelon ends, as determined by resolution of the Exelon Board of Directors. Thus, your employment period under your employment agreement will expire as of such date, and the provisions applicable to your retirement will take effect (except

as modified below). Both you and we waive any requirement of giving further notice of the expiration of your employment period. If you resign for any reason prior to such date, your resignation will be treated as a retirement for all purposes under your employment agreement.

5. Your special restricted stock award (35,000 shares) will fully vest upon your retirement.

6. An essential aspect of this arrangement will be your participation in, and cooperation with, Exelon's orderly transition of your duties to your successor. Although we currently anticipate you will continue in your new position with Exelon until your retirement, it is possible that your successor could be appointed and assume some or all of your duties sooner. If such a transition occurs prior to the date your term as President and Chief Operating Officer of Exelon ends, as determined by resolution of the Exelon Board of Directors, you will continue to receive your base salary and participate in all benefit and incentive programs through such date, your special restricted stock award will fully vest on the day following such date, and your termination of employment will be treated as a retirement for all other purposes under your employment agreement.

Your acceptance of this new position, and the other matters discussed in this letter, are subject to the approval of the Exelon Board of Directors at its April 28, 2003 meeting. Upon approval, this letter will supersede any contrary provision of your employment agreement.

Please confirm your acceptance of this arrangement by signing this letter in the space provided below and returning this letter to me by Tuesday, April 29, 2003.

Very truly yours,

John W. Rowe
Chairman and Chief Executive Officer

AGREED AND ACCEPTED BY:

_____

Oliver D. Kingsley, Jr.

Exhibit 10.44

$750,000,000

364-DAY CREDIT AGREEMENT

dated as of October 31, 2003

among

EXELON CORPORATION,
COMMONWEALTH EDISON COMPANY,
PECO ENERGY COMPANY
and
EXELON GENERATION COMPANY, LLC

as Borrowers

VARIOUS FINANCIAL INSTITUTIONS
as Lenders

BANK ONE, NA
as Administrative Agent

CITIBANK, N.A.,

WACHOVIA BANK, NATIONAL ASSOCIATION

and

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

as Co-Documentation Agents

and

BARCLAYS BANK PLC

as Syndication Agent

BANC ONE CAPITAL MARKETS, INC.

and

BARCLAYS CAPITAL

Co-Lead Arrangers

364-DAY CREDIT AGREEMENT
dated as of October 31, 2003

EXELON CORPORATION, COMMONWEALTH EDISON COMPANY, PECO ENERGY COMPANY, EXELON GENERATION COMPANY, LLC, the banks listed on the signature pages hereof, BANK ONE, NA, as Administrative Agent, CITIBANK, N.A., WACHOVIA BANK, NATIONAL ASSOCIATION and DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as Co-Documentation Agents, and BARCLAYS BANK PLC, as Syndication Agent, hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, each of the following terms shall have the meaning set forth below (each such meaning to be equally applicable to both the singular and plural forms of the term defined):

"Adjusted Funds From Operations" means, for any Borrower for any period, such Borrower's Net Cash Flows From Operating Activities for such period minus such Borrower's Transitional Funding Instrument Revenue for such period plus such Borrower's Net Interest Expense for such period minus, to the extent applicable, the portion (but, if such Borrower or any of its Subsidiaries (other than any Sithe Entity) has made any loans or advances to, or investments in, any Sithe Entity during such period, not less than zero) of such Borrower's Net Cash Flows From Operating Activities attributable to any Sithe Entity.

"Administrative Agent" means Bank One in its capacity as administrative agent for the Lenders pursuant to Article VII, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Section 7.06.

"Administrative Questionnaire" means an administrative questionnaire, substantially in the form supplied by the Administrative Agent, completed by a Lender and furnished to the Administrative Agent in connection with this Agreement.

"Advance" means an advance by a Lender to a Borrower hereunder. An Advance may be a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person.

"Agents" means the Administrative Agent, the Co-Documentation Agents and the Syndication Agent; and "Agent" means any one of the foregoing.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" – see Schedule I.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit C.

"Bank One" means Bank One, NA, a national banking association with its main office in Chicago, Illinois.

"Base Rate" means, for any period, a fluctuating interest rate per annum which rate per annum shall at all times be equal to the higher of:

(a) the Prime Rate; and

(b) the sum of 0.5% per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.06(a).

"Borrowers" means Exelon, ComEd, PECO and Genco; and "Borrower" means any one of the foregoing.

"Borrowing" means a group of Advances to the same Borrower of the same Type made, continued or converted on the same day by the Lenders ratably according to their Pro Rata Shares and, in the case of a Borrowing of Eurodollar Rate Advances, having the same Interest Period.

"Business Day" means a day on which banks are not required or authorized to close in Philadelphia, Pennsylvania, Chicago, Illinois or New York, New York, and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Closing Date" shall mean the date on which all conditions precedent to the initial Credit Extension have been satisfied.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, in each case as amended, reformed or otherwise modified from time to time.

"Co-Documentation Agent" means each of Citibank, N.A., Wachovia Bank, National Association and Dresdner Bank AG, New York and Grand Cayman Branches in its capacity as a co-documentation agent hereunder.

"Co-Lead Arranger" means each of Banc One Capital Markets and Barclays Capital in its capacity as a Co-Lead Arranger.

"ComEd" means Commonwealth Edison Company, an Illinois corporation, or any Eligible Successor thereof.

"ComEd Mortgage" means the Mortgage, dated July 1, 1923, as amended and supplemented by supplemental indentures, including the Supplemental Indenture, dated August 1, 1944, from ComEd to Harris Trust and Savings Bank and D.G. Donovan, as trustees; provided that no effect shall be given to any amendment, supplement or refinancing after the date of this Agreement that would broaden the definition of "permitted liens" as defined in the ComEd Mortgage as constituted on the date of this Agreement.

"ComEd Sublimit" means $50,000,000, subject to adjustment as provided in Section 2.04(c).

"Commitment" means, for any Lender, such Lender's commitment to make Advances and participate in Facility LCs for the account of each Borrower hereunder.

"Commitment Amount" means, for any Lender at any time, the amount set forth opposite such Lender's name on Schedule II attached hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(c), as such amount may be reduced pursuant to Section 2.04.

"Commitment Termination Date" means, with respect to any Borrower, the earlier of (i) October 29, 2004 or such later date to which the scheduled Commitment Termination Date for such Borrower may be extended pursuant to Section 2.17 (or, if any such date is not a Business Day, the next preceding Business Day) or (ii) the date of termination in whole of the Commitments to such Borrower pursuant to Section 2.04 or 6.01.

"Commodity Trading Obligations" mean, with respect to any Person, the obligations of such Person under (i) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity cap agreement, commodity floor agreement, commodity collar agreement, commodity hedge agreement, commodity forward contract or derivative transaction and any put, call or other agreement, arrangement or transaction, including natural gas, power and emissions forward contracts, or any combination of any such arrangements, agreements and/or transactions, employed in the ordinary course of such Person's business, including any such Person's energy marketing, trading and asset optimization business, or (ii) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity hedge agreement, and any put, call or other agreement or arrangement, or combination thereof (including an agreement or arrangement to hedge foreign exchange risks) in respect of commodities entered into by such Person pursuant to asset optimization and risk management policies and procedures adopted in good faith by the Board of Directors of such Person. The term "commodities" shall include natural gas, electric power, emissions contracts and related products and ancillary services.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Exelon or any Subsidiary, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Credit Extension" means the making of an Advance or the issuance or modification of a Facility LC hereunder.

"Debt" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business), (iv) obligations as lessee under leases that shall have been or are required to be, in accordance with GAAP, recorded as capital leases, (v) obligations (contingent or otherwise) under reimbursement or similar agreements with respect to the issuance of letters of credit (other than obligations in respect of documentary letters of credit opened to provide for the payment of goods or services purchased in the ordinary course of business) and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above.

"Distributions on Preferred Securities" means, for any period, (a) in the case of Exelon, "Distributions on Preferred Securities of Subsidiaries" as shown on a consolidated statement of income of Exelon for such period; (b) in the case of ComEd, "Distributions on Mandatorily Redeemable Preferred Securities" as shown on a consolidated statement of income of ComEd for such period; and (c) in the case of PECO, "Distributions on Mandatorily Redeemable Preferred Securities" as shown on a consolidated statement of income of PECO for such period.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrowers and the Administrative Agent.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any State thereof; (ii) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (iii) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business; (iv) the central bank of any country that is a member of the OECD; (v) any Lender; or (v) any Affiliate of a Lender; provided that, unless otherwise agreed by Exelon and the Administrative Agent in their sole discretion, (A) any Person described in clause (i), (ii) or (iii) above shall also (x) have outstanding unsecured long-term debt that is rated BBB- or better by S&P and Baa3 or better by Moody's (or an equivalent rating by another nationally recognized credit rating agency of similar standing if either such corporation is no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (y) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than $100,000,000 (or its equivalent in foreign currency), and (B) any Person described in clause (ii), (iii), (iv) or (v) above shall, on the date on which it is to become a

Lender hereunder, be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 2.14(e)).

"Eligible Successor" means a Person which (i) is a corporation, limited liability company or business trust duly incorporated or organized, validly existing and in good standing under the laws of one of the states of the United States or the District of Columbia, (ii) as a result of a contemplated acquisition, consolidation or merger, will succeed to all or substantially all of the consolidated business and assets of a Borrower and its Subsidiaries, (iii) upon giving effect to such contemplated acquisition, consolidation or merger, will have all or substantially all of its consolidated business and assets conducted and located in the United States and (iv) is acceptable to the Majority Lenders as a credit matter.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder, each as amended and modified from time to time.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrowers and the Administrative Agent.

"Eurodollar Rate" means, for each Interest Period for each Eurodollar Rate Advance made as part of a Borrowing, the applicable British Bankers' Association LIBOR rate for deposits in U.S. dollars having a maturity equal to such Interest Period, as reported by any generally recognized financial information service as of 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period; provided that if no such British Bankers' Association LIBOR rate is available to the Administrative Agent, the Eurodollar Rate for such Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Rate Advance and having a maturity equal to such Interest Period.

"Eurodollar Rate Advance" means any Advance that bears interest as provided in Section 2.06(b).

"Eurodollar Rate Reserve Percentage" of any Lender for any Interest Period means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including any emergency, supplemental or other

marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" – see Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended and modified from time to time.

"Exelon" means Exelon Corporation, a Pennsylvania corporation, or any Eligible Successor thereof.

"Exelon Sublimit" means $375,000,000, subject to adjustment as provided in Section 2.04(c).

"Existing Agreement" means the Credit Agreement dated as of November 22, 2002 among the Borrowers, various financial institutions and Bank One, as Administrative Agent, as amended prior to the Closing Date.

"Facility Fee Rate" – see Schedule I.

"Facility LC" – see Section 2.16.1.

"Facility LC Application" – see Section 2.16.3.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Final Termination Date" means, with respect to any Borrower, the earlier of (i) the date on or after the Maturity Date for such Borrower on which all of such Borrower's obligations hereunder have been paid in full and all Facility LC's issued for the account of such Borrower have expired or been terminated and (ii) the date on which all of such Borrower's obligations hereunder have become due and payable (pursuant to Section 6.01 or otherwise).

"GAAP" – see Section 1.03.

"Genco" means Exelon Generation Company, LLC, a Pennsylvania limited liability company, or any Eligible Successor thereof.

"Genco Sublimit" means $125,000,000, subject to adjustment as provided in Section 2.04(c).

"Granting Bank" – see Section 8.07(h).

"Hedging Obligations" mean, with respect to any Person, the obligations of such Person under any interest rate or currency swap agreement, interest rate or currency future agreement, interest rate collar agreement, interest rate or currency hedge agreement, and any put, call or other agreement or arrangement designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"Interest Coverage Ratio" means, with respect to any Borrower for any period of four consecutive fiscal quarters, the ratio of such Borrower's Adjusted Funds From Operations for such period to such Borrower's Net Interest Expense for such period.

"Interest Expense" means, for any Borrower for any period, "interest expense" as shown on a consolidated statement of income of such Borrower for such period prepared in accordance with GAAP.

"Interest Period" means, for each Eurodollar Rate Advance, the period commencing on the date of such Eurodollar Rate Advance is made or is converted from a Base Rate Advance and ending on the last day of the period selected by the applicable Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be 1, 2, 3 or 6 months, as the applicable Borrower may select in accordance with Section 2.02 or 2.09; provided that:

(i) no Borrower may select any Interest Period that ends after the scheduled Maturity Date for such Borrower;

(ii) Interest Periods commencing on the same date for Advances made as part of the same Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, unless such extension would cause the last day of such Interest Period to occur in the next following calendar month, in which case the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) if there is no day in the appropriate calendar month at the end of such Interest Period numerically corresponding to the first day of such Interest Period, then such Interest Period shall end on the last Business Day of such appropriate calendar month.

"LC Fee Rate" – see Schedule I.

"LC Issuer" means Bank One in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, with respect to any Borrower at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs issued for the

account of such Borrower outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations of such Borrower.

"LC Payment Date" – see Section 2.16.5.

"Lenders" means each of the financial institutions listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 8.07.

"Letter of Credit Sublimit" means $200,000,000.

"Lien" means any lien (statutory or other), mortgage, pledge, security interest or other charge or encumbrance, or any other type of preferential arrangement (including the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Majority Lenders" means Lenders having Pro Rata Shares of more than 50% (provided that, for purposes of this definition, no Borrower nor any Affiliate of a Borrower, if a Lender, shall be included in calculating the amount of any Lender's Pro Rata Share or the amount of the Commitment Amounts or Outstanding Credit Extensions, as applicable, required to constitute more than 50% of the Pro Rata Shares).

"Material Adverse Change" and "Material Adverse Effect" each means, relative to any occurrence, fact or circumstances of whatsoever nature (including any determination in any litigation, arbitration or governmental investigation or proceeding) with respect to any Borrower, (i) any materially adverse change in, or materially adverse effect on, the financial condition, operations, assets or business of such Borrower and its consolidated Subsidiaries (other than the Sithe Entities), taken as a whole (except that changes or effects relating to such Borrower's investment in any Sithe Entity shall not be considered in determining whether a Material Adverse Change or Material Adverse Effect has occurred), or (ii) any materially adverse effect on the validity or enforceability against such Borrower of this Agreement or any applicable Note.

"Material Subsidiary" means, with respect to Exelon, each of ComEd, PECO and Genco and any holding company for any of the foregoing.

"Maturity Date" means, with respect to any Borrower, the date which is one year after the Commitment Termination Date for such Borrower (or, if such date is not a Business Day, the next preceding Business Day).

"Modify" and "Modification" – see Section 2.16.1.

"Moody's" means Moody's Investors Service, Inc.

"Moody's Rating" means, at any time for any Borrower, the rating issued by Moody's and then in effect with respect to such Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if such Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from Moody's for debt securities of such type, then such indicative rating shall be used for determining the "Moody's Rating").

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which Exelon or any other member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Cash Flows From Operating Activities" means, for any Borrower for any period, "Net Cash Flows provided by Operating Activities" as shown on a consolidated statement of cash flows of such Borrower for such period prepared in accordance with GAAP, excluding any "working capital changes" (as shown on such statement of cash flows) taken into account in determining such Net Cash Flows provided by Operating Activities.

"Net Interest Expense" means, for any Borrower for any period, the total of (a) such Borrower's Interest Expense for such period minus (b) such Borrower's Distributions on Preferred Securities for such period minus (c) such Borrower's Transitional Funding Instrument Interest for such period minus (d) in the case of Exelon and Genco, interest on Sithe Project Debt for such period.

"Nonrecourse Indebtedness" means any Debt that finances the acquisition, development, ownership or operation of an asset in respect of which the Person to which such Debt is owed has no recourse whatsoever to any Borrower or any of their respective Affiliates other than:

(i) recourse to the named obligor with respect to such Debt (the "Debtor") for amounts limited to the cash flow or net cash flow (other than historic cash flow) from the asset;

(ii) recourse to the Debtor for the purpose only of enabling amounts to be claimed in respect of such Debt in an enforcement of any security interest or lien given by the Debtor over the asset or the income, cash flow or other proceeds deriving from the asset (or given by any shareholder or the like in the Debtor over its shares or like interest in the capital of the Debtor) to secure the Debt, but only if the extent of the recourse to the Debtor is limited solely to the amount of any recoveries made on any such enforcement; and

(iii) recourse to the Debtor generally or indirectly to any Affiliate of the Debtor, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for a breach of an obligation (other than a payment obligation or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the Person against which such recourse is available.

"Note" means a promissory note of a Borrower payable to the order of a Lender, in substantially the form of Exhibit A, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Advances made by such Lender to such Borrower.

"Notice of Borrowing" - see Section 2.02(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Outstanding Credit Extensions" means, with respect to any Borrower, the sum of the aggregate principal amount of all outstanding Advances to such Borrower plus all LC Obligations of such Borrower.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"PECO" means PECO Energy Company, a Pennsylvania corporation, or any Eligible Successor thereof.

"PECO Mortgage" means the First and Refunding Mortgage, dated as of May 1, 1923, between The Counties Gas & Electric Company (to which PECO is successor) and Fidelity Trust Company, Trustee (to which First Union National Bank is successor), as amended, supplemented or refinanced from time to time, provided that no effect shall be given to any amendment, supplement or refinancing after the date of this Agreement that would broaden the definition of "excepted encumbrances" as defined in the PECO Mortgage as constituted on the date of this Agreement.

"PECO Sublimit" means $200,000,000, subject to adjustment as provided in Section 2.04(c).

"Permitted Obligations" mean, with respect to Genco or any of its Subsidiaries, (1) Hedging Obligations arising in the ordinary course of business and in accordance with such Person's established risk management policies that are designed to protect such Person against, among other things, fluctuations in interest rates or currency exchange rates and which in the case of agreements relating to interest rates shall have a notional amount no greater than the payments due with respect to the Obligations being hedged thereby and (2) Commodity Trading Obligations.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which Exelon or any other member of the Controlled Group may have any liability.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced by Bank One or by its parent, BANK ONE CORPORATION (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Principal Subsidiary" means, with respect to a Borrower, (i) each Utility Subsidiary of such Borrower (other than Commonwealth Edison Company of Indiana, Inc., so long as it does not qualify as a Principal Subsidiary under the following clause (ii)) and (ii) each other Subsidiary of such Borrower the assets of which exceeded $250,000,000 in book value at any time during the preceding 24- month period.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment Amount (plus, after the Commitments have terminated with respect to any Borrower, the principal amount of such Lender's outstanding Advances to such Borrower plus the amount of such Lender's participation in all of such Borrower's LC Obligations) and the denominator of which is the aggregate amount of the Commitment Amounts (plus, after the Commitments have terminated with respect to any Borrower, the principal amount of all outstanding Advances to such Borrower plus all LC Obligations of such Borrower).

"Register" - see Section 8.07(c).

"Reimbursement Obligations" means, with respect to any Borrower at any time, the aggregate of all obligations of such Borrower then outstanding under Section 2.16 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and regulations issued under such section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"S&P Rating" means, at any time for any Borrower, the rating issued by S&P and then in effect with respect to such Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if such Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from S&P for debt securities of such type, then such indicative rating shall be used for determining the "S&P Rating").

"Single Employer Plan" means a Plan maintained by Exelon or any other member of the Controlled Group for employees of Exelon or any other member of the Controlled Group.

"Sithe Energies" means Sithe Energies, Inc., provided that Sithe Energies shall not be a Subsidiary until such time as it meets the requirements of that definition.

"Sithe Entity" means each of Sithe Energies and Sithe Holdings and each of their respective Subsidiaries.

"Sithe Holdings" means Exelon New England Holdings LLC (formerly known as Sithe New England Holdings LLC).

"Sithe Project Debt" means Debt of any Sithe Entity for which none of the Borrowers nor any of their Subsidiaries (other than another Sithe Entity) has any liability, contingent or otherwise.

"SPC" - see Section 8.07(h).

"Special Purpose Subsidiary" means a direct or indirect wholly owned corporate Subsidiary of ComEd or PECO, substantially all of the assets of which are "intangible transition property" (as defined in Section 18-102 of the Illinois Public Utilities Law, as amended, or in 66 Pa. Cons. Stat. Ann. ss.2812(g) (West Supp. 1997) or any successor provision of similar import), and proceeds thereof, formed solely for the purpose of holding such assets and issuing such Transitional Funding Instruments, and which complies with the requirements customarily imposed on bankruptcy-remote corporations in receivables securitizations.

"Sublimit" means the Exelon Sublimit, the ComEd Sublimit, the PECO Sublimit or the Genco Sublimit.

"Subsidiary" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether or not at the time capital stock, or comparable interests, of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person (whether directly or through one or more other Subsidiaries).

"Syndication Agent" means Barclays Bank PLC in its capacity as a syndication agent hereunder.

"Taxes" - see Section 2.14.

"Transitional Funding Instrument" means any instruments, pass-through certificates, notes, debentures, certificates of participation, bonds, certificates of beneficial interest or other evidences of indebtedness or instruments evidencing a beneficial interest which (i) in the case of ComEd (A) are issued pursuant to a "transitional funding order" (as such term is defined in Section 18-102 of the Illinois Public Utilities Act, as amended) issued by the Illinois Commerce Commission at the request of an electric utility and (B) are secured by or otherwise payable from non-bypassable cent per kilowatt hour charges authorized pursuant to such order to be applied and invoiced to customers of such utility and (ii) in the case of PECO, are "transition bonds" (as defined in 66 Pa. Cons. Stat. Ann. ss.2812(g) (West Supp. 1997), or any successor provision of similar import), representing a securitization of "intangible transition property" (as defined in the foregoing statute). The instrument funding charges so applied and invoiced must be deducted and stated separately from the other charges invoiced by such utility against its customers.

"Transitional Funding Instrument Interest" means, for any Borrower for any period, the portion of such Borrower's Interest Expense for such period which was payable in respect of Transitional Funding Instruments.

"Transitional Funding Instrument Revenue" means, for any Borrower for any period, the portion of such Borrower's consolidated revenue for such period attributable to charges invoiced to customers in respect of Transitional Funding Instruments.

"Type" - see the definition of Advance.

"Unfunded Liabilities" means, (i) in the case of any Single Employer Plan, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent evaluation date for such Plan, and (ii) in the case of any Multiemployer Plan, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from such Multiemployer Plan.

"Unmatured Event of Default" means any event which (if it continues uncured) will, with lapse of time or notice or both, become an Event of Default.

"Utility Subsidiary" means, with respect to a Borrower, each Subsidiary of such Borrower that is engaged principally in the generation, transmission, or distribution of electricity or gas and is subject to rate regulation as a public utility by federal or state regulatory authorities.

"Utilization Fee Rate" – see Schedule I.

SECTION 1.02 Other Interpretive Provisions. In this Agreement, (a) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding"; (b) unless otherwise indicated, any reference to an Article, Section, Exhibit or Schedule means an Article or Section hereof or an Exhibit or Schedule hereto; and (c) the term "including" means "including without limitation".

SECTION 1.03 Accounting Principles. (a) As used in this Agreement, "GAAP" shall mean generally accepted accounting principles in the United States, applied on a basis consistent with the principles used in preparing Exelon's audited consolidated financial statements as of December 31, 2002 and for the fiscal year then ended. In this Agreement, except to the extent, if any, otherwise provided herein, all accounting and financial terms shall have the meanings ascribed to such terms by GAAP, and all computations and determinations as to accounting and financial matters shall be made in accordance with GAAP. In the event that the financial statements generally prepared by any Borrower apply accounting principles other than GAAP (including as a result of any event described in Section 1.03(b)), the compliance certificate delivered pursuant to Section 5.01(b)(iv) accompanying such financial statements shall include information in reasonable detail reconciling such financial statements to GAAP to the extent relevant to the calculations set forth in such compliance certificate.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein and the applicable Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and such Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); provided that,

until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein.

ARTICLE II

AMOUNTS AND TERMS OF THE COMMITMENTS

SECTION 2.01 Commitments. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to (a) make Advances to any Borrower and (b) to participate in Facility LCs issued upon the request of any Borrower, in each case from time to time during the period from the date hereof to the Commitment Termination Date for such Borrower, in an aggregate amount not to exceed such Lender's Commitment Amount as in effect from time to time; provided that (i) the aggregate principal amount of all Advances by such Lender to any Borrower shall not exceed such Lender's Pro Rata Share of the aggregate principal amount of all Advances to such Borrower; (ii) such Lender's participation in Facility LCs issued for the account of any Borrower shall not exceed such Lender's Pro Rata Share of all LC Obligations of such Borrower; (iii) the Outstanding Credit Extensions to Exelon shall not at any time exceed the Exelon Sublimit; (iv) the Outstanding Credit Extensions to ComEd shall not any time exceed the ComEd Sublimit; (v) the Outstanding Credit Extensions to PECO shall not at any time exceed the PECO Sublimit; (vi) the Outstanding Credit Extensions to Genco shall not at any time exceed the Genco Sublimit; and (vii) the LC Obligations of all Borrowers collectively shall not at any time exceed the Letter of Credit Sublimit. Within the foregoing limits, each Borrower may from time to time borrow, prepay pursuant to Section 2.10 and reborrow hereunder prior to the Commitment Termination Date for such Borrower.

SECTION 2.02 Procedures for Advances; Limitations on Borrowings.

(a) Any Borrower may request Advances hereunder by giving notice (a "Notice of Borrowing") to the Administrative Agent (which shall promptly advise each Lender of its receipt thereof) not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed borrowing of Eurodollar Rate Advances and on the date of any proposed borrowing of Base Rate Advances. Each Notice of Borrowing shall be sent by telecopier, confirmed immediately in writing, and shall be in substantially the form of Exhibit B, specifying therein the Borrower which is requesting Advances and the requested (i) date of borrowing (which shall be a Business Day), (ii) Type of Advances to be borrowed, (iii) the aggregate amount of such Advances, and (iv) in the case of a borrowing of Eurodollar Rate Advances, the initial Interest Period therefor. Each Lender shall, before 12:00 noon (Chicago time) on the date of such borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of the requested borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the applicable Borrower at the Administrative Agent's aforesaid address.

(b) Each Notice of Borrowing shall be irrevocable and binding on the applicable Borrower. If a Notice of Borrowing requests Eurodollar Rate Advances, the applicable Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender

as a result of any failure to fulfill on or before the requested borrowing date the applicable conditions set forth in Article III, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the requested Advance to be made by such Lender.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any requested borrowing (or, in the case of a borrowing of Base Rate Advances to be made on the same Business Day as the Administrative Agent's receipt of the relevant Notice of Borrowing, prior to 10:30 A.M., Chicago time, on such Business Day) that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the requested borrowing date in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and such Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Advances made in connection with such borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make the Advance to be made by it on any borrowing date shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make any Advance to be made by such other Lender.

(e) Each Borrowing of Base Rate Advances shall at all times be in an aggregate amount of $5,000,000 or a higher integral multiple of $1,000,000; and each Borrowing of Eurodollar Rate Advances shall at all times be in an aggregate amount of $10,000,000 or a higher integral multiple of $1,000,000. Notwithstanding anything to the contrary contained herein, the Borrowers collectively may not have more than 25 Borrowings of Eurodollar Rate Advances outstanding at any time.

SECTION 2.03 Facility and Utilization Fees.

(a) Each Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their Pro Rata Shares, a facility fee for the period from the Closing Date to the Commitment Termination Date for such Borrower (or, if later, the date on which all Outstanding Credit Extensions to such Borrower have been paid in full) in an amount equal to the Facility Fee Rate for such Borrower multiplied by such Borrower's Sublimit (or, after the Commitment Termination Date for such Borrower, the principal amount of all Outstanding Credit Extensions to such Borrower), payable on the last day of each March, June, September and December and on the Final Termination Date for such Borrower (and, if applicable, thereafter on demand).

(b) Utilization Fee. Each Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their Pro Rata Shares, a utilization fee for each day on which either (i) the Outstanding Credit Extensions to all Borrowers exceed 33-1/3% of the aggregate amount of the Commitment Amounts or (ii) such Borrower's Outstanding Credit Extensions exceed 33-1/3% of such Borrower's Sublimit, in each case in an amount equal to the Utilization Fee Rate for such Borrower multiplied by such Borrower's Outstanding Credit Extensions on such day, payable on the last day of each March, June, September and December and on the Commitment Termination Date for such Borrower.

SECTION 2.04 Reduction of Commitment Amounts; Adjustment of Sublimits. (a) Each Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to ratably reduce the respective Commitment Amounts of the Lenders in accordance with their Pro Rata Shares; provided that no Borrower may reduce the Commitment Amounts by an aggregate amount that is greater than the remainder of the amount of such Borrower's Sublimit minus the Outstanding Credit Extensions to such Borrower; and provided, further, that each partial reduction of the Commitment Amounts shall be in the aggregate amount of $10,000,000 or an integral multiple thereof. Once reduced pursuant to this Section 2.04, the Commitment Amounts may not be increased.

(b) Any Borrower shall have the right at any time such Borrower's Sublimit has been reduced to zero, upon at least two Business Days' notice to the Administrative Agent, to terminate the Commitment of each Lender with respect to such Borrower in its entirety (but only if such Borrower concurrently pays all of its obligations hereunder). Upon any such termination, such Borrower shall cease to be a party hereto and shall no longer have any rights or obligations hereunder (except under provisions hereof which by their terms would survive any termination hereof).

(c) The Borrowers may from time to time so long as no Event of Default or Unmatured Event of Default exists with respect to any Borrower, upon not less than five Business Days' notice to the Administrative Agent (which shall promptly notify each Lender), change their respective Sublimits; provided that (i) the sum of the Sublimits shall at all times be equal to the aggregate amount of the Commitment Amounts; and (ii) after giving effect to any adjustment of the Sublimits, (A) each Sublimit shall be an integral multiple of $50,000,000 (except that one Sublimit may not be such an integral multiple if the aggregate amount of the Commitment Amounts is not an integral multiple of $50,000,000); (B) no Borrower's Sublimit shall exceed $500,000,000; (C) the Outstanding Credit Extensions to Exelon shall not exceed the Exelon Sublimit; (D) the Outstanding Credit Extensions to ComEd shall not exceed the ComEd Sublimit; (E) the Outstanding Credit Extensions to Genco shall not exceed the Genco Sublimit and (F) the Outstanding Credit Extensions to PECO shall not exceed the PECO Sublimit.

SECTION 2.05 Repayment of Advances. Each Borrower shall repay the principal amount of all Advances made to it on or before the Maturity Date for such Borrower.

SECTION 2.06 Interest on Advances. Each Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) At all times such Advance is a Base Rate Advance, a rate per annum equal to the Base Rate in effect from time to time, payable quarterly on the last day of each March, June, September and December and on the date such Base Rate Advance is converted to a Eurodollar Rate Advance or paid in full.

(b) Subject to Section 2.07, at all times such Advance is a Eurodollar Rate Advance, a rate per annum equal to the sum of the Eurodollar Rate for each applicable Interest Period plus the Applicable Margin in effect from time to time for such Borrower, payable on the last day of each Interest Period for such Eurodollar Rate Advance (and, if any Interest Period for such Advance is six months, on the day that is three months after the first day of such Interest Period) or, if earlier, on the date such Eurodollar Rate Advance is converted to a Base Rate Advance or paid in full.

SECTION 2.07 Additional Interest on Eurodollar Advances. Each Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender made to such Borrower, from the date of such Advance until such principal amount is paid in full or converted to a Base Rate Advance, at an interest rate per annum equal to the remainder obtained by subtracting (i) the Eurodollar Rate for each Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance; provided that no Lender shall be entitled to demand such additional interest more than 90 days following the last day of the Interest Period in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive such additional interest to the extent that such additional interest relates to the retroactive application of the reserve requirements described above if such demand is made within 90 days after the implementation of such retroactive reserve requirements. Such additional interest shall be determined by the applicable Lender and notified to the applicable Borrower through the Administrative Agent, and such determination shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the applicable Borrower and the Lenders of each applicable interest rate determined by the Administrative Agent for purposes of Section 2.06(a) or (b).

(b) If, with respect to any Eurodollar Rate Advances, the Majority Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the applicable Borrower and the Lenders, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor (unless prepaid or converted to a Base Rate Advance prior to such day), convert into a Base Rate Advance, and

(ii) the obligation of the Lenders to make, continue or convert into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09 Continuation and Conversion of Advances. (a) Any Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed continuation of or conversion into Eurodollar Rate Advances, and on the date of any proposed conversion into Base Rate Advances, and subject to the provisions of Sections 2.08 and 2.12, continue Eurodollar Rate Advances for a new Interest Period or convert a Borrowing of Advances of one Type into Advances of the other Type; provided that any continuation of Eurodollar Rate Advances or conversion of Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, unless, in the case of such a conversion, such Borrower shall also reimburse the Lenders pursuant to Section 8.04(b) on the date of such conversion. Each such notice of a continuation or conversion shall, within the restrictions specified above, specify (i) the date of such continuation or conversion, (ii) the Advances to be continued or converted, and (iii) in the case of continuation of or conversion into Eurodollar Rate Advances, the duration of the Interest Period for such Advances.

(b) If a Borrower shall fail to select the Type of any Advance or the duration of any Interest Period for any Borrowing of Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01 and Section 2.09(a), the Administrative Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, convert into Base Rate Advances.

SECTION 2.10 Prepayments. Any Borrower may, upon notice to the Administrative Agent at least three Business Days prior to any prepayment of Eurodollar Rate Advances, or one Business Day's notice prior to any prepayment of Base Rate Advances, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given that Borrower shall, prepay the outstanding principal amounts of the Advances made as part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided that (i) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Eurodollar Rate Advances and $5,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Base Rate Advances, and (ii) in the case of any such prepayment of a Eurodollar Rate Advance, such Borrower shall be obligated to reimburse the Lenders pursuant to Section 8.04(b) on the date of such prepayment. After the Commitment Termination Date, amounts prepaid under this Section 2.10 may not be reborrowed.

SECTION 2.11 Increased Costs. (a) If on or after the date of this Agreement, any Lender or the LC Issuer determines that (i) the introduction of or any change (other than, in the case of Eurodollar Rate Advances, any change by way of imposition or increase of reserve requirements, included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank

or other governmental authority (whether or not having the force of law) shall increase the cost to such Lender or the LC Issuer, as the case may be, of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or of issuing or participating in any Facility LC, then the applicable Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent) or the LC Issuer, as applicable, pay to the Administrative Agent for the account of such Lender additional amounts (without duplication of any amount payable pursuant to Section 2.14) sufficient to compensate such Lender or the LC Issuer, as applicable, for such increased cost; provided that no Lender shall be entitled to demand such compensation more than 90 days following the last day of the Interest Period in respect of which such demand is made and the LC Issuer shall not be entitled to demand such compensation more than 90 days following the expiration or termination (by a drawing or otherwise) of the Facility LC in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender or the LC Issuer to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described in clause (i) or (ii) above if such demand is made within 90 days after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to the amount of such increased cost, submitted to the applicable Borrower and the Administrative Agent by a Lender or the LC Issuer, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender or the LC Issuer determines that, after the date of this Agreement, compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) regarding capital adequacy requirements affects or would affect the amount of capital required or expected to be maintained by such Lender or the LC Issuer or any Person controlling such Lender or the LC Issuer (including, in any event, any determination after the date of this Agreement by any such governmental authority or central bank that, for purposes of capital adequacy requirements, any Lender's Commitment to a Borrower or the LC Issuer's commitment to issue Facility LCs for the account of such Borrower as the case may be does not constitute a commitment with an original maturity of less than one year) and that the amount of such capital is increased by or based upon the existence of such Lender's Commitment to such Borrower or the LC Issuer's commitment to issue Facility LCs for the account of such Borrower, as applicable, or the Advances made by such Lender to such Borrower or Reimbursement Obligations owed to the LC Issuer by such Borrower, as the case may be, then, upon demand by such Lender (with a copy of such demand to the Administrative Agent) or the LC Issuer, as applicable, such Borrower shall immediately pay to the Administrative Agent for the account of such Lender or LC Issuer, as applicable, from time to time as specified by such Lender or the LC Issuer, as applicable, additional amounts sufficient to compensate such Lender, the LC Issuer or such controlling Person, as applicable, in the light of such circumstances, to the extent that such Lender determines such increase in capital to be allocable to the existence of such Lender's Commitment to such Borrower or the Advances made by such Lender to such Borrower or the LC Issuer determines such increase in capital to be allocable to the LC Issuer's commitment to issue Facility LCs for the account of such Borrower or the Reimbursement Obligations owed by such Borrower to the LC Issuer; provided that no Lender or the LC Issuer shall be entitled to demand such compensation more than one year following the payment to or for the account of such Lender of all other amounts payable hereunder by such Borrower and under any Note of such Borrower held by such Lender and the termination of such Lender's Commitment to such

Borrower and the LC Issuer shall not be entitled to demand such compensation more than one year after the expiration or termination (by drawing or otherwise) of all Facility LCs issued for the account of such Borrower and the termination of the LC Issuer's commitment to issue Facility LCs for the account of such Borrower; provided, further, that the foregoing proviso shall in no way limit the right of any Lender or the LC Issuer to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described above if such demand is made within one year after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to such amounts submitted to the applicable Borrower and the Administrative Agent by the applicable Lender or the LC Issuer shall be conclusive and binding, for all purposes, absent manifest error.

(c) Any Lender claiming compensation pursuant to this Section 2.11 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such compensation that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of such Lender to make, continue or convert Advances into Eurodollar Rate Advances shall be suspended (subject to the following paragraph of this Section 2.12) until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist and (ii) all Eurodollar Rate Advances of such Lender then outstanding shall, on the last day of the then applicable Interest Period (or such earlier date as such Lender shall designate upon not less than five Business Days' prior written notice to the Administrative Agent), be automatically converted into Base Rate Advances.

If the obligation of any Lender to make, continue or convert into Eurodollar Rate Advances has been suspended pursuant to the preceding paragraph, then, unless and until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist, (i) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances shall instead be made as Base Rate Advances and (ii) to the extent that Eurodollar Rate Advances of such Lender have been converted into Base Rate Advances pursuant to the preceding paragraph or made instead as Base Rate Advances pursuant to the preceding clause (i), all payments and prepayments of principal that would have otherwise been applied to such Eurodollar Rate Advances of such Lender shall be applied instead to such Base Rate Advances of such Lender.

SECTION 2.13 Payments and Computations. (a) Each Borrower shall make each payment hereunder and under any Note issued by such Borrower not later than 10:00 A.M. (Chicago time) on the day when due in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 in same day funds without setoff, counterclaim or other deduction.

The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, facility fees, utilization fees and letter of credit fees ratably (other than amounts payable pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Borrower hereby authorizes each Lender, if and to the extent any payment owed to such Lender by such Borrower is not made when due hereunder, to charge from time to time against any or all of such Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Prime Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of fees shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Lender, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.07, by a Lender) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of any interest or fees, as the case may be; provided that if such extension would cause payment of interest on or principal of a Eurodollar Rate Advance to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due by such Borrower to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that such Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) Notwithstanding anything to the contrary contained herein, any amount payable by a Borrower hereunder that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the fullest extent permitted by law) bear interest from the date when due until paid in full at a rate per annum equal at all times to the Base Rate plus 2%, payable upon demand.

SECTION 2.14 Taxes. (a) Any and all payments by any Borrower hereunder or under any Note issued by such Borrower shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender, the LC Issuer and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender, the LC Issuer or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If a Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note issued by such Borrower to any Lender, the LC Issuer or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender, the LC Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower severally agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies to the extent arising from the execution, delivery or registration of this Agreement or any Note (hereinafter referred to as "Other Taxes"), in each case to the extent attributable to such Borrower; it being understood that to the extent any Other Taxes so payable are not attributable to any particular Borrower, each Borrower shall pay its proportionate share thereof according to the amounts of the Borrowers' respective Sublimits at the time such Other Taxes arose.

(c) No Lender may claim or demand payment or reimbursement in respect of any Taxes or Other Taxes pursuant to this Section 2.14 if such Taxes or Other Taxes, as the case may be, were imposed solely as the result of a voluntary change in the location of the jurisdiction of such Lender's Applicable Lending Office.

(d) Each Borrower will indemnify each Lender, the LC Issuer and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender, the LC Issuer or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted, in each case to the extent attributable to such Borrower; it being understood that to the extent any Taxes, Other Taxes or other liabilities described above are not attributable to a particular Borrower, each Borrower shall

pay its proportionate share thereof according to the amounts of the Borrowers' respective Sublimits at the time such Taxes, Other Taxes or other liability arose. This indemnification shall be made within 30 days from the date such Lender, the LC Issuer or the Administrative Agent (as the case may be) makes written demand therefor.

(e) Prior to the date of an initial borrowing hereunder in the case of each Lender listed on the signature pages hereof, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter within 30 days from the date of request if requested by any Borrower or the Administrative Agent, each Lender organized under the laws of a jurisdiction outside the United States shall provide the Administrative Agent and each Borrower with the forms prescribed by the Internal Revenue Service of the United States certifying that such Lender is exempt from United States withholding taxes with respect to all payments to be made to such Lender hereunder and under any Note. If for any reason during the term of this Agreement, any Lender becomes unable to submit the forms referred to above or the information or representations contained therein are no longer accurate in any material respect, such Lender shall notify the Administrative Agent and the Borrowers in writing to that effect. Unless the Borrowers and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under any Note are not subject to United States withholding tax, the Borrowers or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States and no Lender may claim or demand payment or reimbursement for such withheld taxes pursuant to this Section 2.14.

(f) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts which may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(g) If a Borrower makes any additional payment to any Lender pursuant to this Section 2.14 in respect of any Taxes or Other Taxes, and such Lender determines that it has received (i) a refund of such Taxes or Other Taxes or (ii) a credit against or relief or remission for, or a reduction in the amount of, any tax or other governmental charge attributable solely to any deduction or credit for any Taxes or Other Taxes with respect to which it has received payments under this Section 2.14, such Lender shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to such Borrower such amount as such Lender shall have determined to be attributable to the deduction or withholding of such Taxes or Other Taxes. If, within one year after the payment of any such amount to such Borrower, such Lender determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 2.14(g), such Borrower shall upon notice and demand of such Lender promptly repay the amount of such overpayment. Any determination made by a Lender pursuant to this Section 2.14(g) shall in the absence of bad faith or manifest error be conclusive, and nothing in this Section 2.14(g) shall be construed as requiring any Lender to conduct its business or to arrange or alter in any respect its tax or financial affairs (except as required by

Section 2.14(f)) so that it is entitled to receive such a refund, credit or reduction or as allowing any Person to inspect any records, including tax returns, of such Lender.

(h) Without prejudice to the survival of any other agreement of any Borrower or any Lender hereunder, the agreements and obligations of the Borrowers and the Lenders contained in this Section 2.14 shall survive the payment in full of principal and interest hereunder and the termination of this Agreement; provided that no Lender shall be entitled to demand any payment from a Borrower under this Section 2.14 more than one year following the payment to or for the account of such Lender of all other amounts payable by such Borrower hereunder and under any Note issued by such Borrower to such Lender and the termination of such Lender's Commitment to such Borrower; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive any payment under this Section 2.14 to the extent that such payment relates to the retroactive application of any Taxes or Other Taxes if such demand is made within one year after the implementation of such Taxes or Other Taxes.

SECTION 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it to any Borrower or its participation interest in any Facility LC issued for the account of any Borrower (other than pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) in excess of its ratable share of payments on account of the Advances to such Borrower and Facility LCs issued for the account of such Borrower obtained by all Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances made by them to such Borrower and/or LC Obligations of such Borrower as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the applicable Borrower in the amount of such participation.

SECTION 2.16 Facility LCs.

SECTION 2.16.1 Issuance. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement (including the limitations set forth in Section 2.01), upon the request of any Borrower, to issue standby letters of credit (each a "Facility LC") and to renew, extend, increase or otherwise modify Facility LCs ("Modify," and each such action a "Modification") for such Borrower, from time to time from and including the date of this Agreement and prior to the Commitment Termination Date for such Borrower. No Facility LC shall have an expiry date later than the earlier of (a) one year after the date of issuance, or of extension or renewal, thereof or (b) 360 days after the

scheduled Commitment Termination Date. No Facility LC may be renewed or extended, or increased in amount, after the Commitment Termination Date (but a Facility LC may be decreased in amount or, subject to the foregoing provisions of this sentence, otherwise amended after such date).

SECTION 2.16.2 Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.16, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

SECTION 2.16.3 Notice. Subject to Section 2.16.1, the applicable Borrower shall give the LC Issuer notice prior to 10:00 A.M. (Chicago time) at least five Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the applicable conditions precedent set forth in Article III (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the applicable Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

SECTION 2.16.4 LC Fees. Each Borrower shall pay to the Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, with respect to each Facility LC issued for the account of such Borrower, a letter of credit fee at a per annum rate equal to the LC Fee Rate to such Borrower in effect from time to time on the average daily undrawn stated amount under such Facility LC, such fee to be payable in arrears on the last day of each March, June, September and December and on the Final Termination Date for such Borrower (and thereafter on demand). Each Borrower shall also pay to the LC Issuer for its own account (x) a fronting fee in an amount and at the times agreed upon between the LC Issuer and such Borrower and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

SECTION 2.16.5 Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility

LC, the LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the applicable Borrower and each Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the applicable Borrower and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Lender shall be unconditionally and irrevocably liable, without regard to the occurrence of the Commitment Termination Date or the Final Termination Date for the applicable Borrower, the occurrence of any Event of Default or Unmatured Event of Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the applicable Borrower pursuant to Section 2.16.6, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 A.M. (Chicago time) on such day, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Rate for the first three days and, thereafter, at the Base Rate.

SECTION 2.16.6 Reimbursement by Borrowers. Each Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amount to be paid by the LC Issuer upon any drawing under any Facility LC issued for the account of such Borrower, without presentment, demand, protest or other formalities of any kind; provided that neither the applicable Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by such Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the applicable Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Base Rate plus 2%. The LC Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from any Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.16.5. So long as the Commitment Termination Date has not occurred with respect to a Borrower, but subject to the terms and conditions of this Agreement (including the submission of a Notice of Borrowing in compliance with Section 2.02 and the satisfaction of the applicable conditions precedent set forth in Article III), such Borrower may request Advances hereunder for the purpose of satisfying any Reimbursement Obligation.

SECTION 2.16.7 Obligations Absolute. Each Borrower's obligations under this Section 2.16 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which such Borrower may have against the LC Issuer, any Lender or any beneficiary of a Facility LC. Each Borrower agrees with the LC Issuer and the Lenders that the LC Issuer and the Lenders shall not be responsible for, and such Borrower's Reimbursement Obligation in respect of any Facility LC issued for its account shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among such Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of such Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. Each Borrower agrees that any action taken or omitted by the LC Issuer or any Lender under or in connection with any Facility LC issued for the account of such Borrower and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon such Borrower and shall not put the LC Issuer or any Lender under any liability to such Borrower. Nothing in this Section 2.16.7 is intended to limit the right of any Borrower to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.16.6.

SECTION 2.16.8 Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.16, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holder of a participation in any Facility LC.

SECTION 2.16.9 Indemnification. Each Borrower hereby agrees to indemnify and hold harmless each Lender, the LC Issuer and the Agent, and their respective directors, officers, agents and employees, from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, the LC Issuer or the Agent may incur (or which may be claimed against such Lender, the LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC

issued for the account of such Borrower or any actual or proposed use of any such Facility LC, including any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any right such Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any such Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that no Borrower shall be required to indemnify any Lender, the LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.16.9 is intended to limit the obligations of any Borrower under any other provision of this Agreement.

SECTION 2.16.10 Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.16 or any action taken or omitted by such indemnitees hereunder.

SECTION 2.16.11 Rights as a Lender. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

SECTION 2.17 Extension of Commitment Termination Date. Exelon may request an extension of the scheduled Commitment Termination Date for any or all Borrowers by submitting a request for an extension to the Administrative Agent (an "Extension Request") no more than 60 days prior to the scheduled Commitment Termination Date then in effect. The Extension Request must specify the new scheduled Commitment Termination Date requested by Exelon and the date (which must be at least 30 days after the Extension Request is delivered to the Administrative Agent) as of which the Lenders must respond to the Extension Request (the "Response Date"). The new scheduled Commitment Termination Date shall be 364 days after the scheduled Commitment Termination Date in effect at the time an Extension Request is received, including the scheduled Commitment Termination Date as one of the days in the calculation of the days elapsed. Promptly upon receipt of an Extension Request, the Administrative Agent shall notify each Lender of the contents thereof and shall request each Lender to approve such Extension Request, which approval shall be at the sole discretion of each Lender. Each Lender approving such Extension Request shall deliver its written consent no later

than the Response Date. If the written consent of each of the Lenders (excluding any Person which ceases to be a Lender pursuant to Section 8.07(g)(iii)) is received by the Administrative Agent, the new scheduled Commitment Termination Date specified in the Extension Request shall become effective on the existing scheduled Commitment Termination Date and the Administrative Agent shall promptly notify each Borrower and each Lender of the new scheduled Commitment Termination Date. If all Lenders (including any Person which becomes a Lender pursuant to Section 8.07(g)) do not consent to an Extension Request, the scheduled Commitment Termination Date shall not be extended pursuant to such Extension Request.

ARTICLE III

CONDITIONS TO CREDIT EXTENSIONS

SECTION 3.01 Conditions Precedent to Initial Credit Extensions. No Lender shall be obligated to make any Advance, and the LC Issuer shall not be obligated to issue any Facility LC, unless the Administrative Agent shall have received (a) evidence, satisfactory to the Administrative Agent, that the Borrowers have paid (or will pay with the proceeds of the initial Credit Extensions) all amounts then payable under the Existing Agreement and that all "Commitments" under and as defined in the Existing Agreement have been (or concurrently with the initial Advances will be) terminated and (b) each of the following documents, each dated the date of the initial Credit Extension (or an earlier date satisfactory to the Administrative Agent, in form and substance satisfactory to the Administrative Agent and each (except for any Note) in sufficient copies to provide one for each Lender:

(i) Notes issued by each Borrower in favor of each Lender that has requested a Note to evidence its Advances;

(ii) Certified copies of resolutions of the Board of Directors or equivalent managing body of each Borrower approving the transactions contemplated by this Agreement and of all documents evidencing other necessary organizational action of such Borrower with respect to this Agreement and the documents contemplated hereby;

(iii) A certificate of the Secretary or an Assistant Secretary of each Borrower certifying (A) the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the other documents to be delivered hereunder; (B) that attached thereto are true and correct copies of the articles or certificate of incorporation and by- laws, or equivalent organizational documents, of such Borrower, in each case in effect on such date; and (C) that attached thereto are true and correct copies of all governmental and regulatory authorizations and approvals required for the due execution, delivery and performance by such Borrower of this Agreement and the documents contemplated hereby;

(iv) A certificate signed by either the chief financial officer, principal accounting officer or treasurer of each Borrower stating that (A) the representations and warranties contained in Section 4.01 are correct on and as of

the date of such certificate as though made on and as of such date and (B) no Event of Default or Unmatured Event of Default has occurred and is continuing on the date of such certificate; and

(v) A favorable opinion of Ballard Spahr Andrews & Ingersoll LLC, special counsel for the Borrowers, substantially in the form of Exhibit D-1; and a favorable opinion of Sidley Austin Brown & Wood LLP, special counsel to ComEd, substantially in the form of Exhibit D-2.

SECTION 3.02 Conditions Precedent to All Credit Extensions. The obligation of each Lender to make any Advance to any Borrower and of the LC Issuer to issue or modify any Facility LC for the account of any Borrower shall be subject to the further conditions precedent that on the date of such Credit Extension the following statements shall be true, and (a) the giving of the applicable Notice of Borrowing and the acceptance by the applicable Borrower of the proceeds of Advances pursuant thereto and (b) the request by a Borrower for the issuance or Modification of a Facility LC shall, in each case, constitute a representation and warranty by such Borrower that on the date of the making of such Advances or the issuance or Modification of such Facility LC such statements are true:

(A) The representations and warranties of such Borrower contained in Section 4.01 are correct on and as of the date of such Credit Extension, before and after giving effect to such Credit Extension and, in the case of the making of Advances, the application of the proceeds therefrom, as though made on and as of such date; provided that this Section 3.02(A) shall not apply to the representations and warranties set forth in Sections 4.01(e)(i)(B), 4.01(e)(ii)(B), 4.01(e)(iii)(B) and 4.01(e)(iv)(B) and the first sentence of Section 4.01(f) with respect to a Borrowing if the proceeds of such Borrowing will be used exclusively to repay such Borrower's commercial paper (and, in the event of any such Borrowing, the Administrative Agent may require the applicable Borrower to deliver information sufficient to disburse the proceeds of such Borrowing directly to the holders of such commercial paper or a paying agent therefor); and

(B) No event has occurred and is continuing, or would result from such Credit Extension or, in the case of the making of Advances, from the application of the proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default with respect to such Borrower.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

(a) Such Borrower is a corporation, limited liability company or business trust duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization.

(b) The execution, delivery and performance by such Borrower of this Agreement and any Note issued by such Borrower are within such Borrower's powers, have been duly authorized by all necessary organizational action on the part of such Borrower, and do not and will not contravene (i) the articles or certificate of incorporation, by- laws or the organizational documents of such Borrower, (ii) applicable law or (iii) any contractual or legal restriction binding on or affecting the properties of such Borrower or any of its Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Borrower of this Agreement or any applicable Note, except an appropriate order or orders of (i) the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 and (ii) in the case of ComEd, the Illinois Commerce Commission under the Illinois Public Utilities Act, which order or orders have been duly obtained and are (x) in full force and effect and (y) sufficient for the purposes hereof.

(d) This Agreement is, and each applicable Note when delivered hereunder will be, legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as the enforceability thereof may be limited by equitable principles or bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(e) (i) In the case of PECO, (A) the consolidated balance sheet of PECO and its Subsidiaries as at December 31, 2002, and the related statements of income and retained earnings and of cash flows of PECO and its Subsidiaries for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of PECO and its Subsidiaries as at June 30, 2003, and the related unaudited statements of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of PECO and its Subsidiaries as at such dates and the consolidated results of the operations of PECO and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to PECO.

(ii) In the case of ComEd, (A) the consolidated balance sheet of ComEd and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of ComEd and its Subsidiaries for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of ComEd and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of ComEd and its Subsidiaries as at such dates and the consolidated results of the operations of ComEd and its Subsidiaries

for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to ComEd.

(iii) In the case of Exelon, (A) the consolidated balance sheet of Exelon and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of Exelon for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of Exelon and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six- month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of Exelon and its Subsidiaries as at such dates and the consolidated results of the operations of Exelon and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to Exelon.

(iv) In the case of Genco, (A) the consolidated balance sheet of Genco and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of Genco for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of Genco and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six- month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of Genco and its Subsidiaries as at such dates and the consolidated results of the operations of Genco and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to Genco.

(f) Except as disclosed in such Borrower's Annual, Quarterly or Current Reports, each as filed with the Securities and Exchange Commission and delivered to the Lenders prior to the later of the date of execution and delivery of this Agreement or the date of the most recent extension of the Commitment Termination Date pursuant to Section 2.17, there is no pending or threatened action, investigation or proceeding affecting such Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that may reasonably be anticipated to have a Material Adverse Effect with respect to such Borrower. There is no pending or threatened action or proceeding against such Borrower or any of its Subsidiaries that purports to affect the legality, validity, binding effect or enforceability against such Borrower of this Agreement or any Note issued by such Borrower.

(g) No proceeds of any Advance to such Borrower have been or will be used directly or indirectly in connection with the acquisition of in excess of 5% of any class of equity securities that is registered pursuant to Section 12 of the Exchange Act or any transaction subject to the requirements of Section 13 or 14 of the Exchange Act.

(h) Such Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance to such Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the value of the assets of such Borrower and its Subsidiaries is represented by margin stock.

(i) Such Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) During the twelve consecutive month period prior to the date of the execution and delivery of this Agreement and prior to the date of any borrowing of Advances by such Borrower or the issuance or modification of any Facility LC for the account of such Borrower, no steps have been taken to terminate any Plan, and no contribution failure by such Borrower or any other member of the Controlled Group has occurred with respect to any Plan. No condition exists or event or transaction has occurred with respect to any Plan (including any Multiemployer Plan) which might result in the incurrence by such Borrower or any other member of the Controlled Group of any material liability, fine or penalty.

ARTICLE V

COVENANTS OF THE BORROWERS

SECTION 5.01 Affirmative Covenants. Each Borrower agrees that so long as any amount payable by such Borrower hereunder remains unpaid, any Facility LC issued for the account of such Borrower remains outstanding or any Lender has any Commitment to such Borrower hereunder, such Borrower will, and, in the case of Section 5.01(a), will cause its Principal Subsidiaries to, unless the Majority Lenders shall otherwise consent in writing:

(a) Keep Books; Existence; Maintenance of Properties; Compliance with Laws; Insurance; Taxes.

(i) keep proper books of record and account, all in accordance with generally accepted accounting principles in the United States, consistently applied;

(ii) subject to Section 5.02(b) (and except for the dissolution or liquidation of any Sithe Entity), preserve and keep in full force and effect its existence;

(iii) maintain and preserve all of its properties (except such properties the failure of which to maintain or preserve would not have, individually or in the aggregate, a Material Adverse Effect on such Borrower) which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted;

(iv) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders (including those of any governmental authority and including with respect to environmental matters) to the extent the failure to so comply, individually or in the aggregate, would have a Material Adverse Effect on such Borrower;

(v) maintain insurance with responsible and reputable insurance companies or associations, or self- insure, as the case may be, in each case in such amounts and covering such contingencies, casualties and risks as is customarily carried by or self- insured against by companies engaged in similar businesses and owning similar properties in the same general areas in which such Borrower and its Principal Subsidiaries operate;

(vi) at any reasonable time and from time to time, pursuant to prior notice delivered to such Borrower, permit any Lender, or any agent or representative of any thereof, to examine and, at such Lender's expense, make copies of, and abstracts from the records and books of account of, and visit the properties of, such Borrower and any of its Principal Subsidiaries and to discuss the affairs, finances and accounts of such Borrower and any of its Principal Subsidiaries with any of their respective officers; provided that any non-public information (which has been identified as such by such Borrower or the applicable Principal Subsidiary) obtained by any Lender or any of its agents or representatives pursuant to this clause (vi) shall be treated confidentially by such Person; provided, further, that such Person may disclose such information to any other party to this Agreement, its examiners, affiliates, outside auditors, counsel or other professional advisors in connection with the Agreement or if otherwise required to do so by law or regulatory process; and

(vii) use the proceeds of the Advances to it for general corporate or limited liability company purposes, as the case may be (including the refinancing of its commercial paper and the making of acquisitions), but in no event for any purpose which would be contrary to Section 4.01(g) or 4.01(h).

(b) Reporting Requirements. Furnish to the Lenders:

(i) as soon as possible, and in any event within five Business Days after the occurrence of any Event of Default or Unmatured Event of Default with respect to such Borrower continuing on the date of such statement, a statement of an authorized officer of such Borrower setting forth details of such Event of Default or Unmatured Event of Default and the action which such Borrower proposes to take with respect thereto;

(ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of such Borrower (commencing with the quarter ending March 31, 2003), a copy of such Borrower's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission with respect to such quarter (or, if such Borrower is not

required to file a Quarterly Report on Form 10-Q, copies of an unaudited consolidated balance sheet of such Borrower as of the end of such quarter and the related consolidated statement of income of such Borrower for the portion of such Borrower's fiscal year ending on the last day of such quarter, in each case prepared in accordance with GAAP, subject to the absence of footnotes and to year-end adjustments), together with a certificate of an authorized officer of such Borrower stating that no Event of Default or Unmatured Event of Default with respect to such Borrower has occurred and is continuing or, if any such Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which such Borrower proposes to take with respect thereto;

(iii) as soon as available and in any event within 105 days after the end of each fiscal year of such Borrower, a copy of such Borrower's Annual Report on Form 10-K filed with the Securities and Exchange Commission with respect to such fiscal year (or, if such Borrower is not required to file an Annual Report on Form 10-K, the consolidated balance sheet of such Borrower and its subsidiaries as of the last day of such fiscal year and the related consolidated statements of income, retained earnings (if applicable) and cash flows of such Borrower for such fiscal year, certified by Pricewaterhouse Coopers LLP or other certified public accountants of recognized national standing), together with a certificate of an authorized officer of such Borrower stating that no Event of Default or Unmatured Event of Default with respect to such Borrower has occurred and is continuing or, if any such Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which such Borrower proposes to take with respect thereto;

(iv) concurrently with the delivery of the annual and quarterly reports referred to in Sections 5.01(b)(ii) and 5.01(b)(iii), a compliance certificate in substantially the form set forth in Exhibit E, duly completed and signed by the Chief Financial Officer, Treasurer or an Assistant Treasurer of such Borrower;

(v) except as otherwise provided in clause (ii) or (iii) above, promptly after the sending or filing thereof, copies of all reports that such Borrower sends to any of its security holders, and copies of all Reports on Form 10-K, 10-Q or 8-K, and registration statements and prospectuses that such Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange (except to the extent that any such registration statement or prospectus relates solely to the issuance of securities pursuant to employee or dividend reinvestment plans of such Borrower or such Subsidiary);

(vi) promptly upon becoming aware of the institution of any steps by such Borrower or any other Person to terminate any Plan, or the failure to make a required contribution to any Plan if such failure is sufficient to give rise to a lien under section 302(f) of ERISA, or the taking of any action with respect to a Plan which could result in the requirement that such Borrower furnish a bond or other security to the PBGC or such Plan, or the occurrence of any event with respect to

any Plan, which could result in the incurrence by such Borrower or any other member of the Controlled Group of any material liability, fine or penalty, notice thereof and a statement as to the action such Borrower proposes to take with respect thereto;

(vii) promptly upon becoming aware thereof, notice of any change in the Moody's Rating or the S&P Rating for such Borrower; and

(viii) such other information respecting the condition, operations, business or prospects, financial or otherwise, of such Borrower or any of its Subsidiaries as any Lender, through the Administrative Agent, may from time to time reasonably request.

SECTION 5.02 Negative Covenants. Each Borrower agrees that so long as any amount payable by such Borrower hereunder remains unpaid, any Facility LC issued for the account of such Borrower remains outstanding or any Lender has any Commitment to such Borrower hereunder (except with respect to Section 5.02(a), which shall be applicable only as of the date hereof and at any time any Advance to such Borrower or Facility LC issued for the account of such Borrower is outstanding or is to be made or issued, as applicable), such Borrower will not, without the written consent of the Majority Lenders:

(a) Limitation on Liens. Create, incur, assume or suffer to exist, or, in the case of Exelon, permit any of its Material Subsidiaries to create, incur, assume or suffer to exist, any Lien on its respective property, revenues or assets, whether now owned or hereafter acquired except (i) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens arising in the ordinary course of business; (ii) Liens on the capital stock of or any other equity interest in any of its Subsidiaries (excluding, in the case of Exelon, the stock of ComEd, PECO, Genco and any holding company for any of the foregoing) or any such Subsidiary's assets to secure Nonrecourse Indebtedness; (iii) Liens upon or in any property acquired in the ordinary course of business to secure the purchase price of such property or to secure any obligation incurred solely for the purpose of financing the acquisition of such property; (iv) Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition unless permitted by the preceding clause (iii)); (v) Liens on the property, revenues and/or assets of any Person that exist at the time such Person becomes a Subsidiary and the continuation of such Liens in connection with any refinancing or restructuring of the obligations secured by such Liens; (vi) Liens granted in connection with any financing arrangement for the purchase of nuclear fuel or the financing of pollution control facilities, limited to the fuel or facilities so purchased or acquired; (vii) Liens arising in connection with sales or transfers of, or financing secured by, accounts receivable or related contracts; provided that any such sale, transfer or financing shall be on arms' length terms; (viii) Liens granted by a Special Purpose Subsidiary to secure Transitional Funding Instruments of such Special Purpose Subsidiary; (ix) in the case of ComEd, Liens arising under the ComEd Mortgage and "permitted liens" as defined in the ComEd Mortgage; (x) in the case of PECO, (A) Liens granted under the PECO Mortgage and "excepted encumbrances" as defined in the PECO Mortgage, and (B) Liens securing PECO's notes collateralized solely by mortgage bonds of PECO issued under the terms of the PECO Mortgage; (xi) in the case of PECO, ComEd and Genco, Liens arising in connection with sale and leaseback transactions entered into by such

Borrower or a Subsidiary thereof, but only to the extent (I) in the case of PECO or ComEd or any Subsidiary thereof, the proceeds received from such sale shall immediately be applied to retire mortgage bonds of PECO or ComEd issued under the terms of the PECO Mortgage or the ComEd Mortgage, as the case may be, or (II) the aggregate purchase price of assets sold pursuant to such sale and leaseback transactions where such proceeds are not applied as provided in clause (I) shall not exceed, in the aggregate for PECO, ComEd, Genco and their Subsidiaries, $1,000,000,000; (xii) Liens securing Permitted Obligations; and (xiii) Liens, other than those described in clauses (i) through (xii) of this Section 5.02(a), granted by such Borrower or, in the case of Exelon, any of its Material Subsidiaries in the ordinary course of business securing Debt of such Borrower and, if applicable, such Material Subsidiaries; provided that the aggregate amount of all Debt secured by Liens permitted by clause (xiii) of this Section 5.02(a) shall not exceed in the aggregate at any one time outstanding (I) in the case of Exelon and its Material Subsidiaries, $100,000,000, (II) in the case of ComEd, $50,000,000, (III) in the case of Genco, $50,000,000, and (IV) in the case of PECO, $50,000,000.

(b) Mergers and Consolidations; Disposition of Assets. Merge with or into or consolidate with or into, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person or permit any Principal Subsidiary (other than any Sithe Entity) to do so, except that (i) any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to any other Principal Subsidiary of such Borrower, (ii) any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to such Borrower and (iii) such Borrower or any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to any other Person; provided that, in each case, immediately before and after giving effect thereto, no Event of Default or Unmatured Event of Default with respect to such Borrower shall have occurred and be continuing and (A) in the case of any such merger, consolidation or transfer of assets to which a Borrower is a party, either (x) such Borrower shall be the surviving entity or (y) the surviving entity shall be an Eligible Successor and shall have assumed all of the obligations of such Borrower under this Agreement and the Notes issued by such Borrower and the Facility LCs issued for the account of such Borrower pursuant to a written instrument in form and substance satisfactory to the Administrative Agent, (B) subject to clause (A) above, in the case of any such merger, consolidation or transfer of assets to which any of its Principal Subsidiaries is a party, a Principal Subsidiary of such Borrower shall be the surviving entity and (C) subject to clause (A) above, in the case of any such merger, consolidation or transfer of assets to which a Material Subsidiary of Exelon is a party, a Material Subsidiary of Exelon shall be the surviving entity.

(c) Interest Coverage Ratio. Permit its Interest Coverage Ratio as of the last day of any fiscal quarter to be less than (i) in the case of Exelon, 2.65 to 1.0; (ii) in the case of ComEd, 2.25 to 1.0; (ii) in the case of PECO, 2.25 to 1.0; and (iv) in the case of Genco, 3.25 to 1.0.

(d) Continuation of Businesses. Engage in, or permit any of its Subsidiaries to engage in, any line of business which is material to Exelon and its Subsidiaries, taken as a whole, other than businesses engaged in by such Borrower and its Subsidiaries as of the date hereof and reasonable extensions thereof.

(e) Capital Structure. In the case of Exelon, fail at any time to own, free and clear of all Liens, at least 95% of the issued and outstanding common shares or other common ownership interests of ComEd, 100% of the issued and outstanding common shares or other common ownership interests of PECO and 100% of the issued and outstanding membership interests of Genco (or, in any such case, of a holding company which owns, free and clear of all Liens, at least 95% of the issued and outstanding shares of common stock of ComEd, 100% of the issued and outstanding common shares or other common ownership interests of PECO or 100% of the issued and outstanding membership interests of Genco).

(f) Restrictive Agreements. In the case of Exelon, permit ComEd, Genco or PECO (or any holding company for any of the foregoing described in the parenthetical clause at the end of Section 5.02(e)) to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of such entity to declare or pay dividends to Exelon (or, if applicable, to its holding company), except for existing restrictions on (i) PECO relating to (A) the priority of payments on its subordinated debentures contained in the Indenture dated as of July 1, 1994 between PECO and Wachovia Bank, National Association (f/k/a First Union National Bank), as trustee, as amended and supplemented to the date hereof, or any other indenture that has terms substantially similar to such Indenture and that relates to the issuance of trust preferred securities, and (B) the priority payment of quarterly dividends on its preferred stock contained in its Amended and Restated Articles of Incorporation as in effect on the date hereof; and (ii) ComEd in connection with the securities described on its consolidated balance sheet for the six months ended June 30, 2003 as "Mandatorily Redeemable Preferred Securities" and any substantially similar securities issued after such date.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events shall occur and be continuing with respect to a Borrower (any such event an "Event of Default" with respect to such Borrower):

(a) Such Borrower shall fail to pay (i) any principal of any Advance to such Borrower when the same becomes due and payable, (ii) any Reimbursement Obligation of such Borrower within one Business Day after the same becomes due and payable or (iii) any interest on any Advance to such Borrower or any other amount payable by such Borrower under this Agreement or any Note issued by such Borrower within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by such Borrower herein or by such Borrower (or any of its officers) pursuant to the terms of this Agreement shall prove to have been incorrect or misleading in any material respect when made; or

(c) Such Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.02, Section 5.01(a)(vii) or Section 5.01(b)(i), in each case to the extent applicable to such Borrower, or (ii) any other term, covenant or agreement contained

in this Agreement on its part to be performed or observed if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after written notice thereof shall have been given to such Borrower by the Administrative Agent (which notice shall be given by the Administrative Agent at the written request of any Lender); or

(d) Such Borrower or any Principal Subsidiary thereof shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount in excess of $50,000,000 in the aggregate (but excluding Sithe Project Debt, Nonrecourse Indebtedness, Transitional Funding Instruments and Debt hereunder) of such Borrower or such Principal Subsidiary (as the case may be) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof, other than any acceleration of any Debt secured by equipment leases or fuel leases of such Borrower or a Principal Subsidiary thereof as a result of the occurrence of any event requiring a prepayment (whether or not characterized as such) thereunder, which prepayment will not result in a Material Adverse Change with respect to such Borrower; or

(e) Such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property,) shall occur; or such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall take any action to authorize or to consent to any of the actions set forth above in this Section 6.01(e); or

(f) One or more judgments or orders for the payment of money in an aggregate amount exceeding $50,000,000 (excluding any such judgments or orders which are fully covered by insurance, subject to any customary deductible, and under which the applicable insurance carrier has acknowledged such full coverage in writing) shall be rendered against such Borrower

or any Principal Subsidiary thereof (other than, if applicable, any Sithe Entity) and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) (i) Any Reportable Event that the Majority Lenders determine in good faith might constitute grounds for the termination of any Plan or for the appointment by the appropriate United States District Court of a trustee to administer a Plan shall have occurred and be continuing 30 days after written notice to such effect shall have been given to such Borrower by the Administrative Agent; (ii) any Plan shall be terminated; (iii) a Trustee shall be appointed by an appropriate United States District Court to administer any Plan; (iv) the PBGC shall institute proceedings to terminate any Plan or to appoint a trustee to administer any Plan; or (v) any Borrower or any member of the Controlled Group withdraws from any Multiemployer Plan; provided that on the date of any event described in clauses (i) through (v) above, the Unfunded Liabilities of the applicable Plan exceed $20,000,000; or

(h) In the case of ComEd, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, at least 95% of its issued and outstanding common shares or other common ownership interests;

(i) In the case of PECO, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, 100% of its issued and outstanding common shares or other common ownership interests; or

(j) In the case of Genco, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, 100% of the membership interests of Genco;

then, and in any such event, the Administrative Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to such Borrower, (i) declare the respective Commitments of the Lenders to such Borrower and the commitment of the LC Issuer to issue Facility LCs for the account of such Borrower to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declare the outstanding principal amount of the Advances to such Borrower, all interest thereon and all other amounts payable under this Agreement by such Borrower (including all contingent LC Obligations) to be forthwith due and payable, whereupon the outstanding principal amount of such Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by such Borrower; provided that in the event of an Event of Default under Section 6.01(e), (A) the obligation of each Lender to make any Advance to such Borrower and the obligation of the LC Issuer to issue Facility LCs for the account of such Borrower shall automatically be terminated and (B) the outstanding principal amount of all Advances to such Borrower, all interest thereon and all other amounts payable by such Borrower hereunder (including all contingent LC Obligations of such Borrower) shall automatically and immediately become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by such Borrower.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by a Borrower pursuant to the terms of this Agreement.

SECTION 7.02 Agents' Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their respective own gross negligence or willful misconduct. Without limiting the generality of the foregoing: (i) the Administrative Agent may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) the Administrative Agent may consult with legal counsel (including counsel for a Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) the Administrative Agent makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) the Administrative Agent shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (v) the Administrative Agent shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) the Administrative Agent shall not incur any liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03 Agents and Affiliates. With respect to its Commitment, Advances and Notes, Bank One shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not an Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Bank One in its individual capacity. Bank One and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower, any subsidiary of any Borrower and any Person who may do business with or own securities of any Borrower or any such subsidiary, all as if it were not an Agent and without any duty to account therefor to the Lenders.

SECTION 7.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05 Indemnification. The Lenders agree to indemnify each Agent (to the extent not reimbursed by a Borrower), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against any such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by any such Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse each such Agent promptly upon demand for its Pro Rata Share of any out-of-pocket expenses (including reasonable counsel fees) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such expenses are reimbursable by a Borrower but for which such Agent is not reimbursed by such Borrower.

SECTION 7.06 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrowers and may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank described in clause (i) or (ii) of the definition of "Eligible Assignee" and having a combined capital and surplus of at least $150,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. Notwithstanding the foregoing, if no Event of Default or Unmatured Event of Default shall have occurred and be continuing, then no successor Administrative Agent shall be appointed under this Section 7.06 without the prior written consent of the Borrowers, which consent shall not be unreasonably withheld or delayed.

SECTION 7.07 Co-Documentation Agents, Syndication Agent and Co-Lead Arranger. The titles "Co-Documentation Agent," "Syndication Agent" and "Co-Lead Arranger" are purely honorific, and no Person designated as a "Co-Documentation Agent," the "Syndication Agent" or a "Co-Lead Arranger" shall have any duties or responsibilities in such capacity.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and, in the case of an amendment, the Borrowers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than any Lender that is a Borrower or an Affiliate of a Borrower), do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) increase or extend the Commitments of the Lenders, increase any Borrower's Sublimit to an amount greater than the amount specified in Section 2.04(c)(ii)(B) or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, or (f) amend this Section 8.01; provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent, in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note; and (ii) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuer, in addition to the Lenders required above to take such action, affect the rights or duties of the LC Issuer under this Agreement.

SECTION 8.02 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to any Borrower, at 10 S. Dearborn, 37th Floor, Chicago, IL 60603, Attention: J. Barry Mitchell, Telecopy: (312) 394-5440; if to any Lender, at its Domestic Lending Office specified in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 1 Bank One Plaza, Mail Suite IL1-0010, Chicago, Illinois 60670, Attention: Mr. Ron Cromey, Telecopy: (312) 385-7096 or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VII shall not be effective until received by the Administrative Agent.

SECTION 8.03 No Waiver; Remedies. No failure on the part of any Lender, the LC Issuer or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04 Costs and Expenses; Indemnification. (a) Each Borrower severally agrees to pay on demand all costs and expenses incurred by the Administrative Agent, the LC Issuer and the Co-Lead Arrangers in connection with the preparation, execution, delivery, administration, syndication, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including the reasonable fees, internal charges and out-of-pocket expenses of counsel (including in-house counsel) for the Administrative Agent, the LC Issuer and the Co-Lead Arrangers with respect thereto and with respect to advising the Administrative Agent, the LC Issuer and the Co-Lead Arrangers as to their respective rights and responsibilities under this Agreement, in each case to the extent attributable to such Borrower: it being understood that to the extent any such costs and expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such costs and expenses were incurred. Each Borrower further severally agrees to pay on demand all costs and expenses, if any (including counsel fees and expenses of outside counsel and of internal counsel), incurred by the Agent, the LC Issuer or any Lender in connection with the collection and enforcement (whether through negotiations, legal proceedings or otherwise) of such Borrower's obligations this Agreement, any Note issued by such Borrower and the other documents to be delivered by such Borrower hereunder, including reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a), in each case to the extent attributable to such Borrower; it being understood that to the extent any such costs and expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such costs and expenses were incurred.

(b) If any payment of principal of, or any conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment or conversion pursuant to Section 2.09 or 2.12 or acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the applicable Borrower shall, upon demand by any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amount required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or conversion, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(c) Each Borrower hereby severally agrees to indemnify and hold each Lender, the LC Issuer, each Agent and each of their respective Affiliates, officers, directors and employees (each, an "Indemnified Person") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or is otherwise subjected to judicial or legal process arising from any such proceeding) that any of them may pay or incur arising out of or relating to this Agreement, any Note issued by such Borrower or the

transactions contemplated hereby, or the use by such Borrowers or any of its Subsidiaries of the proceeds of any Advance to such Borrower, in each case to the extent such claims damages, losses, liabilities, costs or expenses are attributable to such Borrower, it being understood that to the extent any such claims, damages, losses, liabilities, costs or expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such claims, damages, losses, liabilities, costs or expenses arose; provided that no Borrower shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from such Indemnified Person's gross negligence or willful misconduct. Each Borrower's obligations under this Section 8.04(c) shall survive the repayment of all amounts owing by such Borrower to the Lenders and the Administrative Agent under this Agreement and any Note issued by such Borrower and the termination of the Commitments to such Borrower. If and to the extent that the obligations of a Borrower under this Section 8.04(c) are unenforceable for any reason, such Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 8.05 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default with respect to a Borrower and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Advances to such Borrower due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of such Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and any Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the applicable Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 8.05 are in addition to other rights and remedies (including other rights of set-off) that such Lender may have.

SECTION 8.06 Binding Effect. This Agreement shall become effective when counterparts hereof shall have been executed by the Borrowers and the Agents and when the Administrative Agent shall have been notified by each Lender that such Lender has executed a counterpart hereof and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Agents and each Lender and their respective successors and assigns, provided that (except as permitted by Section 5.02(b)(iii)) no Borrower shall have the right to assign rights hereunder or any interest herein without the prior written consent of all Lenders.

SECTION 8.07 Assignments and Participations. (a) Each Lender may, with the prior written consent of Exelon, the LC Issuer and the Administrative Agent (which consents shall not be unreasonably withheld or delayed), and if demanded by a Borrower pursuant to Section 8.07(g) shall to the extent required by such Section, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it, its participation in Facility LCs and any Note or Notes held by it); provided that (i) each such assignment shall be of a constant, and not a

varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the Commitment Amount of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 or, if less, the entire amount of such Lender's Commitment, and shall be an integral multiple of $1,000,000 or such Lender's entire Commitment, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $3,500 (which shall be payable by one or more of the parties to the Assignment and Acceptance, and not by any Borrower, and shall not be payable if the assignee is a Federal Reserve Bank), and (v) the consent of Exelon shall not be required after the occurrence and during the continuance of any Event of Default. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (although an assigning Lender shall continue to be entitled to indemnification pursuant to Section 8.04(c)). Notwithstanding anything contained in this Section 8.07(a) to the contrary, (A) the consent of Exelon, the LC Issuer and the Administrative Agent shall not be required with respect to any assignment by any Lender to an Affiliate of such Lender or to another Lender and (B) any Lender may at any time, without the consent of Exelon, the LC Issuer or the Administrative Agent, and without any requirement to have an Assignment and Acceptance executed, assign all or any part of its rights under this Agreement and any Note to a Federal Reserve Bank, provided that no such assignment shall release the transferor Lender from any of its obligations hereunder.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the

time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment Amount of, and principal amount of the Advances owing by each Borrower to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with all Notes, if any, subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrowers.

(e) Each Lender may sell participations to one or more banks or other entities (each, a "Participant") in or to all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it, its participation in Facility LCs and any Note or Notes held by it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) such Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of this Agreement or any Note held by such Lender, other than any such amendment, modification or waiver with respect to any Advance or Commitment in which such Participant has an interest that forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Advance or Commitment, postpones any date fixed for any regularly scheduled payment of principal of, or interest or fees on, any such Advance or Commitment, extends any Commitment, releases any guarantor of any such Advance or releases any substantial portion of collateral, if any, securing any such Advance.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers

furnished to such Lender by or on behalf of the Borrowers; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrowers received by it from such Lender (subject to customary exceptions regarding regulatory requirements, compliance with legal process and other requirements of law).

(g) If (i) any Lender shall make demand for payment under Section 2.11(a), 2.11(b) or 2.14, (ii) shall deliver any notice to the Administrative Agent pursuant to Section 2.12 resulting in the suspension of certain obligations of the Lenders with respect to Eurodollar Rate Advances or (iii) shall fail to consent to, or shall revoke its consent to, an extension of the scheduled Commitment Termination Date pursuant to Section 2.17, then (in the case of clause (i)) within 60 days after such demand (if, but only if, such payment demanded under Section 2.11(a), 2.11(b) or 2.14 has been made by the applicable Borrower), or (in the case of clause (ii)) within 60 days after such notice (if such suspension is still in effect), or (in the case of clause (iii)) no later than five days prior to the then effective scheduled Commitment Termination Date, as the case may be, the Borrowers may demand that such Lender assign in accordance with this Section 8.07 to one or more Eligible Assignees designated by the Borrowers and reasonably acceptable to the Administrative Agent all (but not less than all) of such Lender's Commitment, the Advances owing to it and its participation in the Facility LCs within the next succeeding 30 days (in the case of clause (i) or clause (ii)), or within the next succeeding five days (in the case of clause (iii)). If any such Eligible Assignee designated by the Borrowers shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrowers shall fail to designate any such Eligible Assignee for all of such Lender's Commitment, Advances and participation in Facility LCs, then such Lender may (but shall not be required to) assign such Commitment and Advances to any other Eligible Assignee in accordance with this Section 8.07 during such period.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrowers, the option to provide to any Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to such Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 8.07, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent

and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any financial institutions (consented to by such Borrower and Administrative Agent, neither of which consents shall be unreasonably withheld or delayed) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 8.07(h) may not be amended in any manner which adversely affects a Granting Bank or an SPC without the written consent of such Granting Bank or SPC.

SECTION 8.08 Governing Law. THIS AGREEMENT AND ALL NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 8.09 Consent to Jurisdiction; Certain Waivers. (a) THE BORROWERS HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA AND ANY UNITED STATES DISTRICT COURT SITTING IN THE COMMONWEALTH OF PENNSYLVANIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE AND THE BORROWERS HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVE ANY OBJECTION THEY MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(b) EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES.

SECTION 8.10 Execution in Counterparts; Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes all prior and contemporaneous agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 8.11 Liability Several. No Borrower shall be liable for the obligations of any other Borrower hereunder.

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

EXELON CORPORATION

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Senior Vice President and Treasurer**

COMMONWEALTH EDISON COMPANY

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

PECO ENERGY COMPANY

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

EXELON GENERATION COMPANY, LLC

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

THE LENDERS

BANK ONE, NA (Main Office Chicago), as Administrative Agent, as LC Issuer and as a Lender

By: /s/ JANE BEK KEIL

Name: **Jane Bek Keil**
Title: **Director**

BARCLAYS BANK PLC, As Syndication Agent and as a Lender

By: /s/ SYDNEY G. DENNIS

Name: **Sydney G. Dennis**
Title: **Director**

CITIBANK, N.A., as Co-Documentation Agent and as a Lender

By: /s/ JOHN S. KING

Name: **John S. King**
Title: **VP**

WACHOVIA BANK, NATIONAL ASSOCIATION, as Co-Documentation Agent and as a Lender

By: /s/ LAWRENCE P. SULLIVAN

Name: **Lawrence P. Sullivan**
Title: **Vice President**

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as
Co-Documentation Agent and as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Director**

By: /s/ BRIAN SCHNEIDER

Name: **Brian Schneider**
Title: **Vice President**

ABN AMRO BANK, N.V. as a Lender

By: /s/ MARK R. LASEK

Name: **Mark R. Lasek**
Title: **Senior Vice President**

By: /s/ FRANK T. J. VAN DEUR

Name: **Frank T. J. Van Deur**
Title: **Vice President**

BANK OF AMERICA, N.A., as a Lender

By: /s/ Illegible

Name:
Title: **Illegible**
Principal

JPMORGAN CHASE BANK, as a Lender

By: /s/ MICHAEL J. DEFORGE

Name: **Michael J. DeForge**
Title: **Vice President**

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ SHERRIE T. MANSON

Name: **Sherrie T. Manson**
Title: **Vice President**

LEHMAN BROTHERS BANK, FSB, as a Lender

By: /s/ GARY T. TAYLOR

Name: **Gary T. Taylor**
Title: **Vice President**

MORGAN STANLEY BANK, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Vice President**
Morgan Stanley Bank

BNP PARIBAS, as a Lender

By: /s/ FRANCIS DE LANEY

Name: **Francis De Laney**
Title: **Director**

By: /s/ MARK RENAUD

Name: **Mark Renaud**
Title: **Managing Director**

MERRIL LYNCH BANK USA, as a Lender

By: /s/ LOUIS ALDER

Name: **Louis Alder**
Title: **Vice President**

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ JAMES R. TRIMBLE

Name: **JAMES R. TRIMBLE**
Title: **MANAGING DIRECTOR**

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Illegible**

By: /s/ Illegible

Name: **Illegible**
Title: **Associate Director**
Banking Products
Services US

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Second Vice President**

MELLON BANK N.A., as a Lender

By: /s/ SCOTT HENNESSEE

Name: **Scott Hennessee**
Title: **Vice President**

CREDIT SUISSE FIRST BOSTON, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ SARAH WU /s/ JAY CHALL

Name: **SARAH WU** **Jay Chall**
Title: **VICE PRESIDENT** **Director**

THE BANK OF NEW YORK, as a Lender

By: /s/ CYNTHIA D. HOWELLS

Name: **Cynthia D. Howells**
Title: **Vice President**

MIZUHO CORPORATE BANK, LTD., as a Lender

By: /s/ JUN SHIMMACHI

Name: **Jun Shimmachi**
Title: **Vice President**

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ R. MICHAEL NEWTON

Name: **R. Michael Newton**
Title: **Vice President**

WELLS FARGO BANK, N.A., as a Lender

By: /s/ CHARLES W. REED

Name: **Charles W. Reed**
Title: **Vice President**

By: /s/ MARY D. FALCK

Name: **Mary D. Falck**
Title: **Senior Vice President**

FIFTH THIRD BANK (Chicago), a Michigan Banking Corporation, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Corporate Banking Officer**

SCHEDULE I
PRICING SCHEDULE

The "Applicable Margin," the "Facility Fee Rate," the "Utilization Fee Rate" and the "LC Fee Rate" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Applicable Margin and LC Fee Rate prior to Commitment Termination Date	Applicable Margin and LC Fee Rate beginning on Commitment Termination Date	Facility Fee Rate	Utilization Fee Rate
Level I	0.550%	0.900%	0.100%	0.100%
Level II	0.625%	1.000%	0.125%	0.125%
Level III	0.725%	1.100%	0.150%	0.125%
Level IV	0.925%	1.425%	0.200%	0.250%
Level V	1.250%	1.750%	0.250%	0.500%

As shown in the table above, the Applicable Margin and the LC Fee Rate will increase on the Commitment Termination Date by 0.35% for Level 1 Status, 0.375% for Level 2 Status and Level 3 Status and 0.50% for Level 4 and Level 5 Status.

The Applicable Margin, the Facility Fee Rate, the Utilization Fee Rate and the LC Fee Rate shall be determined separately for each Borrower in accordance with the table above based on the Status for such Borrower. The Status in effect for any Borrower on any date for the purposes of this Pricing Schedule is based on the Moody's Rating and S&P Rating in effect at the close of business on such date.

For the purposes of the foregoing (but subject to the final paragraph of this Pricing Schedule):

"Level I Status" exists at any date for a Borrower if, on such date, such Borrower's Moody's Rating is A3 or better or such Borrower's S&P Rating is A- or better.

"Level II Status" exists at any date for a Borrower if, on such date, (i) Level I Status does not exist for such Borrower and (ii) such Borrower's Moody's Rating is Baa1 or better or such Borrower's S&P Rating is BBB+ or better.

"Level III Status" exists at any date for a Borrower if, on such date, (i) neither Level I Status nor Level II Status exists for such Borrower and (ii) such Borrower's Moody's Rating is Baa2 or better or such Borrower's S&P Rating is BBB or better.

"Level IV Status" exists at any date if, on such date, (i) none of Level I Status, Level II Status or Level III Status exists for such Borrower and (ii) such Borrower's Moody's Rating is Baa3 or better or such Borrower's S&P Rating is BBB- or better.

"Level V Status" exists at any date for a Borrower if, on such date, none of Level I Status, Level II Status, Level III Status or Level IV Status exists for such Borrower.

"Status" means Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

If the S&P Rating and the Moody's Rating for a Borrower create a split-rated situation and the ratings differential is one level, the higher rating will apply. If the differential is two levels or more, the intermediate rating at the midpoint will apply. If there is no midpoint, the higher of the two intermediate ratings will apply. If a Borrower has no Moody's Rating or no S&P Rating, Level V Status shall exist for such Borrower.

SCHEDULE II
COMMITMENTS

LENDER	COMMITMENT
Bank One, NA	$ 46,000,000
Barclays Bank PLC	$ 46,000,000
Wachovia Bank, National Association	$ 43,750,000
Dresdner Bank, AG New York and Grand Cayman Branches	$ 43,750,000
Citibank, N.A.	$ 43,750,000
ABN AMRO Bank, N.V.	$ 43,750,000
Bank of America, N.A.	$ 37,000,000
BNP Paribas	$ 37,000,000
JPMorgan Chase Bank	$ 37,000,000
KeyBank National Association	$ 37,000,000
Lehman Brothers Bank, FSB	$ 37,000,000
Merrill Lynch Bank USA	$ 37,000,000
Morgan Stanley Bank	$ 37,000,000
The Bank of Nova Scotia	$ 37,000,000
UBS Loan Finance LLC	$ 37,000,000
Credit Suisse First Boston	$ 27,500,000
Mellon Bank, N.A.	$ 22,500,000
The Bank of New York	$ 22,500,000
The Northern Trust Company	$ 22,500,000
Mizuho Corporate Bank, Ltd.	$ 15,000,000
U.S. Bank National Association	$ 15,000,000
Wells Fargo Bank, N.A.	$ 15,000,000
Fifth Third Bank	$ 10,000,000
TOTAL	**$ 750,000,000**

EXHIBIT A

FORM OF NOTE

Dated: [ ], 20__

FOR VALUE RECEIVED, the undersigned, _____, a _____ (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender"), for the account of its Applicable Lending Office (such term and other capitalized terms herein being used as defined in the Credit Agreement referred to below) on the Maturity Date, the aggregate principal amount of all outstanding Advances made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower further promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Bank One, NA, as Administrative Agent, at 1 Bank One Plaza, Chicago, Illinois 60670, in immediately available funds. Each Advance made by the Lender to the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, at the Lender's option, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the 364-Day Credit Agreement dated as of October 31, 2003 among the Borrower, [Exelon Corporation, Commonwealth Edison Company, PECO Energy Company, Exelon Generation Company, LLC], various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Lender's Pro Rata Share of the Borrower's Sublimit at such time and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

THIS PROMISSORY NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

[By _____]

[Name:]
[Title:]

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Principal Paid or Prepaid	Amount of Unpaid Principal Balance	Notation Made By

EXHIBIT B

FORM OF NOTICE OF BORROWING

Bank One, NA, as Administrative Agent
for the Lenders parties to the Credit Agreement referred to below
1 Bank One Plaza
Chicago, Illinois 60670

[Date]

Attention: Utilities Department
North American Finance Group

Ladies and Gentlemen:

The undersigned, [Exelon Corporation] [PECO Energy Company] [Commonwealth Edison Company] [Exelon Generation Company, LLC], refers to the 364-Day Credit Agreement, dated as of October 31, 2003, among Exelon Corporation, PECO Energy Company, Commonwealth Edison Company, Exelon Generation Company, LLC, various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), and hereby gives you notice, irrevocably, pursuant to Section 2.02(a) of the Credit Agreement that the undersigned requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20__.

(ii) The Type of Advances to be made in connection with the Proposed Borrowing is **[**Base Rate Advances**] [**Eurodollar Rate Advances**]**.

(iii) The aggregate amount of the Proposed Borrowing is $_____.

(iv) The Interest Period for each Advance made as part of the Proposed Borrowing is [____ month[s]].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties of the undersigned contained in Section 4.01 of the Credit Agreement (excluding, if the proceeds of the Proposed Borrowing will be used exclusively to repay commercial paper issued by the undersigned, the representations and warranties set forth in Section 4.01(e) and the first

sentence of Section 4.01(f) of the Credit Agreement) are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default; and

(C) after giving effect to the Proposed Borrowing, the undersigned will not have exceeded any limitation on its ability to incur indebtedness (including any limitation imposed by any governmental or regulatory authority).

Very truly yours,

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

[By _____]

[Name:]
[Title:]

EXHIBIT C
FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____, 20____

Reference is made to the 364-Day Credit Agreement dated as of October 31, 2003 among Exelon Corporation, PECO Energy Company, Commonwealth Edison Company, Exelon Generation Company, LLC (together the "Borrowers"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the Pro Rata Share specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement, including, without limitation, a corresponding interest in the Assignor's Commitment, the Advances owing to the Assignor, the Assignor's interest in Facility LCs and the Notes held by the Assignor. After giving effect to such sale and assignment, the Assignee's Commitment Amount will be as set forth in Section 2 of Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statement, warranty or representation made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Lead Arranger, the LC Issuer, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their

terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (vi) confirms that none of the consideration used to make the purchase being made by the Assignee hereunder are "plan assets" as defined under ERISA; and the rights and interests of the Assignee in and under the Credit Agreement will not be "plan assets" under ERISA; [and] (vii) specifies as its Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof [;and (viii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying that it is exempt from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes].[1]

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent for acceptance by Exelon (if required), the LC Issuer and the Administrative Agent and recording by the Administrative Agent. The effective date of this Assignment and Acceptance shall be the date of recording thereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto (the "Effective Date").

5. Upon such recording by the Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

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[1] If the Assignee is organized under the laws of a jurisdiction outside the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF ASSIGNOR]

By _____

Name:
Title:

[NAME OF ASSIGNEE]

By _____

Name:
Title:

Domestic Lending Office (and address for notices):
[Address]

Eurodollar Lending Office:
[Address]

[Consented to this _____ day
of _____, 20____]

EXELON CORPORATION

By _____

Name:
Title:

Consented to and Accepted this _____ day
of _____, 20____

BANK ONE, NA, as Administrative Agent and LC Issuer

By _____

Name:
Title:

Schedule 1

to

Assignment and Acceptance

Dated _____, 20____

Section 1.

Pro Rata Share: _____%

Section 2.

Assignee's Commitment Amount after giving effect hereto: $_____

Section 3.

Effective Date[2]: _____, 20____

[2] This date should be no earlier than the date of recording by the Administrative Agent.

EXHIBIT D - 1

FORM OF OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL

October 31, 2003

To each of the Agents and the Lenders which is a party to the Credit Agreement, dated as of October 31, 2003, among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC, as Borrowers, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent

Re: $750,000,000 364-Day Credit Agreement

Ladies and Gentlemen:

This opinion letter is furnished to you pursuant to Section 3.01(v) of the $750,000,000 364-Day Credit Agreement, dated as of October 31, 2003 (the "Agreement"), among Exelon Corporation ("Exelon"), Commonwealth Edison Company ("ComEd"), PECO Energy Company ("PECO") and Exelon Generation Company, LLC ("Genco"), as Borrowers, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent. Unless otherwise specified, terms defined in the Agreement are used herein as therein defined.

We have acted as special counsel for Exelon, Genco and PECO (collectively, the "Pennsylvania Borrowers") in connection with the preparation, execution and delivery of the Agreement and as local counsel for ComEd with respect to certain matters of Pennsylvania law relating to the Agreement. In that capacity, we have examined the following:

(i) The Agreement, the Notes executed by Exelon (the "Exelon Notes"), the Notes executed by PECO (the "PECO Notes"), the Notes executed by Genco (the "Genco Notes") and the Notes executed by ComEd (the "ComEd Notes" and, together with the Exelon Notes, the PECO Notes and the Genco Notes, the "Notes");

(ii) The documents furnished by each of the Pennsylvania Borrowers pursuant to Section 3.01 of the Agreement;

(iii) The Articles of Incorporation of each of Exelon and PECO and all amendments thereto (in each case, its "Charter");

(iv) The by-laws of each of Exelon and PECO and all amendments thereto (in each case, its "By-laws");

(v) The Operating Agreement of Genco and all amendments thereto (the "Operating Agreement");

(vi) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of Exelon in Pennsylvania;

(vii) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of PECO in Pennsylvania; and

(viii) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of Genco in Pennsylvania;

We have also examined, and relied upon the accuracy of factual matters contained in, originals or copies, certified or otherwise identified to our satisfaction, of such other corporate or organizational records of the Pennsylvania Borrowers, certificates or comparable documents of public officials and of officers of the Pennsylvania Borrowers, and such other agreements, instruments and documents and have made such examinations of law as we have deemed necessary in connection with the opinions set forth below.

We have assumed the legal capacity and competence of natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted to us as certified, conformed, photostatic, electronic or facsimile copies. We have made no independent factual investigation other than as described above, and as to other factual matters, we have relied exclusively on the facts stated in the representations and warranties contained in the Agreement and the Exhibits and Schedules to the Agreement (other than representations and warranties constituting conclusions of law on matters on which we opine). We have not examined any records of any court, administrative tribunal or other similar entity in connection with our opinion.

When an opinion or confirmation is given to our knowledge or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual contemporaneous knowledge or awareness of facts, without investigation, by the lawyer who is the current primary contact for each of the Pennsylvania Borrowers and the individual lawyers in this firm who have participated in the specific transaction to which this opinion letter relates.

We have also assumed, without verification, (i) that the parties to the Agreement and the other agreements, instruments and documents executed in connection therewith, other than the Borrowers, have the power (including, without limitation, corporate power where applicable) and authority to enter into and perform the Agreement and such other agreements, instruments and documents, (ii) the due authorization, execution and delivery by such parties other than the Borrowers of the Agreement and such other agreements, instruments and documents, (iii) that the Agreement and such other agreements, instruments and documents constitute legal, valid and binding obligations of each such party other than the Borrowers, enforceable against each such other party in accordance with their

respective terms and (iv) the amount of a Borrower's borrowings outstanding under the Agreement and the $750,000,000 Three-Year Credit Agreement being entered into by the Borrower concurrently with this Agreement will not exceed the amount such Borrower is authorized to borrow under any approval referred to in Paragraphs 4 and 8 below.

Based upon the foregoing and subject to the assumptions, exceptions, limitations and qualifications set forth herein, we are of the opinion that:

1. Each of Exelon and PECO is a corporation duly incorporated and presently subsisting under the laws of the Commonwealth of Pennsylvania. Genco is a limited liability company duly formed and presently subsisting under the laws of the Commonwealth of Pennsylvania.

2. The execution and delivery, and the performance of the obligations thereunder, by the Pennsylvania Borrowers of the Agreement and the applicable Notes (a) are within the Pennsylvania Borrowers' corporate or limited liability company powers, (b) have been duly authorized by all necessary corporate and limited liability company action of each of the Pennsylvania Borrowers, (c) do not contravene (i) the Charter, By-laws or the Operating Agreement, as the case may be, of each of the Pennsylvania Borrowers, (ii) any law of the United States or the Commonwealth of Pennsylvania or (iii) to our knowledge, any agreement or instrument to which any of the Pennsylvania Borrowers is a party or by which any of the Pennsylvania Borrowers is bound and (d) to our knowledge, do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Pennsylvania Borrowers' properties under such agreements or instruments.

3. The execution, delivery and performance by ComEd of the Agreement and the ComEd Notes do not contravene any law of the Commonwealth of Pennsylvania.

4. No consent or approval of, or notice to or filing with, any federal or state regulatory authority of the United States or the Commonwealth of Pennsylvania is required by the Pennsylvania Borrowers in connection with the execution or delivery by the Pennsylvania Borrowers of the Agreement or the applicable Notes, except for, in the case of Exelon and Genco, the authorization of the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 and, in the case of PECO, approval from the Public Utility Commission of the Commonwealth of Pennsylvania, which authorization and approval have been received and are in full force and effect.

5. The Agreement and the Exelon Notes have been duly executed and delivered by Exelon, and the Agreement and the Exelon Notes constitute the legal, valid

and binding obligations of Exelon, enforceable against Exelon in accordance with their respective terms.

6. The Agreement and the PECO Notes have been duly executed and delivered by PECO, and the Agreement and the PECO Notes constitute the legal, valid and binding obligations of PECO, enforceable against PECO in accordance with their respective terms.

7. The Agreement and the Genco Notes have been duly executed and delivered by Genco, and the Agreement and the Genco Notes constitute the legal, valid and binding obligations of Genco, enforceable against Genco in accordance with their respective terms.

8. Assuming that the execution, delivery and performance of the Agreement and the ComEd Notes are within ComEd's corporate power and the Agreement and the ComEd Notes have been duly authorized, executed and delivered by ComEd after receipt of all required governmental and regulatory approvals, the Agreement and the ComEd Notes constitute the legal, valid and binding obligations of ComEd, enforceable against ComEd in accordance with their respective terms.

9. None of the Pennsylvania Borrowers is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

We do not have knowledge, after inquiry of each lawyer in this firm who is the current primary contact for the Borrowers or who has devoted substantive attention to matters on behalf of the Borrowers during the preceding twelve months and who is still currently employed by or a member of this firm, except as disclosed in Exelon's Annual Report on Form 10-K for the year ended December 31, 2002 or Exelon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, no litigation or governmental proceeding is pending or threatened in writing against any Borrower (i) with respect to the Agreement or the Notes, or (ii) which is likely to have a material adverse effect upon the financial condition, business, properties or prospects of any Borrower and its subsidiaries taken as a whole.

The foregoing opinions are subject to the following exceptions, limitations and qualification:

(a) Our opinions are subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer marshalling or similar laws affecting creditors' rights and remedies generally; general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification or contribution by federal or state securities laws or regulations or by public policy.

(b) We draw your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa. C.S.§ 911(b), in connection with the fact that the Advances bear floating rates of interest. Section 911(b) of the Crimes Codes makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise. "Racketeering activity," as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law.

(c) We express no opinion as to the application or requirements of federal or state securities (except with respect to the opinion in paragraph 9), patent, trademark, copyright, antitrust and unfair competition, pension or employee benefit, labor, environmental health and safety or tax laws in respect of the transactions contemplated by or referred to in the Agreement.

(d) We express no opinion as to the validity or enforceability of any provision of the Agreement or the Notes which (i) permits the Lenders to increase the rate of interest or to collect a late charge in the event of delinquency or default to the extent deemed to be penalties or forfeitures; (ii) purports to be a waiver by any Borrower of any right or benefit except to the extent permitted by applicable law; (iii) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions of the Agreement or the Notes has been made; (iv) purports to exculpate any party from its own negligent acts; or (v) purports to authorize any Participant to set off and apply any deposits at any time held, and any other indebtedness at any time owing, by such Participant to or for the account of any Borrower. qualifications:

We express no opinion as to the law of any jurisdiction other than the law of the Commonwealth of Pennsylvania and the federal law of the United States.

A copy of this opinion may be delivered by you to each financial institution that may become a Lender under the Agreement, and such persons may rely on this opinion as if it were addressed to them and had been delivered to them on the date hereof. This opinion may be relied on by you and such persons to whom you may deliver copies as provided in the preceding sentence only in connection with the consummation of the transactions described herein and may not be used or relied upon by you or any other person for any other purpose, without in each instance our prior written consent.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We do not undertake to advise you or anyone else of any changes in the opinions expressed herein resulting from changes in law, changes in facts or any other matters that hereafter might occur or be brought to our attention.

Very truly yours,

BALLARD SPAHR ANDREWS & INGERSOLL

EXHIBIT D-2

FORM OF OPINION OF SIDLEY AUSTIN BROWN & WOOD LLP

October 31, 2003

To each of the Agents and Lenders party to the 364-Day Credit Agreement dated as of October 31, 2003 among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC, as Borrowers, the various financial institutions named therein, as Lenders, and Bank One, NA, as Administrative Agent

Ladies and Gentlemen:

We have been asked to furnish this letter to you pursuant to Section 3.01(b)(v) of the 364-Day Credit Agreement dated as of October 31, 2003 (the "***Credit Agreement***") among Exelon Corporation ("***Exelon***"), Commonwealth Edison Company ("***ComEd***"), PECO Energy Company ("***PECO***") and Exelon Generation Company, LLC ("***Genco***"), as Borrowers, various financial institutions, as Lenders, and Bank One, NA, as Administrative Agent. Unless otherwise defined in this letter, capitalized terms defined in the Credit Agreement are used herein as therein defined.

We have acted as special Illinois counsel to ComEd in connection with the execution and delivery of the Credit Agreement and the Notes executed and delivered by ComEd (the "***ComEd Notes***"). In that capacity, we have examined:

(i) the Credit Agreement;

(ii) the ComEd Notes;

(iii) the Restated Articles of Incorporation of ComEd and all amendments thereto (the "***ComEd Charter***"); and

(iv) the by-laws of ComEd and all amendments thereto (the "***ComEd By-Laws***").

We are familiar with the corporate proceedings taken by ComEd in connection with the Credit Agreement and the transactions contemplated thereby. For purposes of expressing the opinions expressed in this letter, we have relied, as to various questions of fact material thereto, upon the representations made by ComEd in the Credit Agreement and upon certificates of officers of ComEd. We have also examined originals, or copies of originals certified to our satisfaction, of such corporate records of ComEd and such agreements, documents, certificates and other statements of government officials and other instruments, have examined such questions of law and have satisfied ourselves as to such matters of fact as we have considered relevant and necessary as a basis for this letter. We have

assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission. We have also assumed that the amount of ComEd's borrowings outstanding under the Credit Agreement and the Three Year Credit Agreement dated as of October 31, 2003 among Exelon, ComEd, PECO and Genco, as Borrowers, various financial institutions, as Lenders, and Bank One, NA, as Administrative Agent, will not exceed the amount that ComEd is authorized to borrow under any approval referred to in paragraph 5. With respect to any instrument or agreement executed or to be executed by any party other than ComEd, we have assumed, to the extent relevant to the opinions set forth herein, that (i) such other party (if not a natural person) has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization and (ii) such other party has full right, power and authority to execute, deliver and perform its obligations under each instrument or agreement to which it is a party and each such instrument or agreement has been duly authorized (if applicable), executed and delivered by, and is a valid, binding and enforceable agreement or obligation, as the case may be, of, such other party.

Based upon the foregoing and subject to the qualifications and limitations stated below, it is our opinion that:

1. ComEd is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois.

2. The execution and delivery by ComEd of, and performance by ComEd of its obligations under, the Credit Agreement and the ComEd Notes are within its corporate powers, have been duly authorized by all necessary corporate action, and do not (a) violate any provision of the ComEd Charter, the ComEd By-laws or any law, rule or regulation known to us to be customarily applicable to transactions of the nature contemplated by the Credit Agreement or the ComEd Notes or (b) to our knowledge, breach, constitute a default under or otherwise violate any agreement or instrument to which ComEd is a party or by which it or its properties are bound; and such execution, delivery and performance do not, to our knowledge, result in or require the creation of any lien, security interest or encumbrance on or in any of ComEd's properties.

3. The Credit Agreement and the ComEd Notes have been duly executed and delivered by ComEd.

4. The Credit Agreement and the ComEd Notes are, to the extent that the laws of the State of Illinois or the federal laws of the United States are applicable to the enforcement of ComEd's obligations thereunder, legal, valid and binding obligations of ComEd, enforceable against ComEd in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws of general applicability relating to or affecting the enforceability of creditors'

rights generally, and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

5. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body of the United States or the State of Illinois is required for the due execution and delivery by ComEd of, and performance by ComEd of its obligations under, the Credit Agreement and the ComEd Notes, except for (i) the authorization of the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, which authorization has been received, and (ii) the approval of the Illinois Commerce Commission under the Illinois Public Utilities Act, as amended, which approval has been received.

6. ComEd is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended ("***Investment Company Act***").

We confirm to you that, to our knowledge, after inquiry of each lawyer in this firm who currently has supervisory responsibility for matters handled by this firm on behalf of ComEd, except as disclosed in ComEd's Annual Report on Form 10-K for the year ended December 31, 2002 and its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2003 and June 30, 2003, there is no pending or overtly threatened action or proceeding to which ComEd or any of its Subsidiaries is a party before any court, governmental agency or arbitrator that relates to the Credit Agreement or the ComEd Notes or that could reasonably be expected to affect materially and adversely ComEd's performance of its obligations under the Credit Agreement or the ComEd Notes.

The opinion as to enforceability set forth in paragraph 4 above is subject to the qualification that the enforceability of ComEd's obligations under the Credit Agreement and the ComEd Notes is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity). Such principles of equity are of general application and, in applying such principles, a court, among other things, might not allow a contracting party to exercise remedies in respect of a default deemed immaterial, or might decline to order an obligor to perform covenants. Such principles would include an expectation that parties act with reasonableness and in good faith, and might be applied, for example, to provisions which purport to grant a party with the authority to exercise sole discretion or make conclusive determinations. We note further, that, in addition to the application of equitable principles described above, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the rights of parties seeking to obtain indemnification.

With respect to our opinion in paragraph 6 above that ComEd is not an "investment company" within the meaning of the Investment Company Act, we have relied exclusively, as to all factual matters, on a certificate, dated as of the date of this letter (the "***Certificate***"), of J. Barry Mitchell, Vice President and Treasurer of ComEd (the " ***Executing Officer***"). We note that, for purposes of determining whether a particular entity is an "investment company" within the meaning of the Investment Company Act, it is necessary to examine the "value" of the assets of such entity within

the meaning of Section 2(a)(41)(A) of the Investment Company Act. Section 2(a)(41)(A)(ii) of the Investment Company Act provides that the "value" of certain assets held by an entity shall be the "fair value" of such assets as determined in good faith by such entity's board of directors (or similar governing body). Although the Certificate makes certain certifications regarding the value of the assets of ComEd and certain of its subsidiaries, the Executing Officer did not request the Board of Directors of ComEd or of any of such subsidiaries to determine the value of any assets required to be valued at "fair value" pursuant to Section 2(a)(41)(A)(ii), but obtained values from other sources he deemed to be reliable. We have assumed, however, with your permission, that all assets of ComEd and its subsidiaries that are required to be valued at "fair value" pursuant to Section 2(a)(41)(A)(ii) of the Investment Company Act by the Board of Directors of ComEd or of the relevant subsidiary, as the case may be, would have been valued at the same values ascribed to such assets in the Certificate had the Board of Directors of ComEd or of the relevant subsidiary determined the "fair value" thereof pursuant to said section.

We express no opinion as to the enforceability of provisions of the Credit Agreement that (a) attempt to exculpate other parties from liability for future actions, inactions or practices, (b) purport to establish evidentiary standards, (c) purport to confer subject matter jurisdiction on any court or fix venue, (d) relate to severability or separability, (f) relate to payment without set-off or that otherwise purport to make obligations of, or determinations by, any party unconditional and absolute or (g) constitute agreements to agree. We also express no opinion as to the enforceability of provisions in the Credit Agreement to the effect that terms may not be waived or modified except in writing.

Any opinion or statement herein which is expressed to be "to our knowledge" or is otherwise qualified by words of like import means that the lawyers in this firm who have had an involvement in reviewing the Credit Agreement and the ComEd Notes have no current conscious awareness of any facts or information contrary to such opinion or statement.

This letter is limited to the federal laws of the United States of America and the laws of the State of Illinois. We note that the Credit Agreement and each of the ComEd Notes provides that it is to be governed by the laws of the Commonwealth of Pennsylvania. We express no opinion as to (i) Exelon, PECO or Genco or (ii) the enforceability under the laws of the Commonwealth of Pennsylvania of ComEd's obligations under the Credit Agreement or the ComEd Notes. With respect to these matters, we understand you are relying upon the opinion of Ballard Spahr Andrews & Ingersoll LLP, special counsel to Exelon, PECO and Genco and special Pennsylvania counsel to ComEd.

This letter is being delivered solely for the benefit of the persons to whom it is addressed; accordingly, it may not be relied upon by any other person or otherwise circulated or utilized for any purpose without our written consent, except that Ballard Spahr Andrews & Ingersoll LLP may rely upon the opinions expressed in paragraphs 1 through 3 (inclusive) in rendering their opinion to you of even date herewith. This letter may not be quoted or filed with any governmental authority or other regulatory agency (except to the extent required by law). We assume no obligation to update or supplement the opinions expressed herein to reflect any facts or circumstances which may hereafter

come to our attention with respect to such opinions, including any changes in applicable law which may hereafter occur.

Very truly yours,

SIDLEY AUSTIN BROWN & WOOD LLP

EXHIBIT E

FORM OF ANNUAL AND QUARTERLY COMPLIANCE CERTIFICATE

_____, 20____

Pursuant to the 364-Day Credit Agreement, dated as of October 31, 2003, among Exelon Corporation ("Exelon"), PECO Energy Company ("PECO"), Commonwealth Edison Company ("ComEd"), Exelon Generation Company, LLC ("Genco"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), the undersigned, being _____ of [Exelon] [PECO] [ComEd] [Genco] (the "Borrower"), hereby certifies on behalf of the Borrower as follows:

1. Delivered herewith are the financial statements prepared pursuant to Section 5.01(b)[(ii)/(iii)] of the Credit Agreement for the fiscal _____ ended _____, 20____. All such financial statements comply with the applicable requirements of the Credit Agreement.

2. Schedule I hereto sets forth in reasonable detail the information and calculations necessary to establish the Borrower's compliance with the provisions of Section 5.02(c) of the Credit Agreement as of the end of the fiscal period referred to in paragraph 1 above.

3. (Check one and only one:)

☐ No Event of Default or Unmatured Event of Default has occurred and is continuing.

☐ An Event of Default or Unmatured Event of Default has occurred and is continuing, and the document(s) attached hereto as Schedule II specify in detail the nature and period of existence of such Event of Default or Unmatured Event of Default as well as any and all actions with respect thereto taken or contemplated to be taken by the Borrower.

4. The undersigned has personally reviewed the Credit Agreement, and this certificate was based on an examination made by or under the supervision of the undersigned sufficient to assure that this certificate is accurate.

5. Capitalized terms used in this certificate and not otherwise defined shall have the meanings given in the Credit Agreement.

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

By _____

Name: _____

Title: _____

Date: _____

Exhibit 10.44.1

$750,000,000

THREE YEAR CREDIT AGREEMENT

dated as of October 31, 2003

among

EXELON CORPORATION,
COMMONWEALTH EDISON COMPANY,
PECO ENERGY COMPANY
and
EXELON GENERATION COMPANY, LLC

as Borrowers

VARIOUS FINANCIAL INSTITUTIONS
as Lenders

BANK ONE, NA
as Administrative Agent

CITIBANK, N.A.,

WACHOVIA BANK, NATIONAL ASSOCIATION

and

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

as Co-Documentation Agents

and

BARCLAYS BANK PLC

as Syndication Agent

BANC ONE CAPITAL MARKETS, INC.

and

BARCLAYS CAPITAL

Co-Lead Arrangers

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THREE YEAR CREDIT AGREEMENT
dated as of October 31, 2003

EXELON CORPORATION, COMMONWEALTH EDISON COMPANY, PECO ENERGY COMPANY, EXELON GENERATION COMPANY, LLC, the banks listed on the signature pages hereof, BANK ONE, NA, as Administrative Agent, CITIBANK, N.A., WACHOVIA BANK, NATIONAL ASSOCIATION and DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as Co-Documentation Agents, and BARCLAYS BANK PLC, as Syndication Agent, hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, each of the following terms shall have the meaning set forth below (each such meaning to be equally applicable to both the singular and plural forms of the term defined):

"Adjusted Funds From Operations" means, for any Borrower for any period, such Borrower's Net Cash Flows From Operating Activities for such period minus such Borrower's Transitional Funding Instrument Revenue for such period plus such Borrower's Net Interest Expense for such period minus, to the extent applicable, the portion (but, if such Borrower or any of its Subsidiaries (other than any Sithe Entity) has made any loans or advances to, or investments in, any Sithe Entity during such period, not less than zero) of such Borrower's Net Cash Flows From Operating Activities attributable to any Sithe Entity.

"Administrative Agent" means Bank One in its capacity as administrative agent for the Lenders pursuant to Article VII, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Section 7.06.

"Administrative Questionnaire" means an administrative questionnaire, substantially in the form supplied by the Administrative Agent, completed by a Lender and furnished to the Administrative Agent in connection with this Agreement.

"Advance" means an advance by a Lender to a Borrower hereunder. An Advance may be a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person.

"Agents" means the Administrative Agent, the Co-Documentation Agents and the Syndication Agent; and "Agent" means any one of the foregoing.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" – see Schedule I.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit C.

"Bank One" means Bank One, NA, a national banking association with its main office in Chicago, Illinois.

"Base Rate" means, for any period, a fluctuating interest rate per annum which rate per annum shall at all times be equal to the higher of:

(a) the Prime Rate; and

(b) the sum of 0.5% per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.06(a).

"Borrowers" means Exelon, ComEd, PECO and Genco; and "Borrower" means any one of the foregoing.

"Borrowing" means a group of Advances to the same Borrower of the same Type made, continued or converted on the same day by the Lenders ratably according to their Pro Rata Shares and, in the case of a Borrowing of Eurodollar Rate Advances, having the same Interest Period.

"Business Day" means a day on which banks are not required or authorized to close in Philadelphia, Pennsylvania, Chicago, Illinois or New York, New York, and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Closing Date" shall mean the date on which all conditions precedent to the initial Credit Extension have been satisfied.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, in each case as amended, reformed or otherwise modified from time to time.

"Co-Documentation Agent" means each of Citibank, N.A., Wachovia Bank, National Association and Dresdner Bank AG, New York and Grand Cayman Branches in its capacity as a co-documentation agent hereunder.

"Co-Lead Arranger" means each of Banc One Capital Markets and Barclays Capital in its capacity as a Co-Lead Arranger.

"ComEd" means Commonwealth Edison Company, an Illinois corporation, or any Eligible Successor thereof.

"ComEd Mortgage" means the Mortgage, dated July 1, 1923, as amended and supplemented by supplemental indentures, including the Supplemental Indenture, dated August 1, 1944, from ComEd to Harris Trust and Savings Bank and D.G. Donovan, as trustees; provided that no effect shall be given to any amendment, supplement or refinancing after the date of this Agreement that would broaden the definition of "permitted liens" as defined in the ComEd Mortgage as constituted on the date of this Agreement.

"ComEd Sublimit" means $50,000,000, subject to adjustment as provided in Section 2.04(c).

"Commitment" means, for any Lender, such Lender's commitment to make Advances and participate in Facility LCs for the account of each Borrower hereunder.

"Commitment Amount" means, for any Lender at any time, the amount set forth opposite such Lender's name on Schedule II attached hereto or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(c), as such amount may be reduced pursuant to Section 2.04.

"Commitment Termination Date" means, with respect to any Borrower, the earlier of (i) October 31, 2006 or (ii) the date of termination of the Commitments to such Borrower pursuant to Section 2.04 or 6.01.

"Commodity Trading Obligations" mean, with respect to any Person, the obligations of such Person under (i) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity cap agreement, commodity floor agreement, commodity collar agreement, commodity hedge agreement, commodity forward contract or derivative transaction and any put, call or other agreement, arrangement or transaction, including natural gas, power and emissions forward contracts, or any combination of any such arrangements, agreements and/or transactions, employed in the ordinary course of such Person's business, including any such Person's energy marketing, trading and asset optimization business, or (ii) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity hedge agreement, and any put, call or other agreement or arrangement, or combination thereof (including an agreement or arrangement to hedge foreign exchange risks) in respect of commodities entered into by such Person pursuant to asset optimization and risk management policies and procedures adopted in good faith by the Board of Directors of such Person. The term "commodities" shall include natural gas, electric power, emissions contracts and related products and ancillary services.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Exelon or any Subsidiary, are treated as a single employer under
Section 414(b) or 414(c) of the Code.

"Credit Extension" means the making of an Advance or the issuance or modification of a Facility LC hereunder.

"Debt" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business), (iv) obligations as lessee under leases that shall have been or are required to be, in accordance with GAAP, recorded as capital leases, (v) obligations (contingent or otherwise) under reimbursement or similar agreements with respect to the issuance of letters of credit (other than obligations in respect of documentary letters of credit opened to provide for the payment of goods or services purchased in the ordinary course of business) and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above.

"Distributions on Preferred Securities" means, for any period, (a) in the case of Exelon, "Distributions on Preferred Securities of Subsidiaries" as shown on a consolidated statement of income of Exelon for such period; (b) in the case of ComEd, "Distributions on Mandatorily Redeemable Preferred Securities" as shown on a consolidated statement of income of ComEd for such period; and (c) in the case of PECO, "Distributions on Mandatorily Redeemable Preferred Securities" as shown on a consolidated statement of income of PECO for such period.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrowers and the Administrative Agent.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any State thereof; (ii) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (iii) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business; (iv) the central bank of any country that is a member of the OECD; (v) any Lender; or (v) any Affiliate of a Lender; provided that, unless otherwise agreed by Exelon and the Administrative Agent in their sole discretion, (A) any Person described in clause (i), (ii) or (iii) above shall also (x) have outstanding unsecured long-term debt that is rated BBB- or better by S&P and Baa3 or better by Moody's (or an equivalent rating by another nationally recognized credit rating agency of similar standing if either such corporation is no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (y) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than $100,000,000 (or its equivalent in foreign currency), and (B) any Person described in clause (ii), (iii), (iv) or (v) above shall, on the date on which it is to become a Lender hereunder, be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 2.14(e)).

"Eligible Successor" means a Person which (i) is a corporation, limited liability company or business trust duly incorporated or organized, validly existing and in good standing under the laws of one of the states of the United States or the District of Columbia, (ii) as a result of a contemplated acquisition, consolidation or merger, will succeed to all or substantially all of the consolidated business and assets of a Borrower and its Subsidiaries, (iii) upon giving effect to such contemplated acquisition, consolidation or merger, will have all or substantially all of its consolidated business and assets conducted and located in the United States and (iv) is acceptable to the Majority Lenders as a credit matter.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder, each as amended and modified from time to time.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrowers and the Administrative Agent.

"Eurodollar Rate" means, for each Interest Period for each Eurodollar Rate Advance made as part of a Borrowing, the applicable British Bankers' Association LIBOR rate for deposits in U.S. dollars having a maturity equal to such Interest Period, as reported by any generally recognized financial information service as of 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period; provided that if no such British Bankers' Association LIBOR rate is available to the Administrative Agent, the Eurodollar Rate for such Interest Period shall instead be the rate determined by the Administrative Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Rate Advance and having a maturity equal to such Interest Period.

"Eurodollar Rate Advance" means any Advance that bears interest as provided in Section 2.06(b).

"Eurodollar Rate Reserve Percentage" of any Lender for any Interest Period means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" - see Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended and modified from time to time.

"Exelon" means Exelon Corporation, a Pennsylvania corporation, or any Eligible Successor thereof.

"Exelon Sublimit" means $375,000,000, subject to adjustment as provided in Section 2.04(c).

"Existing Agreement" means the Credit Agreement dated as of November 22, 2002 among the Borrowers, various financial institutions and Bank One, as Administrative Agent, as amended prior to the Closing Date.

"Existing Letter of Credit" means each letter of credit listed on Schedule III.

"Facility Fee Rate" – see Schedule I.

"Facility LC" means any letter of credit issued pursuant to Section 2.16 and any Existing Letter of Credit.

"Facility LC Application" – see Section 2.16.3.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"GAAP" - see Section 1.03.

"Genco" means Exelon Generation Company, LLC, a Pennsylvania limited liability company, or any Eligible Successor thereof.

"Genco Sublimit" means $125,000,000, subject to adjustment as provided in Section 2.04(c).

"Granting Bank" - see Section 8.07(h).

"Hedging Obligations" mean, with respect to any Person, the obligations of such Person under any interest rate or currency swap agreement, interest rate or currency future agreement, interest rate collar agreement, interest rate or currency hedge agreement, and any put, call or other agreement or arrangement designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"Interest Coverage Ratio" means, with respect to any Borrower for any period of four consecutive fiscal quarters, the ratio of such Borrower's Adjusted Funds From Operations for such period to such Borrower's Net Interest Expense for such period.

"Interest Expense" means, for any Borrower for any period, "interest expense" as shown on a consolidated statement of income of such Borrower for such period prepared in accordance with GAAP.

"Interest Period" means, for each Eurodollar Rate Advance, the period commencing on the date of such Eurodollar Rate Advance is made or is converted from a Base Rate Advance and ending on the last day of the period selected by the applicable Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be 1, 2, 3 or 6 months, as the applicable Borrower may select in accordance with Section 2.02 or 2.09; provided that:

(i) no Borrower may select any Interest Period that ends after the scheduled Maturity Date for such Borrower;

(ii) Interest Periods commencing on the same date for Advances made as part of the same Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, unless such extension would cause the last day of such Interest Period to occur in the next following calendar month, in which case the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) if there is no day in the appropriate calendar month at the end of such Interest Period numerically corresponding to the first day of such Interest Period, then such Interest Period shall end on the last Business Day of such appropriate calendar month.

"LC Fee Rate" – see Schedule I.

"LC Issuer" means Bank One in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, with respect to any Borrower at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs issued for the account of such Borrower outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations of such Borrower.

"LC Payment Date" – see Section 2.16.5.

"Lenders" means each of the financial institutions listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 8.07.

"Letter of Credit Sublimit" means $600,000,000.

"Lien" means any lien (statutory or other), mortgage, pledge, security interest or other charge or encumbrance, or any other type of preferential arrangement (including the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Majority Lenders" means Lenders having Pro Rata Shares of more than 50% (provided that, for purposes of this definition, no Borrower nor any Affiliate of a Borrower, if a Lender, shall be included in calculating the amount of any Lender's Pro Rata Share or the amount of the Commitment Amounts or Outstanding Credit Extensions, as applicable, required to constitute more than 50% of the Pro Rata Shares).

"Material Adverse Change" and "Material Adverse Effect" each means, relative to any occurrence, fact or circumstances of whatsoever nature (including any determination in any litigation, arbitration or governmental investigation or proceeding) with respect to any Borrower, (i) any materially adverse change in, or materially adverse effect on, the financial condition, operations, assets or business of such Borrower and its consolidated Subsidiaries (other than the Sithe Entities), taken as a whole (except that changes or effects relating to such Borrower's investment in any Sithe Entity shall not be considered in determining whether a Material Adverse Change or Material Adverse Effect has occurred), or (ii) any materially adverse effect on the validity or enforceability against such Borrower of this Agreement or any applicable Note.

"Material Subsidiary" means, with respect to Exelon, each of ComEd, PECO and Genco and any holding company for any of the foregoing.

"Maturity Date" means, with respect to any Borrower, the earlier of (i) October 31, 2006 or (ii) the date on which all obligations of such Borrower become due and payable (pursuant to Section 6.01 or otherwise).

"Modify" and "Modification" – see Section 2.16.1.

"Moody's" means Moody's Investors Service, Inc.

"Moody's Rating" means, at any time for any Borrower, the rating issued by Moody's and then in effect with respect to such Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if such Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from Moody's for debt securities of such type, then such indicative rating shall be used for determining the "Moody's Rating").

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which Exelon or any other member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Cash Flows From Operating Activities" means, for any Borrower for any period, "Net Cash Flows provided by Operating Activities" as shown on a consolidated statement of cash flows of such Borrower for such period prepared in accordance with GAAP, excluding any

"working capital changes" (as shown on such statement of cash flows) taken into account in determining such Net Cash Flows provided by Operating Activities.

"Net Interest Expense" means, for any Borrower for any period, the total of (a) such Borrower's Interest Expense for such period minus (b) such Borrower's Distributions on Preferred Securities for such period minus (c) such Borrower's Transitional Funding Instrument Interest for such period minus (d) in the case of Exelon and Genco, interest on Sithe Project Debt for such period.

"Nonrecourse Indebtedness" means any Debt that finances the acquisition, development, ownership or operation of an asset in respect of which the Person to which such Debt is owed has no recourse whatsoever to any Borrower or any of their respective Affiliates other than:

(i) recourse to the named obligor with respect to such Debt (the "Debtor") for amounts limited to the cash flow or net cash flow (other than historic cash flow) from the asset;

(ii) recourse to the Debtor for the purpose only of enabling amounts to be claimed in respect of such Debt in an enforcement of any security interest or lien given by the Debtor over the asset or the income, cash flow or other proceeds deriving from the asset (or given by any shareholder or the like in the Debtor over its shares or like interest in the capital of the Debtor) to secure the Debt, but only if the extent of the recourse to the Debtor is limited solely to the amount of any recoveries made on any such enforcement; and

(iii) recourse to the Debtor generally or indirectly to any Affiliate of the Debtor, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for a breach of an obligation (other than a payment obligation or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the Person against which such recourse is available.

"Note" means a promissory note of a Borrower payable to the order of a Lender, in substantially the form of Exhibit A, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Advances made by such Lender to such Borrower.

"Notice of Borrowing" - see Section 2.02(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Outstanding Credit Extensions" means, with respect to any Borrower, the sum of the aggregate principal amount of all outstanding Advances to such Borrower plus all LC Obligations of such Borrower.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"PECO" means PECO Energy Company, a Pennsylvania corporation, or any Eligible Successor thereof.

"PECO Mortgage" means the First and Refunding Mortgage, dated as of May 1, 1923, between The Counties Gas & Electric Company (to which PECO is successor) and Fidelity Trust Company, Trustee (to which First Union National Bank is successor), as amended, supplemented or refinanced from time to time, provided that no effect shall be given to any amendment, supplement or refinancing after the date of this Agreement that would broaden the definition of "excepted encumbrances" as defined in the PECO Mortgage as constituted on the date of this Agreement.

"PECO Sublimit" means $200,000,000, subject to adjustment as provided in Section 2.04(c).

"Permitted Obligations" mean, with respect to Genco or any of its Subsidiaries, (1) Hedging Obligations arising in the ordinary course of business and in accordance with such Person's established risk management policies that are designed to protect such Person against, among other things, fluctuations in interest rates or currency exchange rates and which in the case of agreements relating to interest rates shall have a notional amount no greater than the payments due with respect to the Obligations being hedged thereby and (2) Commodity Trading Obligations.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which Exelon or any other member of the Controlled Group may have any liability.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced by Bank One or by its parent, BANK ONE CORPORATION (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Principal Subsidiary" means, with respect to a Borrower, (i) each Utility Subsidiary of such Borrower (other than Commonwealth Edison Company of Indiana, Inc., so long as it does not qualify as a Principal Subsidiary under the following clause (ii)) and (ii) each other Subsidiary of such Borrower the assets of which exceeded $250,000,000 in book value at any time during the preceding 24- month period.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment Amount (plus, after the Commitments have terminated with respect to any Borrower, the principal amount of such Lender's outstanding Advances to such Borrower plus the amount of such Lender's participation in all of such Borrower's LC Obligations) and the denominator of which is the aggregate amount of the Commitment Amounts (plus, after the Commitments have terminated with respect to any Borrower, the principal amount of all outstanding Advances to such Borrower plus all LC Obligations of such Borrower).

"Register" - see Section 8.07(c).

"Reimbursement Obligations" means, with respect to any Borrower at any time, the aggregate of all obligations of such Borrower then outstanding under Section 2.16 to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and regulations issued under such section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"S&P Rating" means, at any time for any Borrower, the rating issued by S&P and then in effect with respect to such Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if such Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from S&P for debt securities of such type, then such indicative rating shall be used for determining the "S&P Rating").

"Single Employer Plan" means a Plan maintained by Exelon or any other member of the Controlled Group for employees of Exelon or any other member of the Controlled Group.

"Sithe Energies" means Sithe Energies, Inc., provided that Sithe Energies shall not be a Subsidiary until such time as it meets the requirements of that definition.

"Sithe Entity" means each of Sithe Energies and Sithe Holdings and each of their respective Subsidiaries.

"Sithe Holdings" means Exelon New England Holdings LLC (formerly known as Sithe New England Holdings LLC).

"Sithe Project Debt" means Debt of any Sithe Entity for which none of the Borrowers nor any of their Subsidiaries (other than another Sithe Entity) has any liability, contingent or otherwise.

"SPC" - see Section 8.07(h).

"Special Purpose Subsidiary" means a direct or indirect wholly owned corporate Subsidiary of ComEd or PECO, substantially all of the assets of which are "intangible transition property" (as defined in Section 18-102 of the Illinois Public Utilities Law, as amended, or in 66 Pa. Cons. Stat. Ann. ss.2812(g) (West Supp. 1997) or any successor provision of similar import), and proceeds thereof, formed solely for the purpose of holding such assets and issuing such

Transitional Funding Instruments, and which complies with the requirements customarily imposed on bankruptcy-remote corporations in receivables securitizations.

"Sublimit" means the Exelon Sublimit, the ComEd Sublimit, the PECO Sublimit or the Genco Sublimit.

"Subsidiary" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether or not at the time capital stock, or comparable interests, of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person (whether directly or through one or more other Subsidiaries).

"Syndication Agent" means Barclays Bank PLC in its capacity as a syndication agent hereunder.

"Taxes" - see Section 2.14.

"Transitional Funding Instrument" means any instruments, pass-through certificates, notes, debentures, certificates of participation, bonds, certificates of beneficial interest or other evidences of indebtedness or instruments evidencing a beneficial interest which (i) in the case of ComEd (A) are issued pursuant to a "transitional funding order" (as such term is defined in Section 18-102 of the Illinois Public Utilities Act, as amended) issued by the Illinois Commerce Commission at the request of an electric utility and (B) are secured by or otherwise payable from non-bypassable cent per kilowatt hour charges authorized pursuant to such order to be applied and invoiced to customers of such utility and (ii) in the case of PECO, are "transition bonds" (as defined in 66 Pa. Cons. Stat. Ann. ss.2812(g) (West Supp. 1997), or any successor provision of similar import), representing a securitization of "intangible transition property" (as defined in the foregoing statute). The instrument funding charges so applied and invoiced must be deducted and stated separately from the other charges invoiced by such utility against its customers.

"Transitional Funding Instrument Interest" means, for any Borrower for any period, the portion of such Borrower's Interest Expense for such period which was payable in respect of Transitional Funding Instruments.

"Transitional Funding Instrument Revenue" means, for any Borrower for any period, the portion of such Borrower's consolidated revenue for such period attributable to charges invoiced to customers in respect of Transitional Funding Instruments.

"Type" - see the definition of Advance.

"Unfunded Liabilities" means, (i) in the case of any Single Employer Plan, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent evaluation date for such Plan, and (ii) in the case of any Multiemployer Plan, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from such Multiemployer Plan.

"Unmatured Event of Default" means any event which (if it continues uncured) will, with lapse of time or notice or both, become an Event of Default.

"Utility Subsidiary" means, with respect to a Borrower, each Subsidiary of such Borrower that is engaged principally in the generation, transmission, or distribution of electricity or gas and is subject to rate regulation as a public utility by federal or state regulatory authorities.

"Utilization Fee Rate" – see Schedule I.

SECTION 1.02 Other Interpretive Provisions. In this Agreement, (a) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding"; (b) unless otherwise indicated, any reference to an Article, Section, Exhibit or Schedule means an Article or Section hereof or an Exhibit or Schedule hereto; and (c) the term "including" means "including without limitation".

SECTION 1.03 Accounting Principles. (a) As used in this Agreement, "GAAP" shall mean generally accepted accounting principles in the United States, applied on a basis consistent with the principles used in preparing Exelon's audited consolidated financial statements as of December 31, 2002 and for the fiscal year then ended. In this Agreement, except to the extent, if any, otherwise provided herein, all accounting and financial terms shall have the meanings ascribed to such terms by GAAP, and all computations and determinations as to accounting and financial matters shall be made in accordance with GAAP. In the event that the financial statements generally prepared by any Borrower apply accounting principles other than GAAP (including as a result of any event described in Section 1.03(b)), the compliance certificate delivered pursuant to Section 5.01(b)(iv) accompanying such financial statements shall include information in reasonable detail reconciling such financial statements to GAAP to the extent relevant to the calculations set forth in such compliance certificate.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein and the applicable Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and such Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); provided that, until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein.

ARTICLE II

AMOUNTS AND TERMS OF THE COMMITMENTS

SECTION 2.01 Commitments. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to (a) make Advances to any Borrower and (b) to participate in Facility LCs issued upon the request of any Borrower, in each case from time to time during the period from the date hereof to the Commitment Termination Date for such Borrower, in an aggregate amount not to exceed such Lender's Commitment Amount as in effect from time to time; provided that (i) the aggregate principal amount of all Advances by such Lender to any

Borrower shall not exceed such Lender's Pro Rata Share of the aggregate principal amount of all Advances to such Borrower; (ii) such Lender's participation in Facility LCs issued for the account of any Borrower shall not exceed such Lender's Pro Rata Share of all LC Obligations of such Borrower; (iii) the Outstanding Credit Extensions to Exelon shall not at any time exceed the Exelon Sublimit; (iv) the Outstanding Credit Extensions to ComEd shall not any time exceed the ComEd Sublimit; (v) the Outstanding Credit Extensions to PECO shall not at any time exceed the PECO Sublimit; (vi) the Outstanding Credit Extensions to Genco shall not at any time exceed the Genco Sublimit; and (vii) the LC Obligations of all Borrowers collectively shall not at any time exceed the Letter of Credit Sublimit. Within the foregoing limits, each Borrower may from time to time borrow, prepay pursuant to Section 2.10 and reborrow hereunder prior to the Commitment Termination Date for such Borrower.

SECTION 2.02 Procedures for Advances; Limitations on Borrowings.

(a) Any Borrower may request Advances hereunder by giving notice (a "Notice of Borrowing") to the Administrative Agent (which shall promptly advise each Lender of its receipt thereof) not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed borrowing of Eurodollar Rate Advances and on the date of any proposed borrowing of Base Rate Advances. Each Notice of Borrowing shall be sent by telecopier, confirmed immediately in writing, and shall be in substantially the form of Exhibit B, specifying therein the Borrower which is requesting Advances and the requested (i) date of borrowing (which shall be a Business Day), (ii) Type of Advances to be borrowed, (iii) the aggregate amount of such Advances, and (iv) in the case of a borrowing of Eurodollar Rate Advances, the initial Interest Period therefor. Each Lender shall, before 12:00 noon (Chicago time) on the date of such borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of the requested borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the applicable Borrower at the Administrative Agent's aforesaid address.

(b) Each Notice of Borrowing shall be irrevocable and binding on the applicable Borrower. If a Notice of Borrowing requests Eurodollar Rate Advances, the applicable Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the requested borrowing date the applicable conditions set forth in Article III, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the requested Advance to be made by such Lender.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any requested borrowing (or, in the case of a borrowing of Base Rate Advances to be made on the same Business Day as the Administrative Agent's receipt of the relevant Notice of Borrowing, prior to 10:30 A.M., Chicago time, on such Business Day) that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the requested borrowing date in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make

available to the applicable Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and such Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Advances made in connection with such borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make the Advance to be made by it on any borrowing date shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make any Advance to be made by such other Lender.

(e) Each Borrowing of Base Rate Advances shall at all times be in an aggregate amount of $5,000,000 or a higher integral multiple of $1,000,000; and each Borrowing of Eurodollar Rate Advances shall at all times be in an aggregate amount of $10,000,000 or a higher integral multiple of $1,000,000. Notwithstanding anything to the contrary contained herein, the Borrowers collectively may not have more than 25 Borrowings of Eurodollar Rate Advances outstanding at any time.

SECTION 2.03 Facility and Utilization Fees.

(a) Each Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their Pro Rata Shares, a facility fee for the period from the Closing Date to the Commitment Termination Date for such Borrower (or, if later, the date on which all Outstanding Credit Extensions to such Borrower have been paid in full) in an amount equal to the Facility Fee Rate for such Borrower multiplied by such Borrower's Sublimit (or, after the Commitment Termination Date for such Borrower, the principal amount of all Outstanding Credit Extensions to such Borrower), payable on the last day of each March, June, September and December and on the Final Termination Date for such Borrower (and, if applicable, thereafter on demand).

(b) Utilization Fee. Each Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their Pro Rata Shares, a utilization fee for each day on which either (i) the Outstanding Credit Extensions to all Borrowers exceed 33-1/3% of the aggregate amount of the Commitment Amounts or (ii) such Borrower's Outstanding Credit Extensions exceed 33-1/3% of such Borrower's Sublimit, in each case in an amount equal to the Utilization Fee Rate for such Borrower multiplied by such Borrower's Outstanding Credit Extensions on such day, payable on the last day of each March, June, September and December and on the Commitment Termination Date for such Borrower.

SECTION 2.04 Reduction of Commitment Amounts; Adjustment of Sublimits. (a) Each Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to ratably reduce the respective Commitment Amounts of the Lenders in accordance with

their Pro Rata Shares; provided that no Borrower may reduce the Commitment Amounts by an aggregate amount that is greater than the remainder of the amount of such Borrower's Sublimit minus the Outstanding Credit Extensions to such Borrower; and provided, further, that each partial reduction of the Commitment Amounts shall be in the aggregate amount of $10,000,000 or an integral multiple thereof. Once reduced pursuant to this Section 2.04, the Commitment Amounts may not be increased.

(b) Any Borrower shall have the right at any time such Borrower's Sublimit has been reduced to zero, upon at least two Business Days' notice to the Administrative Agent, to terminate the Commitment of each Lender with respect to such Borrower in its entirety (but only if such Borrower concurrently pays all of its obligations hereunder). Upon any such termination, such Borrower shall cease to be a party hereto and shall no longer have any rights or obligations hereunder (except under provisions hereof which by their terms would survive any termination hereof).

(c) The Borrowers may from time to time so long as no Event of Default or Unmatured Event of Default exists with respect to any Borrower, upon not less than five Business Days' notice to the Administrative Agent (which shall promptly notify each Lender), change their respective Sublimits; provided that (i) the sum of the Sublimits shall at all times be equal to the aggregate amount of the Commitment Amounts; and (ii) after giving effect to any adjustment of the Sublimits, (A) each Sublimit shall be an integral multiple of $50,000,000 (except that one Sublimit may not be such an integral multiple if the aggregate amount of the Commitment Amounts is not an integral multiple of $50,000,000); (B) no Borrower's Sublimit shall exceed $500,000,000; (C) the Outstanding Credit Extensions to Exelon shall not exceed the Exelon Sublimit; (D) the Outstanding Credit Extensions to ComEd shall not exceed the ComEd Sublimit; (E) the Outstanding Credit Extensions to Genco shall not exceed the Genco Sublimit and (F) the Outstanding Credit Extensions to PECO shall not exceed the PECO Sublimit.

SECTION 2.05 Repayment of Advances. Each Borrower shall repay the principal amount of all Advances made to it on or before the Maturity Date for such Borrower.

SECTION 2.06 Interest on Advances. Each Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) At all times such Advance is a Base Rate Advance, a rate per annum equal to the Base Rate in effect from time to time, payable quarterly on the last day of each March, June, September and December and on the date such Base Rate Advance is converted to a Eurodollar Rate Advance or paid in full.

(b) Subject to Section 2.07, at all times such Advance is a Eurodollar Rate Advance, a rate per annum equal to the sum of the Eurodollar Rate for each applicable Interest Period plus the Applicable Margin in effect from time to time for such Borrower, payable on the last day of each Interest Period for such Eurodollar Rate Advance (and, if any Interest Period for such Advance is six months, on the day that is three months after the first day of such Interest Period) or, if earlier, on the date such Eurodollar Rate Advance is converted to a Base Rate Advance or paid in full.

SECTION 2.07 Additional Interest on Eurodollar Advances. Each Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender made to such Borrower, from the date of such Advance until such principal amount is paid in full or converted to a Base Rate Advance, at an interest rate per annum equal to the remainder obtained by subtracting (i) the Eurodollar Rate for each Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance; provided that no Lender shall be entitled to demand such additional interest more than 90 days following the last day of the Interest Period in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive such additional interest to the extent that such additional interest relates to the retroactive application of the reserve requirements described above if such demand is made within 90 days after the implementation of such retroactive reserve requirements. Such additional interest shall be determined by the applicable Lender and notified to the applicable Borrower through the Administrative Agent, and such determination shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the applicable Borrower and the Lenders of each applicable interest rate determined by the Administrative Agent for purposes of Section 2.06(a) or (b).

(b) If, with respect to any Eurodollar Rate Advances, the Majority Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the applicable Borrower and the Lenders, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor (unless prepaid or converted to a Base Rate Advance prior to such day), convert into a Base Rate Advance, and

(ii) the obligation of the Lenders to make, continue or convert into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09 Continuation and Conversion of Advances. (a) Any Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed continuation of or conversion into Eurodollar Rate Advances, and on the date of any proposed conversion into Base Rate Advances, and subject to the provisions of Sections 2.08 and 2.12, continue Eurodollar Rate Advances for a new Interest Period or convert a Borrowing of Advances of one Type into Advances of the other Type; provided that any continuation of Eurodollar Rate Advances or conversion of Eurodollar Rate Advances into Base Rate Advances shall be made on, and only

on, the last day of an Interest Period for such Eurodollar Rate Advances, unless, in the case of such a conversion, such Borrower shall also reimburse the Lenders pursuant to Section 8.04(b) on the date of such conversion. Each such notice of a continuation or conversion shall, within the restrictions specified above, specify (i) the date of such continuation or conversion, (ii) the Advances to be continued or converted, and (iii) in the case of continuation of or conversion into Eurodollar Rate Advances, the duration of the Interest Period for such Advances.

(b) If a Borrower shall fail to select the Type of any Advance or the duration of any Interest Period for any Borrowing of Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01 and Section 2.09(a), the Administrative Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, convert into Base Rate Advances.

SECTION 2.10 Prepayments. Any Borrower may, upon notice to the Administrative Agent at least three Business Days prior to any prepayment of Eurodollar Rate Advances, or one Business Day's notice prior to any prepayment of Base Rate Advances, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given that Borrower shall, prepay the outstanding principal amounts of the Advances made as part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided that (i) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Eurodollar Rate Advances and $5,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Base Rate Advances, and (ii) in the case of any such prepayment of a Eurodollar Rate Advance, such Borrower shall be obligated to reimburse the Lenders pursuant to Section 8.04(b) on the date of such prepayment.

SECTION 2.11 Increased Costs. (a) If on or after the date of this Agreement, any Lender or the LC Issuer determines that (i) the introduction of or any change (other than, in the case of Eurodollar Rate Advances, any change by way of imposition or increase of reserve requirements, included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) shall increase the cost to such Lender or the LC Issuer, as the case may be, of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or of issuing or participating in any Facility LC, then the applicable Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent) or the LC Issuer, as applicable, pay to the Administrative Agent for the account of such Lender additional amounts (without duplication of any amount payable pursuant to Section 2.14) sufficient to compensate such Lender or the LC Issuer, as applicable, for such increased cost; provided that no Lender shall be entitled to demand such compensation more than 90 days following the last day of the Interest Period in respect of which such demand is made and the LC Issuer shall not be entitled to demand such compensation more than 90 days following the expiration or termination (by a drawing or otherwise) of the Facility LC in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender or the LC Issuer to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described in clause (i) or (ii) above if such demand is made within 90 days

after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to the amount of such increased cost, submitted to the applicable Borrower and the Administrative Agent by a Lender or the LC Issuer, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender or the LC Issuer determines that, after the date of this Agreement, compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) regarding capital adequacy requirements affects or would affect the amount of capital required or expected to be maintained by such Lender or the LC Issuer or any Person controlling such Lender or the LC Issuer (including, in any event, any determination after the date of this Agreement by any such governmental authority or central bank that, for purposes of capital adequacy requirements, any Lender's Commitment to a Borrower or the LC Issuer's commitment to issue Facility LCs for the account of such Borrower as the case may be does not constitute a commitment with an original maturity of less than one year) and that the amount of such capital is increased by or based upon the existence of such Lender's Commitment to such Borrower or the LC Issuer's commitment to issue Facility LCs for the account of such Borrower, as applicable, or the Advances made by such Lender to such Borrower or Reimbursement Obligations owed to the LC Issuer by such Borrower, as the case may be, then, upon demand by such Lender (with a copy of such demand to the Administrative Agent) or the LC Issuer, as applicable, such Borrower shall immediately pay to the Administrative Agent for the account of such Lender or LC Issuer, as applicable, from time to time as specified by such Lender or the LC Issuer, as applicable, additional amounts sufficient to compensate such Lender, the LC Issuer or such controlling Person, as applicable, in the light of such circumstances, to the extent that such Lender determines such increase in capital to be allocable to the existence of such Lender's Commitment to such Borrower or the Advances made by such Lender to such Borrower or the LC Issuer determines such increase in capital to be allocable to the LC Issuer's commitment to issue Facility LCs for the account of such Borrower or the Reimbursement Obligations owed by such Borrower to the LC Issuer; provided that no Lender or the LC Issuer shall be entitled to demand such compensation more than one year following the payment to or for the account of such Lender of all other amounts payable hereunder by such Borrower and under any Note of such Borrower held by such Lender and the termination of such Lender's Commitment to such Borrower and the LC Issuer shall not be entitled to demand such compensation more than one year after the expiration or termination (by drawing or otherwise) of all Facility LCs issued for the account of such Borrower and the termination of the LC Issuer's commitment to issue Facility LCs for the account of such Borrower; provided, further, that the foregoing provision shall in no way limit the right of any Lender or the LC Issuer to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described above if such demand is made within one year after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to such amounts submitted to the applicable Borrower and the Administrative Agent by the applicable Lender or the LC Issuer shall be conclusive and binding, for all purposes, absent manifest error.

(c) Any Lender claiming compensation pursuant to this Section 2.11 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the

need for, or reduce the amount of, any such compensation that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of such Lender to make, continue or convert Advances into Eurodollar Rate Advances shall be suspended (subject to the following paragraph of this Section 2.12) until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist and (ii) all Eurodollar Rate Advances of such Lender then outstanding shall, on the last day of the then applicable Interest Period (or such earlier date as such Lender shall designate upon not less than five Business Days' prior written notice to the Administrative Agent), be automatically converted into Base Rate Advances.

If the obligation of any Lender to make, continue or convert into Eurodollar Rate Advances has been suspended pursuant to the preceding paragraph, then, unless and until the Administrative Agent shall notify the applicable Borrower and the Lenders that the circumstances causing such suspension no longer exist, (i) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances shall instead be made as Base Rate Advances and (ii) to the extent that Eurodollar Rate Advances of such Lender have been converted into Base Rate Advances pursuant to the preceding paragraph or made instead as Base Rate Advances pursuant to the preceding clause (i), all payments and prepayments of principal that would have otherwise been applied to such Eurodollar Rate Advances of such Lender shall be applied instead to such Base Rate Advances of such Lender.

SECTION 2.13 Payments and Computations. (a) Each Borrower shall make each payment hereunder and under any Note issued by such Borrower not later than 10:00 A.M. (Chicago time) on the day when due in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 in same day funds without setoff, counterclaim or other deduction. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, facility fees, utilization fees and letter of credit fees ratably (other than amounts payable pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Each Borrower hereby authorizes each Lender, if and to the extent any payment owed to such Lender by such Borrower is not made when due hereunder, to charge from time to time against any or all of such Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Prime Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of fees shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Lender, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.07, by a Lender) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of any interest or fees, as the case may be; provided that if such extension would cause payment of interest on or principal of a Eurodollar Rate Advance to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due by such Borrower to the Lenders hereunder that such Borrower will not make such payment in full, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that such Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) Notwithstanding anything to the contrary contained herein, any amount payable by a Borrower hereunder that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the fullest extent permitted by law) bear interest from the date when due until paid in full at a rate per annum equal at all times to the Base Rate plus 2%, payable upon demand.

SECTION 2.14 Taxes. (a) Any and all payments by any Borrower hereunder or under any Note issued by such Borrower shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender, the LC Issuer and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender, the LC Issuer or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and,

in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If a Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note issued by such Borrower to any Lender, the LC Issuer or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender, the LC Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower severally agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies to the extent arising from the execution, delivery or registration of this Agreement or any Note (hereinafter referred to as "Other Taxes"), in each case to the extent attributable to such Borrower; it being understood that to the extent any Other Taxes so payable are not attributable to any particular Borrower, each Borrower shall pay its proportionate share thereof according to the amounts of the Borrowers' respective Sublimits at the time such Other Taxes arose.

(c) No Lender may claim or demand payment or reimbursement in respect of any Taxes or Other Taxes pursuant to this Section 2.14 if such Taxes or Other Taxes, as the case may be, were imposed solely as the result of a voluntary change in the location of the jurisdiction of such Lender's Applicable Lending Office.

(d) Each Borrower will indemnify each Lender, the LC Issuer and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender, the LC Issuer or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted, in each case to the extent attributable to such Borrower; it being understood that to the extent any Taxes, Other Taxes or other liabilities described above are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the amounts of the Borrowers' respective Sublimits at the time such Taxes, Other Taxes or other liability arose. This indemnification shall be made within 30 days from the date such Lender, the LC Issuer or the Administrative Agent (as the case may be) makes written demand therefor.

(e) Prior to the date of an initial borrowing hereunder in the case of each Lender listed on the signature pages hereof, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter within 30 days from the date of request if requested by any Borrower or the Administrative Agent, each Lender organized under the laws of a jurisdiction outside the United States shall provide the Administrative Agent and each Borrower with the forms prescribed by the Internal Revenue Service of the United States certifying that such Lender is exempt from United States withholding taxes with respect to all payments to be made to such Lender hereunder and under

any Note. If for any reason during the term of this Agreement, any Lender becomes unable to submit the forms referred to above or the information or representations contained therein are no longer accurate in any material respect, such Lender shall notify the Administrative Agent and the Borrowers in writing to that effect. Unless the Borrowers and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under any Note are not subject to United States withholding tax, the Borrowers or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States and no Lender may claim or demand payment or reimbursement for such withheld taxes pursuant to this Section 2.14.

(f) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts which may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(g) If a Borrower makes any additional payment to any Lender pursuant to this Section 2.14 in respect of any Taxes or Other Taxes, and such Lender determines that it has received (i) a refund of such Taxes or Other Taxes or (ii) a credit against or relief or remission for, or a reduction in the amount of, any tax or other governmental charge attributable solely to any deduction or credit for any Taxes or Other Taxes with respect to which it has received payments under this Section 2.14, such Lender shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to such Borrower such amount as such Lender shall have determined to be attributable to the deduction or withholding of such Taxes or Other Taxes. If, within one year after the payment of any such amount to such Borrower, such Lender determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 2.14(g), such Borrower shall upon notice and demand of such Lender promptly repay the amount of such overpayment. Any determination made by a Lender pursuant to this Section 2.14(g) shall in the absence of bad faith or manifest error be conclusive, and nothing in this Section 2.14(g) shall be construed as requiring any Lender to conduct its business or to arrange or alter in any respect its tax or financial affairs (except as required by Section 2.14(f)) so that it is entitled to receive such a refund, credit or reduction or as allowing any Person to inspect any records, including tax returns, of such Lender.

(h) Without prejudice to the survival of any other agreement of any Borrower or any Lender hereunder, the agreements and obligations of the Borrowers and the Lenders contained in this Section 2.14 shall survive the payment in full of principal and interest hereunder and the termination of this Agreement; provided that no Lender shall be entitled to demand any payment from a Borrower under this Section 2.14 more than one year following the payment to or for the account of such Lender of all other amounts payable by such Borrower hereunder and under any Note issued by such Borrower to such Lender and the termination of such Lender's Commitment to such Borrower; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive any payment under this Section 2.14 to the extent that such payment relates to the retroactive application of any Taxes or Other

Taxes if such demand is made within one year after the implementation of such Taxes or Other Taxes.

SECTION 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it to any Borrower or its participation interest in any Facility LC issued for the account of any Borrower (other than pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) in excess of its ratable share of payments on account of the Advances to such Borrower and Facility LCs issued for the account of such Borrower obtained by all Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances made by them to such Borrower and/or LC Obligations of such Borrower as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrowers agree that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the applicable Borrower in the amount of such participation.

SECTION 2.16 Facility LCs.

SECTION 2.16.1 Issuance. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement (including the limitations set forth in Section 2.01), upon the request of any Borrower, to issue standby letters of credit and to renew, extend, increase or otherwise modify Facility LCs ("Modify," and each such action a "Modification") for such Borrower, from time to time from and including the date of this Agreement and prior to the Commitment Termination Date for such Borrower. No Facility LC shall have an expiry date later than the earlier of (a) one year after the date of issuance, or of extension or renewal, thereof or (b) the scheduled Commitment Termination Date. By their execution of this Agreement, the parties hereto agree that on the Closing Date (without any further action by any Person), each Existing Letter of Credit shall be deemed to have been issued under this Agreement and the rights and obligations of the issuer and the account party thereunder shall be subject to the terms hereof.

SECTION 2.16.2 Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Section 2.16 (or, in this case of the Existing Letters of Credit, on the Closing Date), the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Lender, and each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in

such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

SECTION 2.16.3 Notice. Subject to Section 2.16.1, the applicable Borrower shall give the LC Issuer notice prior to 10:00 A.M. (Chicago time) at least five Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender, of the contents thereof and of the amount of such Lender's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the applicable conditions precedent set forth in Article III (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the applicable Borrower shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

SECTION 2.16.4 LC Fees. Each Borrower shall pay to the Agent, for the account of the Lenders ratably in accordance with their respective Pro Rata Shares, with respect to each Facility LC issued for the account of such Borrower, a letter of credit fee at a per annum rate equal to the LC Fee Rate to such Borrower in effect from time to time on the average daily undrawn stated amount under such Facility LC, such fee to be payable in arrears on the last day of each March, June, September and December and on the Maturity Date for such Borrower (and thereafter on demand). Each Borrower shall also pay to the LC Issuer for its own account (x) a fronting fee in an amount and at the times agreed upon between the LC Issuer and such Borrower and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

SECTION 2.16.5 Administration; Reimbursement by Lenders. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Administrative Agent and the Administrative Agent shall promptly notify the applicable Borrower and each Lender as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the applicable Borrower and each Lender shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC

Issuer, each Lender shall be unconditionally and irrevocably liable, without regard to the occurrence of the Commitment Termination Date, the occurrence of any Event of Default or Unmatured Event of Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Lender's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the applicable Borrower pursuant to Section 2.16.6, plus (ii) interest on the foregoing amount to be reimbursed by such Lender, for each day from the date of the LC Issuer's demand for such reimbursement (or, if such demand is made after 11:00 A.M. (Chicago time) on such day, from the next succeeding Business Day) to the date on which such Lender pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Rate for the first three days and, thereafter, at the Base Rate.

SECTION 2.16.6 Reimbursement by Borrowers. Each Borrower shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on or before the applicable LC Payment Date for any amount to be paid by the LC Issuer upon any drawing under any Facility LC issued for the account of such Borrower, without presentment, demand, protest or other formalities of any kind; provided that neither the applicable Borrower nor any Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by such Borrower or such Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the applicable Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the Base Rate plus 2%. The LC Issuer will pay to each Lender ratably in accordance with its Pro Rata Share all amounts received by it from any Borrower for application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Lender has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 2.16.5. So long as the Commitment Termination Date has not occurred with respect to a Borrower, but subject to the terms and conditions of this Agreement (including the submission of a Notice of Borrowing in compliance with Section 2.02 and the satisfaction of the applicable conditions precedent set forth in Article III), such Borrower may request Advances hereunder for the purpose of satisfying any Reimbursement Obligation.

SECTION 2.16.7 Obligations Absolute. Each Borrower's obligations under this Section 2.16 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which such Borrower may have against the LC Issuer, any Lender or any beneficiary of a Facility LC. Each Borrower agrees with the LC Issuer and the Lenders that the LC Issuer and the Lenders shall not be responsible for, and such Borrower's Reimbursement Obligation in respect of any Facility LC issued for its account shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among such Borrower, any of its Affiliates, the beneficiary of

any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of such Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. Each Borrower agrees that any action taken or omitted by the LC Issuer or any Lender under or in connection with any Facility LC issued for the account of such Borrower and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon such Borrower and shall not put the LC Issuer or any Lender under any liability to such Borrower. Nothing in this Section 2.16.7 is intended to limit the right of any Borrower to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 2.16.6.

SECTION 2.16.8 Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Lenders as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 2.16, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Lenders and any future holder of a participation in any Facility LC.

SECTION 2.16.9 Indemnification. Each Borrower hereby agrees to indemnify and hold harmless each Lender, the LC Issuer and the Agent, and their respective directors, officers, agents and employees, from and against any and all claims and damages, losses, liabilities, costs or expenses which such Lender, the LC Issuer or the Agent may incur (or which may be claimed against such Lender, the LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC issued for the account of such Borrower or any actual or proposed use of any such Facility LC, including any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any right such Borrower may have against any defaulting Lender) or (ii) by reason of or on account of the LC Issuer issuing any such Facility LC which specifies that the term “Beneficiary” included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor

Beneficiary; provided that no Borrower shall be required to indemnify any Lender, the LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.16.9 is intended to limit the obligations of any Borrower under any other provision of this Agreement.

SECTION 2.16.10 Lenders' Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Section 2.16 or any action taken or omitted by such indemnitees hereunder.

SECTION 2.16.11 Rights as a Lender. In its capacity as a Lender, the LC Issuer shall have the same rights and obligations as any other Lender.

ARTICLE III

CONDITIONS TO CREDIT EXTENSIONS

SECTION 3.01 Conditions Precedent to Initial Credit Extensions. No Lender shall be obligated to make any Advance, and the LC Issuer shall not be obligated to issue any Facility LC, unless the Administrative Agent shall have received (a) evidence, satisfactory to the Administrative Agent, that the Borrowers have paid (or will pay with the proceeds of the initial Credit Extensions) all amounts then payable under the Existing Agreement and that all "Commitments" under and as defined in the Existing Agreement have been (or concurrently with the initial Advances will be) terminated and (b) each of the following documents, each dated the date of the initial Credit Extension (or an earlier date satisfactory to the Administrative Agent, in form and substance satisfactory to the Administrative Agent and each (except for any Note) in sufficient copies to provide one for each Lender:

(i) Notes issued by each Borrower in favor of each Lender that has requested a Note to evidence its Advances;

(ii) Certified copies of resolutions of the Board of Directors or equivalent managing body of each Borrower approving the transactions contemplated by this Agreement and of all documents evidencing other necessary organizational action of such Borrower with respect to this Agreement and the documents contemplated hereby;

(iii) A certificate of the Secretary or an Assistant Secretary of each Borrower certifying (A) the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the other documents to be delivered hereunder; (B) that attached thereto are true and correct copies of the articles or certificate of incorporation and by-laws, or equivalent organizational documents, of such Borrower, in each case in effect on such date; and (C) that attached thereto are true and correct copies of all governmental and regulatory authorizations and approvals required for the due execution, delivery and performance by such Borrower of this Agreement and the documents contemplated hereby;

(iv) A certificate signed by either the chief financial officer, principal accounting officer or treasurer of each Borrower stating that (A) the representations and warranties contained in Section 4.01 are correct on and as of the date of such certificate as though made on and as of such date and (B) no Event of Default or Unmatured Event of Default has occurred and is continuing on the date of such certificate; and

(v) A favorable opinion of Ballard Spahr Andrews & Ingersoll LLC, special counsel for the Borrowers, substantially in the form of Exhibit D-1; and a favorable opinion of Sidley Austin Brown & Wood LLP, special counsel to ComEd, substantially in the form of Exhibit D-2.

SECTION 3.02 Conditions Precedent to All Credit Extensions. The obligation of each Lender to make any Advance to any Borrower and of the LC Issuer to issue or modify any Facility LC for the account of any Borrower shall be subject to the further conditions precedent that on the date of such Credit Extension the following statements shall be true, and (a) the giving of the applicable Notice of Borrowing and the acceptance by the applicable Borrower of the proceeds of Advances pursuant thereto and (b) the request by a Borrower for the issuance or Modification of a Facility LC shall, in each case, constitute a representation and warranty by such Borrower that on the date of the making of such Advances or the issuance or Modification of such Facility LC such statements are true:

(A) The representations and warranties of such Borrower contained in Section 4.01 are correct on and as of the date of such Credit Extension, before and after giving effect to such Credit Extension and, in the case of the making of Advances, the application of the proceeds therefrom, as though made on and as of such date; provided that this Section 3.02(A) shall not apply to the representations and warranties set forth in Sections 4.01(e)(i)(B), 4.01(e)(ii)(B), 4.01(e)(iii)(B) and 4.01(e)(iv)(B) and the first sentence of Section 4.01(f) with respect to a Borrowing if the proceeds of such Borrowing will be used exclusively to repay such Borrower's commercial paper (and, in the event of any such Borrowing, the Administrative Agent may require the applicable Borrower to deliver information sufficient to disburse the proceeds of such Borrowing directly to the holders of such commercial paper or a paying agent therefor); and

(B) No event has occurred and is continuing, or would result from such Credit Extension or, in the case of the making of Advances, from the application of the

proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default with respect to such Borrower.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

(a) Such Borrower is a corporation, limited liability company or business trust duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization.

(b) The execution, delivery and performance by such Borrower of this Agreement and any Note issued by such Borrower are within such Borrower's powers, have been duly authorized by all necessary organizational action on the part of such Borrower, and do not and will not contravene (i) the articles or certificate of incorporation, by-laws or the organizational documents of such Borrower, (ii) applicable law or (iii) any contractual or legal restriction binding on or affecting the properties of such Borrower or any of its Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by such Borrower of this Agreement or any applicable Note, except an appropriate order or orders of (i) the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 and (ii) in the case of ComEd, the Illinois Commerce Commission under the Illinois Public Utilities Act, which order or orders have been duly obtained and are (x) in full force and effect and (y) sufficient for the purposes hereof.

(d) This Agreement is, and each applicable Note when delivered hereunder will be, legal, valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as the enforceability thereof may be limited by equitable principles or bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(e) (i) In the case of PECO, (A) the consolidated balance sheet of PECO and its Subsidiaries as at December 31, 2002, and the related statements of income and retained earnings and of cash flows of PECO and its Subsidiaries for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of PECO and its Subsidiaries as at June 30, 2003, and the related unaudited statements of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of PECO and its Subsidiaries as at such dates and the consolidated results of the operations of PECO and its Subsidiaries for the periods ended on such dates, all in accordance with GAAP; and (B) since

December 31, 2002 there has been no Material Adverse Change with respect to PECO.

(ii) In the case of ComEd, (A) the consolidated balance sheet of ComEd and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of ComEd and its Subsidiaries for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of ComEd and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of ComEd and its Subsidiaries as at such dates and the consolidated results of the operations of ComEd and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to ComEd.

(iii) In the case of Exelon, (A) the consolidated balance sheet of Exelon and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of Exelon for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of Exelon and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of Exelon and its Subsidiaries as at such dates and the consolidated results of the operations of Exelon and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to Exelon.

(iv) In the case of Genco, (A) the consolidated balance sheet of Genco and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of Genco for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of Genco and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of Genco and its Subsidiaries as at such dates and the consolidated results of the operations of Genco and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (B) since December 31, 2002 there has been no Material Adverse Change with respect to Genco.

(f) Except as disclosed in such Borrower's Annual, Quarterly or Current Reports, each as filed with the Securities and Exchange Commission and delivered to the Lenders prior to the date of execution and delivery of this Agreement, there is no pending or threatened action, investigation or proceeding affecting such Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that may reasonably be anticipated to have a Material Adverse Effect with respect to such Borrower. There is no pending or threatened action or proceeding against such Borrower or any of its Subsidiaries that purports to affect the legality, validity, binding effect or enforceability against such Borrower of this Agreement or any Note issued by such Borrower.

(g) No proceeds of any Advance to such Borrower have been or will be used directly or indirectly in connection with the acquisition of in excess of 5% of any class of equity securities that is registered pursuant to Section 12 of the Exchange Act or any transaction subject to the requirements of Section 13 or 14 of the Exchange Act.

(h) Such Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance to such Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the value of the assets of such Borrower and its Subsidiaries is represented by margin stock.

(i) Such Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) During the twelve consecutive month period prior to the date of the execution and delivery of this Agreement and prior to the date of any borrowing of Advances by such Borrower or the issuance or modification of any Facility LC for the account of such Borrower, no steps have been taken to terminate any Plan, and no contribution failure by such Borrower or any other member of the Controlled Group has occurred with respect to any Plan. No condition exists or event or transaction has occurred with respect to any Plan (including any Multiemployer Plan) which might result in the incurrence by such Borrower or any other member of the Controlled Group of any material liability, fine or penalty.

ARTICLE V

COVENANTS OF THE BORROWERS

SECTION 5.01 Affirmative Covenants. Each Borrower agrees that so long as any amount payable by such Borrower hereunder remains unpaid, any Facility LC issued for the account of such Borrower remains outstanding or any Lender has any Commitment to such Borrower hereunder, such Borrower will, and, in the case of Section 5.01(a), will cause its Principal Subsidiaries to, unless the Majority Lenders shall otherwise consent in writing:

(a) Keep Books; Existence; Maintenance of Properties; Compliance with Laws; Insurance; Taxes.

(i) keep proper books of record and account, all in accordance with generally accepted accounting principles in the United States, consistently applied;

(ii) subject to Section 5.02(b) (and except for the dissolution or liquidation of any Sithe Entity), preserve and keep in full force and effect its existence;

(iii) maintain and preserve all of its properties (except such properties the failure of which to maintain or preserve would not have, individually or in the aggregate, a Material Adverse Effect on such Borrower) which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted;

(iv) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders (including those of any governmental authority and including with respect to environmental matters) to the extent the failure to so comply, individually or in the aggregate, would have a Material Adverse Effect on such Borrower;

(v) maintain insurance with responsible and reputable insurance companies or associations, or self-insure, as the case may be, in each case in such amounts and covering such contingencies, casualties and risks as is customarily carried by or self-insured against by companies engaged in similar businesses and owning similar properties in the same general areas in which such Borrower and its Principal Subsidiaries operate;

(vi) at any reasonable time and from time to time, pursuant to prior notice delivered to such Borrower, permit any Lender, or any agent or representative of any thereof, to examine and, at such Lender's expense, make copies of, and abstracts from the records and books of account of, and visit the properties of, such Borrower and any of its Principal Subsidiaries and to discuss the affairs, finances and accounts of such Borrower and any of its Principal Subsidiaries with any of their respective officers; provided that any non-public information (which has been identified as such by such Borrower or the applicable Principal Subsidiary) obtained by any Lender or any of its agents or representatives pursuant to this clause (vi) shall be treated confidentially by such Person; provided, further, that such Person may disclose such information to any other party to this Agreement, its examiners, affiliates, outside auditors, counsel or other professional advisors in connection with the Agreement or if otherwise required to do so by law or regulatory process; and

(vii) use the proceeds of the Advances to it for general corporate or limited liability company purposes, as the case may be (including the refinancing of its commercial paper and the making of acquisitions), but in no event for any purpose which would be contrary to Section 4.01(g) or 4.01(h).

(b) Reporting Requirements. Furnish to the Lenders:

(i) as soon as possible, and in any event within five Business Days after the occurrence of any Event of Default or Unmatured Event of Default with respect to such Borrower continuing on the date of such statement, a statement of an authorized officer of such Borrower setting forth details of such Event of Default or Unmatured Event of Default and the action which such Borrower proposes to take with respect thereto;

(ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of such Borrower (commencing with the quarter ending March 31, 2003), a copy of such Borrower's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission with respect to such quarter (or, if such Borrower is not required to file a Quarterly Report on Form 10-Q, copies of an unaudited consolidated balance sheet of such Borrower as of the end of such quarter and the related consolidated statement of income of such Borrower for the portion of such Borrower's fiscal year ending on the last day of such quarter, in each case prepared in accordance with GAAP, subject to the absence of footnotes and to year-end adjustments), together with a certificate of an authorized officer of such Borrower stating that no Event of Default or Unmatured Event of Default with respect to such Borrower has occurred and is continuing or, if any such Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which such Borrower proposes to take with respect thereto;

(iii) as soon as available and in any event within 105 days after the end of each fiscal year of such Borrower, a copy of such Borrower's Annual Report on Form 10-K filed with the Securities and Exchange Commission with respect to such fiscal year (or, if such Borrower is not required to file an Annual Report on Form 10-K, the consolidated balance sheet of such Borrower and its subsidiaries as of the last day of such fiscal year and the related consolidated statements of income, retained earnings (if applicable) and cash flows of such Borrower for such fiscal year, certified by Pricewaterhouse Coopers LLP or other certified public accountants of recognized national standing), together with a certificate of an authorized officer of such Borrower stating that no Event of Default or Unmatured Event of Default with respect to such Borrower has occurred and is continuing or, if any such Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which such Borrower proposes to take with respect thereto;

(iv) concurrently with the delivery of the annual and quarterly reports referred to in Sections 5.01(b)(ii) and 5.01(b)(iii), a compliance certificate in substantially the form set forth in Exhibit E, duly completed and signed by the Chief Financial Officer, Treasurer or an Assistant Treasurer of such Borrower;

(v) except as otherwise provided in clause (ii) or (iii) above, promptly after the sending or filing thereof, copies of all reports that such Borrower sends to any of its security holders, and copies of all Reports on Form 10-K, 10-Q or 8-K, and registration statements and prospectuses that such Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national securities exchange (except to the extent that any such registration statement or prospectus relates solely to the issuance of securities pursuant to employee or dividend reinvestment plans of such Borrower or such Subsidiary);

(vi) promptly upon becoming aware of the institution of any steps by such Borrower or any other Person to terminate any Plan, or the failure to make a required contribution to any Plan if such failure is sufficient to give rise to a lien under section 302(f) of ERISA, or the taking of any action with respect to a Plan which could result in the requirement that such Borrower furnish a bond or other security to the PBGC or such Plan, or the occurrence of any event with respect to any Plan, which could result in the incurrence by such Borrower or any other member of the Controlled Group of any material liability, fine or penalty, notice thereof and a statement as to the action such Borrower proposes to take with respect thereto;

(vii) promptly upon becoming aware thereof, notice of any change in the Moody's Rating or the S&P Rating for such Borrower; and

(viii) such other information respecting the condition, operations, business or prospects, financial or otherwise, of such Borrower or any of its Subsidiaries as any Lender, through the Administrative Agent, may from time to time reasonably request.

SECTION 5.02 Negative Covenants. Each Borrower agrees that so long as any amount payable by such Borrower hereunder remains unpaid, any Facility LC issued for the account of such Borrower remains outstanding or any Lender has any Commitment to such Borrower hereunder (except with respect to Section 5.02(a), which shall be applicable only as of the date hereof and at any time any Advance to such Borrower or Facility LC issued for the account of such Borrower is outstanding or is to be made or issued, as applicable), such Borrower will not, without the written consent of the Majority Lenders:

(a) Limitation on Liens. Create, incur, assume or suffer to exist, or, in the case of Exelon, permit any of its Material Subsidiaries to create, incur, assume or suffer to exist, any Lien on its respective property, revenues or assets, whether now owned or hereafter acquired except (i) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens arising in the ordinary course of business; (ii) Liens on the capital stock of or any other equity interest in any of its Subsidiaries (excluding, in the case of Exelon, the stock of ComEd, PECO, Genco and any holding company for any of the foregoing) or any such Subsidiary's assets to secure Nonrecourse Indebtedness; (iii) Liens upon or in any property acquired in the ordinary course of business to secure the purchase price of such property or to secure any obligation incurred solely for the purpose of financing the acquisition of such property; (iv) Liens existing on such property at the time of its acquisition (other than any such

Lien created in contemplation of such acquisition unless permitted by the preceding clause (iii)); (v) Liens on the property, revenues and/or assets of any Person that exist at the time such Person becomes a Subsidiary and the continuation of such Liens in connection with any refinancing or restructuring of the obligations secured by such Liens; (vi) Liens granted in connection with any financing arrangement for the purchase of nuclear fuel or the financing of pollution control facilities, limited to the fuel or facilities so purchased or acquired; (vii) Liens arising in connection with sales or transfers of, or financing secured by, accounts receivable or related contracts; provided that any such sale, transfer or financing shall be on arms' length terms; (viii) Liens granted by a Special Purpose Subsidiary to secure Transitional Funding Instruments of such Special Purpose Subsidiary; (ix) in the case of ComEd, Liens arising under the ComEd Mortgage and "permitted liens" as defined in the ComEd Mortgage; (x) in the case of PECO, (A) Liens granted under the PECO Mortgage and "excepted encumbrances" as defined in the PECO Mortgage, and (B) Liens securing PECO's notes collateralized solely by mortgage bonds of PECO issued under the terms of the PECO Mortgage; (xi) in the case of PECO, ComEd and Genco, Liens arising in connection with sale and leaseback transactions entered into by such Borrower or a Subsidiary thereof, but only to the extent (I) in the case of PECO or ComEd or any Subsidiary thereof, the proceeds received from such sale shall immediately be applied to retire mortgage bonds of PECO or ComEd issued under the terms of the PECO Mortgage or the ComEd Mortgage, as the case may be, or (II) the aggregate purchase price of assets sold pursuant to such sale and leaseback transactions where such proceeds are not applied as provided in clause (I) shall not exceed, in the aggregate for PECO, ComEd, Genco and their Subsidiaries, $1,000,000,000; (xii) Liens securing Permitted Obligations; and (xiii) Liens, other than those described in clauses (i) through (xii) of this Section 5.02(a), granted by such Borrower or, in the case of Exelon, any of its Material Subsidiaries in the ordinary course of business securing Debt of such Borrower and, if applicable, such Material Subsidiaries; provided that the aggregate amount of all Debt secured by Liens permitted by clause (xiii) of this Section 5.02(a) shall not exceed in the aggregate at any one time outstanding (I) in the case of Exelon and its Material Subsidiaries, $100,000,000, (II) in the case of ComEd, $50,000,000, (III) in the case of Genco, $50,000,000, and (IV) in the case of PECO, $50,000,000.

(b) Mergers and Consolidations; Disposition of Assets. Merge with or into or consolidate with or into, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person or permit any Principal Subsidiary (other than any Sithe Entity) to do so, except that (i) any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to any other Principal Subsidiary of such Borrower, (ii) any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to such Borrower and (iii) such Borrower or any of its Principal Subsidiaries may merge with or into or consolidate with or transfer assets to any other Person; provided that, in each case, immediately before and after giving effect thereto, no Event of Default or Unmatured Event of Default with respect to such Borrower shall have occurred and be continuing and (A) in the case of any such merger, consolidation or transfer of assets to which a Borrower is a party, either (x) such Borrower shall be the surviving entity or (y) the surviving entity shall be an Eligible Successor and shall have assumed all of the obligations of such Borrower under this Agreement and the Notes issued by such Borrower and the Facility LCs issued for the account of such Borrower pursuant to a written instrument in form and substance satisfactory to the Administrative Agent, (B) subject to clause (A) above, in the case of any such merger, consolidation or transfer of assets to which any

of its Principal Subsidiaries is a party, a Principal Subsidiary of such Borrower shall be the surviving entity and (C) subject to clause (A) above, in the case of any such merger, consolidation or transfer of assets to which a Material Subsidiary of Exelon is a party, a Material Subsidiary of Exelon shall be the surviving entity.

(c) Interest Coverage Ratio. Permit its Interest Coverage Ratio as of the last day of any fiscal quarter to be less than (i) in the case of Exelon, 2.65 to 1.0; (ii) in the case of ComEd, 2.25 to 1.0; (ii) in the case of PECO, 2.25 to 1.0; and (iv) in the case of Genco, 3.25 to 1.0.

(d) Continuation of Businesses. Engage in, or permit any of its Subsidiaries to engage in, any line of business which is material to Exelon and its Subsidiaries, taken as a whole, other than businesses engaged in by such Borrower and its Subsidiaries as of the date hereof and reasonable extensions thereof.

(e) Capital Structure. In the case of Exelon, fail at any time to own, free and clear of all Liens, at least 95% of the issued and outstanding common shares or other common ownership interests of ComEd, 100% of the issued and outstanding common shares or other common ownership interests of PECO and 100% of the issued and outstanding membership interests of Genco (or, in any such case, of a holding company which owns, free and clear of all Liens, at least 95% of the issued and outstanding shares of common stock of ComEd, 100% of the issued and outstanding common shares or other common ownership interests of PECO or 100% of the issued and outstanding membership interests of Genco).

(f) Restrictive Agreements. In the case of Exelon, permit ComEd, Genco or PECO (or any holding company for any of the foregoing described in the parenthetical clause at the end of Section 5.02(e)) to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of such entity to declare or pay dividends to Exelon (or, if applicable, to its holding company), except for existing restrictions on (i) PECO relating to (A) the priority of payments on its subordinated debentures contained in the Indenture dated as of July 1, 1994 between PECO and Wachovia Bank, National Association (f/k/a First Union National Bank), as trustee, as amended and supplemented to the date hereof, or any other indenture that has terms substantially similar to such Indenture and that relates to the issuance of trust preferred securities, and (B) the priority payment of quarterly dividends on its preferred stock contained in its Amended and Restated Articles of Incorporation as in effect on the date hereof; and (ii) ComEd in connection with the securities described on its consolidated balance sheet for the six months ended June 30, 2003 as “Mandatorily Redeemable Preferred Securities” and any substantially similar securities issued after such date.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events shall occur and be continuing with respect to a Borrower (any such event an "Event of Default" with respect to such Borrower):

(a) Such Borrower shall fail to pay (i) any principal of any Advance to such Borrower when the same becomes due and payable, (ii) any Reimbursement Obligation of such Borrower within one Business Day after the same becomes due and payable or (iii) any interest on any Advance to such Borrower or any other amount payable by such Borrower under this Agreement or any Note issued by such Borrower within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by such Borrower herein or by such Borrower (or any of its officers) pursuant to the terms of this Agreement shall prove to have been incorrect or misleading in any material respect when made; or

(c) Such Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.02, Section 5.01(a)(vii) or Section 5.01(b)(i), in each case to the extent applicable to such Borrower, or (ii) any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after written notice thereof shall have been given to such Borrower by the Administrative Agent (which notice shall be given by the Administrative Agent at the written request of any Lender); or

(d) Such Borrower or any Principal Subsidiary thereof shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount in excess of $50,000,000 in the aggregate (but excluding Sithe Project Debt, Nonrecourse Indebtedness, Transitional Funding Instruments and Debt hereunder) of such Borrower or such Principal Subsidiary (as the case may be) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof, other than any acceleration of any Debt secured by equipment leases or fuel leases of such Borrower or a Principal Subsidiary thereof as a result of the occurrence of any event requiring a prepayment (whether or not characterized as such) thereunder, which prepayment will not result in a Material Adverse Change with respect to such Borrower; or

(e) Such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the

appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property,) shall occur; or such Borrower or any Principal Subsidiary thereof (other than (i) a Special Purpose Subsidiary and (ii) so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall take any action to authorize or to consent to any of the actions set forth above in this Section 6.01(e); or

(f) One or more judgments or orders for the payment of money in an aggregate amount exceeding $50,000,000 (excluding any such judgments or orders which are fully covered by insurance, subject to any customary deductible, and under which the applicable insurance carrier has acknowledged such full coverage in writing) shall be rendered against such Borrower or any Principal Subsidiary thereof (other than, if applicable, any Sithe Entity) and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) (i) Any Reportable Event that the Majority Lenders determine in good faith might constitute grounds for the termination of any Plan or for the appointment by the appropriate United States District Court of a trustee to administer a Plan shall have occurred and be continuing 30 days after written notice to such effect shall have been given to such Borrower by the Administrative Agent; (ii) any Plan shall be terminated; (iii) a Trustee shall be appointed by an appropriate United States District Court to administer any Plan; (iv) the PBGC shall institute proceedings to terminate any Plan or to appoint a trustee to administer any Plan; or (v) any Borrower or any member of the Controlled Group withdraws from any Multiemployer Plan; provided that on the date of any event described in clauses (i) through (v) above, the Unfunded Liabilities of the applicable Plan exceed $20,000,000; or

(h) In the case of ComEd, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, at least 95% of its issued and outstanding common shares or other common ownership interests;

(i) In the case of PECO, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, 100% of its issued and outstanding common shares or other common ownership interests; or

(j) In the case of Genco, Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, 100% of the membership interests of Genco;

then, and in any such event, the Administrative Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to such Borrower, (i) declare the respective Commitments of the Lenders to such Borrower and the commitment of the LC Issuer to issue Facility LCs for the account of such Borrower to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declare the outstanding principal amount of the Advances to such Borrower, all interest thereon and all other amounts payable under this Agreement by such

Borrower (including all contingent LC Obligations) to be forthwith due and payable, whereupon the outstanding principal amount of such Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by such Borrower; provided that in the event of an Event of Default under Section 6.01(e), (A) the obligation of each Lender to make any Advance to such Borrower and the obligation of the LC Issuer to issue Facility LCs for the account of such Borrower shall automatically be terminated and (B) the outstanding principal amount of all Advances to such Borrower, all interest thereon and all other amounts payable by such Borrower hereunder (including all contingent LC Obligations of such Borrower) shall automatically and immediately become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by such Borrower.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by a Borrower pursuant to the terms of this Agreement.

SECTION 7.02 Agents' Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their respective own gross negligence or willful misconduct. Without limiting the generality of the foregoing: (i) the Administrative Agent may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) the Administrative Agent may consult with legal counsel (including counsel for a Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) the Administrative Agent makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) the Administrative Agent shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (v) the Administrative Agent shall not be responsible to any Lender

for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) the Administrative Agent shall not incur any liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03 Agents and Affiliates. With respect to its Commitment, Advances and Notes, Bank One shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not an Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Bank One in its individual capacity. Bank One and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower, any subsidiary of any Borrower and any Person who may do business with or own securities of any Borrower or any such subsidiary, all as if it were not an Agent and without any duty to account therefor to the Lenders.

SECTION 7.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05 Indemnification. The Lenders agree to indemnify each Agent (to the extent not reimbursed by a Borrower), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against any such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by any such Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse each such Agent promptly upon demand for its Pro Rata Share of any out-of-pocket expenses (including reasonable counsel fees) incurred by such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such expenses are reimbursable by a Borrower but for which such Agent is not reimbursed by such Borrower.

SECTION 7.06 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrowers and may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority

Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank described in clause (i) or (ii) of the definition of "Eligible Assignee" and having a combined capital and surplus of at least $150,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. Notwithstanding the foregoing, if no Event of Default or Unmatured Event of Default shall have occurred and be continuing, then no successor Administrative Agent shall be appointed under this Section 7.06 without the prior written consent of the Borrowers, which consent shall not be unreasonably withheld or delayed.

SECTION 7.07 Co-Documentation Agents, Syndication Agent and Co-Lead Arranger. The titles "Co-Documentation Agent," "Syndication Agent" and "Co-Lead Arranger" are purely honorific, and no Person designated as a "Co-Documentation Agent," the "Syndication Agent" or a "Co-Lead Arranger" shall have any duties or responsibilities in such capacity.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and, in the case of an amendment, the Borrowers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than any Lender that is a Borrower or an Affiliate of a Borrower), do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) increase or extend the Commitments of the Lenders, increase any Borrower's Sublimit to an amount greater than the amount specified in Section 2.04(c)(ii)(B) or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, or (f) amend this Section 8.01; provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent, in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note; and (ii) no amendment, waiver or consent shall, unless in writing and signed by the LC Issuer, in addition to the Lenders required above to take such action, affect the rights or duties of the LC Issuer under this Agreement.

SECTION 8.02 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to any Borrower, at 10 S. Dearborn, 37th Floor, Chicago, IL 60603, Attention: J. Barry Mitchell, Telecopy: (312) 394-5440; if to any Lender, at its Domestic Lending Office specified in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 1 Bank One Plaza, Mail Suite IL1-0010, Chicago, Illinois 60670, Attention: Mr. Ron Cromey, Telecopy: (312) 385-7096 or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VII shall not be effective until received by the Administrative Agent.

SECTION 8.03 No Waiver; Remedies. No failure on the part of any Lender, the LC Issuer or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04 Costs and Expenses; Indemnification. (a) Each Borrower severally agrees to pay on demand all costs and expenses incurred by the Administrative Agent, the LC Issuer and the Co-Lead Arrangers in connection with the preparation, execution, delivery, administration, syndication, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including the reasonable fees, internal charges and out-of-pocket expenses of counsel (including in- house counsel) for the Administrative Agent, the LC Issuer and the Co-Lead Arrangers with respect thereto and with respect to advising the Administrative Agent, the LC Issuer and the Co-Lead Arrangers as to their respective rights and responsibilities under this Agreement, in each case to the extent attributable to such Borrower; it being understood that to the extent any such costs and expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such costs and expenses were incurred. Each Borrower further severally agrees to pay on demand all costs and expenses, if any (including counsel fees and expenses of outside counsel and of internal counsel), incurred by the Agent, the LC Issuer or any Lender in connection with the collection and enforcement (whether through negotiations, legal proceedings or otherwise) of such Borrower's obligations this Agreement, any Note issued by such Borrower and the other documents to be delivered by such Borrower hereunder, including reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a), in each case to the extent attributable to such Borrower; it being understood that to the extent any such costs and expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such costs and expenses were incurred.

(b) If any payment of principal of, or any conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment or conversion pursuant to Section 2.09 or 2.12 or acceleration of the maturity of the

Advances pursuant to Section 6.01 or for any other reason, the applicable Borrower shall, upon demand by any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amount required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or conversion, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(c) Each Borrower hereby severally agrees to indemnify and hold each Lender, the LC Issuer, each Agent and each of their respective Affiliates, officers, directors and employees (each, an "Indemnified Person") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or is otherwise subjected to judicial or legal process arising from any such proceeding) that any of them may pay or incur arising out of or relating to this Agreement, any Note issued by such Borrower or the transactions contemplated hereby, or the use by such Borrowers or any of its Subsidiaries of the proceeds of any Advance to such Borrower, in each case to the extent such claims damages, losses, liabilities, costs or expenses are attributable to such Borrower, it being understood that to the extent any such claims, damages, losses, liabilities, costs or expenses are not attributable to a particular Borrower, each Borrower shall pay its proportionate share thereof according to the Borrowers' respective Sublimits at the time such claims, damages, losses, liabilities, costs or expenses arose; provided that no Borrower shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from such Indemnified Person's gross negligence or willful misconduct. Each Borrower's obligations under this Section 8.04(c) shall survive the repayment of all amounts owing by such Borrower to the Lenders and the Administrative Agent under this Agreement and any Note issued by such Borrower and the termination of the Commitments to such Borrower. If and to the extent that the obligations of a Borrower under this Section 8.04(c) are unenforceable for any reason, such Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 8.05 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default with respect to a Borrower and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Advances to such Borrower due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of such Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and any Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the applicable Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 8.05 are in addition to other rights and remedies (including other rights of set-off) that such Lender may have.

SECTION 8.06 Binding Effect. This Agreement shall become effective when counterparts hereof shall have been executed by the Borrowers and the Agents and when the Administrative Agent shall have been notified by each Lender that such Lender has executed a counterpart hereof and thereafter shall be binding upon and inure to the benefit of the Borrowers, the Agents and each Lender and their respective successors and assigns, provided that (except as permitted by Section 5.02(b)(iii)) no Borrower shall have the right to assign rights hereunder or any interest herein without the prior written consent of all Lenders.

SECTION 8.07 Assignments and Participations. (a) Each Lender may, with the prior written consent of Exelon, the LC Issuer and the Administrative Agent (which consents shall not be unreasonably withheld or delayed), and if demanded by a Borrower pursuant to Section 8.07(g) shall to the extent required by such Section, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it, its participation in Facility LCs and any Note or Notes held by it); provided that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the Commitment Amount of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000 or, if less, the entire amount of such Lender's Commitment, and shall be an integral multiple of $1,000,000 or such Lender's entire Commitment, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of $3,500 (which shall be payable by one or more of the parties to the Assignment and Acceptance, and not by any Borrower, and shall not be payable if the assignee is a Federal Reserve Bank), and (v) the consent of Exelon shall not be required after the occurrence and during the continuance of any Event of Default. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (although an assigning Lender shall continue to be entitled to indemnification pursuant to Section 8.04(c)). Notwithstanding anything contained in this Section 8.07(a) to the contrary, (A) the consent of Exelon, the LC Issuer and the Administrative Agent shall not be required with respect to any assignment by any Lender to an Affiliate of such Lender or to another Lender and (B) any Lender may at any time, without the consent of Exelon, the LC Issuer or the Administrative Agent, and without any requirement to have an Assignment and Acceptance executed, assign all or any part of its rights under this Agreement and any Note to a Federal Reserve Bank, provided that no such assignment shall release the transferor Lender from any of its obligations hereunder.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment Amount of, and principal amount of the Advances owing by each Borrower to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with all Notes, if any, subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrowers.

(e) Each Lender may sell participations to one or more banks or other entities (each, a "Participant") in or to all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it, its participation in Facility LCs and any Note or Notes held by it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender

shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) such Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of this Agreement or any Note held by such Lender, other than any such amendment, modification or waiver with respect to any Advance or Commitment in which such Participant has an interest that forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Advance or Commitment, postpones any date fixed for any regularly scheduled payment of principal of, or interest or fees on, any such Advance or Commitment, extends any Commitment, releases any guarantor of any such Advance or releases any substantial portion of collateral, if any, securing any such Advance.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers furnished to such Lender by or on behalf of the Borrowers; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrowers received by it from such Lender (subject to customary exceptions regarding regulatory requirements, compliance with legal process and other requirements of law).

(g) If (i) any Lender shall make demand for payment under Section 2.11(a), 2.11(b) or 2.14, or (ii) shall deliver any notice to the Administrative Agent pursuant to Section 2.12 resulting in the suspension of certain obligations of the Lenders with respect to Eurodollar Rate Advances, then (in the case of clause (i)) within 60 days after such demand (if, but only if, such payment demanded under Section 2.11(a), 2.11(b) or 2.14 has been made by the applicable Borrower) or (in the case of clause (ii)) within 60 days after such notice (if such suspension is still in effect), as the case may be, the Borrowers may demand that such Lender assign in accordance with this Section 8.07 to one or more Eligible Assignees designated by the Borrowers and reasonably acceptable to the Administrative Agent all (but not less than all) of such Lender's Commitment, the Advances owing to it and its participation in the Facility LCs within the next succeeding 30 days. If any such Eligible Assignee designated by the Borrowers shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrowers shall fail to designate any such Eligible Assignee for all of such Lender's Commitment, Advances and participation in Facility LCs, then such Lender may (but shall not be required to) assign such Commitment and Advances to any other Eligible Assignee in accordance with this Section 8.07 during such period.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrowers, the option to provide to any Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to such Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Advance, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant

to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 8.07, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any financial institutions (consented to by such Borrower and Administrative Agent, neither of which consents shall be unreasonably withheld or delayed) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 8.07(h) may not be amended in any manner which adversely affects a Granting Bank or an SPC without the written consent of such Granting Bank or SPC.

SECTION 8.08 Governing Law. THIS AGREEMENT AND ALL NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 8.09 Consent to Jurisdiction; Certain Waivers. (a) THE BORROWERS HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA AND ANY UNITED STATES DISTRICT COURT SITTING IN THE COMMONWEALTH OF PENNSYLVANIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE AND THE BORROWERS HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVE ANY OBJECTION THEY MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST ANY BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(b) EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES.

SECTION 8.10 Execution in Counterparts; Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes all prior and contemporaneous agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 8.11 Liability Several. No Borrower shall be liable for the obligations of any other Borrower hereunder.

SECTION 8.12 Termination of Existing Agreement. The Borrowers and the Lenders which are parties to the Existing Agreement (which Lenders constitute the "Majority Lenders" as defined in the Existing Agreement) and Bank One, as Administrative Agent under the Existing Agreement, agree that, on the Closing Date, the commitments under the Existing Agreement shall terminate and be of no further force or effect (without regard to any requirement in Section 2.04 of the Existing Agreement for prior notice of termination of the commitments thereunder).

[Remainder of the page intentionally left blank]

IN WITNESS WHERE OF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

EXELON CORPORATION

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Senior Vice President and Treasurer**

COMMONWEALTH EDISON COMPANY

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

PECO ENERGY COMPANY

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

EXELON GENERATION COMPANY, LLC

By: /s/ J. BARRY MITCHELL

Name: **J. Barry Mitchell**
Title: **Vice President and Treasurer**

THE LENDERS

BANK ONE, NA (Main Office Chicago), as Administrative Agent, as LC Issuer and as a Lender

By: /s/ JANE BEK KEIL

Name: **Jane Bek Keil**
Title: **Director**

BARCLAYD BANK PLC, as Syndication Agent and as a Lender

By: /s/ SYDNEY G. DENNIS

Name: **Sydney G. Dennis**
Title: **Director**

CITIBANK, N.A., as Co-Documentation Agent and as a Lender

By: /s/ JOHN S. KING

Name: **John S. King**
Title: **VP**

WACHOVIA BANK, NATIONAL ASSOCIATION, as Co-Documentation Agent and as a Lender

By: /s/ LAWRENCE P. SULLIVAN

Name: **Lawrence P. Sullivan**
Title: **Vice President**

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as Co-Documentation Agent and as a Lender

By: /s/ BRIAN SMITH

Name: **Brian Smith**
Title: **Director**

By: /s/ BRIAN SCHNEIDER

Name: **Brian Schneider**
Title: **Vice President**

ABN AMRO BANK, N.V., as a Lender

By: /s/ MARK R. LASEK

Name: **Mark R. Lasek**
Title: **Senior Vice President**

By: /s/ FRANK T.J. VAN DEUR

Name: **Frank T.J. van Deur**
Title: **Vice President**

BANK OF AMERICA, N.A., as a Lender

By: /s/ MICHELLE A. SCHOENFELD

Name: **Michelle A. Schoenfeld**
Title: **Principal**

JPMORGAN CHASE BANK, as a Lender

By: /s/ MICHAEL J. DEFORGE

Name: **MICHAEL J. DeFORGE**
Title: **VICE PRESIDENT**

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: /s/ SHERRIE I. MANSON

Name: **Sherrie I. Manson**
Title: **Vice President**

LEHMAN BROTHERS BANK, FS_, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Vice President**

MORGAN STANLEY BANK, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Vice President**
Morgan Stanley Bank

BNP PARIBAS, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Director**

By: /s/ MARK RENAUD

Name: **Mark Renaud**
Title: **Managing Director**

MERRILL LYNCH BANK USA, as a Lender

By: /s/ LOUIS ALDER

Name: **Louis Alder**
Title: **Vice President**

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ JAMES R. TRIMBLE

Name: **JAMES R. TRIMBLE**
Title: **MANAGING DIRECTOR**

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Director**

By: /s/ WILFRED V. SAINT

Name: **Wilfred V. Saint**
Title: **Associate Director**
Banking Products
Services US

THE NORTHERN TRUST COMPANY, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Second Vice President**

MELLON BANK, N.A, as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Vice President**

CREDIT SUISSE FIRST BOSTON, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ BARAH WU /s/ JAY CHALL

Name: **BARAH WU** **Jay Chall**
Title: **VICE PRESIDENT** **Director**

THE BANK OF NEW YORK, as a Lender

By: /s/ CYNTHIA D. HOWELLS

Name: **Cynthia D. Howells**
Title: **Vice President**

MIZUHO CORPORATE BANK, LTD., as a Lender

By: /s/ Illegible

Name: **Illegible**
Title: **Vice President**

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ R. MICHAEL NEWTON

Name: **R. Michael Newton**
Title: **Vice President**

WELLS FARGO BANK, N.A., as a Lender

By: /s/ CHARLES W. REED

Name: **Charles W. Reed**
Title: **Vice President**

By: /s/ MARY D. FALCK

Name: **Mary D. Falck**
Title: **Senior Vice President**

FIFTH THIRD BANK (Chicago), a Mich_gan Banking Corporation, as a Lender

By: /s/ KIM PUSZCZEWIOZ

Name: **Kim Puszczewioz**
Title: **Corporate Banking Officer**

SCHEDULE I
PRICING SCHEDULE

The "Applicable Margin," the "Facility Fee Rate," the "Utilization Fee Rate" and the "LC Fee Rate" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Applicable Margin and LC Fee Rate	Facility Fee Rate	Utilization Fee Rate
Level I	0.525%	0.125%	0.100%
Level II	0.600%	0.150%	0.125%
Level III	0.700%	0.175%	0.125%
Level IV	0.875%	0.250%	0.250%
Level V	1.200%	0.300%	0.500%

The Applicable Margin, the Facility Fee Rate, the Utilization Fee Rate and the LC Fee Rate shall be determined separately for each Borrower in accordance with the table above based on the Status for such Borrower. The Status in effect for any Borrower on any date for the purposes of this Pricing Schedule is based on the Moody's Rating and S&P Rating in effect at the close of business on such date.

For the purposes of the foregoing (but subject to the final paragraph of this Pricing Schedule):

"Level I Status" exists at any date for a Borrower if, on such date, such Borrower's Moody's Rating is A3 or better or such Borrower's S&P Rating is A- or better.

"Level II Status" exists at any date for a Borrower if, on such date, (i) Level I Status does not exist for such Borrower and (ii) such Borrower's Moody's Rating is Baa1 or better or such Borrower's S&P Rating is BBB+ or better.

"Level III Status" exists at any date for a Borrower if, on such date, (i) neither Level I Status nor Level II Status exists for such Borrower and (ii) such Borrower's Moody's Rating is Baa2 or better or such Borrower's S&P Rating is BBB or better.

"Level IV Status" exists at any date if, on such date, (i) none of Level I Status, Level II Status or Level III Status exists for such Borrower and (ii) such Borrower's Moody's Rating is Baa3 or better or such Borrower's S&P Rating is BBB- or better.

"Level V Status" exists at any date for a Borrower if, on such date, none of Level I Status, Level II Status, Level III Status or Level IV Status exists for such Borrower.

"Status" means Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

If the S&P Rating and the Moody's Rating for a Borrower create a split-rated situation and the ratings differential is one level, the higher rating will apply. If the differential is two levels or more, the intermediate rating at the midpoint will apply. If there is no midpoint, the higher of the two intermediate ratings will apply. If a Borrower has no Moody's Rating or no S&P Rating, Level V Status shall exist for such Borrower.

SCHEDULE II
COMMITMENTS

LENDER	COMMITMENT
Bank One, NA	$ 46,000.000
Barclays Bank PLC	$ 46,000.000
Wachovia Bank, National Association	$ 43,750.000
Dresdner Bank, AG New York and Grand Cayman Branches	$ 43,750.000
Citibank, N.A.	$ 43,750.000
ABN AMRO Bank, N.V.	$ 43,750.000
Bank of America, N.A.	$ 37,000.000
BNP Paribas	$ 37,000.000
JPMorgan Chase Bank	$ 37,000.000
KeyBank National Association	$ 37,000.000
Lehman Brothers Bank, FSB	$ 37,000.000
Merrill Lynch Bank USA	$ 37,000.000
Morgan Stanley Bank	$ 37,000.000
The Bank of Nova Scotia	$ 37,000.000
UBS Loan Finance LLC	$ 37,000.000
Credit Suisse First Boston	$ 27,500.000
Mellon Bank, N.A.	$ 22,500.000
The Bank of New York	$ 22,500.000
The Northern Trust Company	$ 22,500.000
Mizuho Corporate Bank, Ltd.	$ 15,000.000
U.S. Bank National Association	$ 15,000.000
Wells Fargo Bank, N.A.	$ 15,000.000
Fifth Third Bank	$ 10,000.000
TOTAL	**$ 750,000.000**

SCHEDULE III
EXISTING LETTERS OF CREDIT

Number	Type	Borrower	Current Amount (in Dollars)	Original Amount (in Dollars)	Actual Expiration	Adjusted Expiration
SLT3269	Standby Letter of Credit	ComEd	18,350,000.00	18,350,000.00	12-Aug-2004	12-Aug-2004
SLT3253	Standby Letter of Credit	Exelon	220,000.00	200,000.00	20-May-2004	20-May-2004
SLT3254	Standby Letter of Credit	Exelon	2,155,500.00	2,155,500.00	19-Dec-2003	19-Dec-2003
SLT3254	Standby Letter of Credit	Exelon	87,669.00	87,669.00	31-Jul-2004	2-Aug-2004
SLT3256	Standby Letter of Credit	Exelon	3,400,000.00	3,400,000.00	19-Dec-2003	19-Dec-2003
SLT3256	Standby Letter of Credit	Exelon	1,700,000.00	1,700,000.00	19-Dec-2003	19-Dec-2003
SLT3256	Standby Letter of Credit	Exelon	250,000.00	250,000.00	30-Sep-2004	30-Sep-2004
SLT3258	Standby Letter of Credit	Exelon	2,700,000.00	2,200,000.00	30-Nov-2003	1-Dec-2003
SLT3259	Standby Letter of Credit	Exelon	1,800,000.00	1,800,000.00	30-Apr-2004	30-Apr-2004
SLT3261	Standby Letter of Credit	Exelon	12,500,000.00	9,000,000.00	31-Dec-2003	31-Dec-2003
SLT3262	Standby Letter of Credit	Exelon	60,600.00	60,600.00	15-Nov-2004	15-Nov-2004
SLT3263	Standby Letter of Credit	Exelon	400,000.00	400,000.00	31-Mar-2004	31-Mar-2004
SLT3264	Standby Letter of Credit	Exelon	1,516,368.40	1,397,374.60	24-Apr-2004	26-Apr-2004
SLT3266	Standby Letter of Credit	Exelon	5,500,000.00	5,500,000.00	31-Mar-2004	31-Mar-2004
SLT3266	Standby Letter of Credit	Exelon	1,000,000.00	1,000,000.00	31-May 2004	1-Jun-2004
SLT3266	Standby Letter of Credit	Exelon	635,000.00	575,000.00	31-May-2004	1-Jun-2004
SLT3269	Standby Letter of Credit	Exelon	1,700,000.00	1,700,000.00	12-Aug-2004	12-Aug-2004
SLT3298	Standby Letter of Credit	Exelon	1,500,000.00	1,400,000.00	31-Mar-2004	31-Mar-2004
SLT3298	Standby Letter of Credit	Exelon	5,000,000.00	5,000,000.00	30-Sep-2004	30-Sep-2004
SLT3299	Standby Letter of Credit	Exelon	400,000.00	400,000.00	30-Jun-2004	30-Jun-2004
SLT3301	Standby Letter of Credit	Exelon	2,000,000.00	2,000,000.00	30-Sep-2004	20-Sep-2004
SLT3302	Standby Letter of Credit	Exelon	250,000.00	250,000.00	21-Nov-2004	21-Nov-2004
SLT3308	Standby Letter of Credit	Exelon	2,000,000.00	2,000,000.00	31-Aug-2004	31-Aug-2004
SLT3308	Standby Letter of Credit	Exelon	1,000,000.00	1,000,000.00	30-Jun-2004	30-Jun-2004
SLT3309	Standby Letter of Credit	Exelon	6,125,000.00	6,125,000.00	1-Dec-2003	1-Dec-2003
SLT3309	Standby Letter of Credit	Exelon	185,000.00	185,000.00	9-Feb-2004	9-Feb-2004
SLT3318	Standby Letter of Credit	Exelon	1,500,000.00	1,500,000.00	14-Apr-2004	14-Apr-2004
SLT3320	Standby Letter of Credit	Exelon	1,364,500.00	1,364,500.00	31-Dec-2003	31-Dec-2003
SLT3324	Standby Letter of Credit	Exelon	250,000.00	250,000.00	30-Jun-2004	30-June-2004
SLT7516	Standby Letter of Credit	Exelon	100,000.00	100,000.00	10-Sep-2004	10-Sep-2004
SLT7516	Standby Letter of Credit	Exelon	10,000,000.00	10,000,000.00	7-Oct-2004	7-Oct-2004
SLT3300	Standby Letter of Credit	Exelon	700,000.00	700,000.00	31-Oct-2003	31-Oct-2003

EXHIBIT A

FORM OF NOTE

Dated: [ ], 20__

FOR VALUE RECEIVED, the undersigned, _____, a _____ (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender"), for the account of its Applicable Lending Office (such term and other capitalized terms herein being used as defined in the Credit Agreement referred to below) on the Maturity Date, the aggregate principal amount of all outstanding Advances made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower further promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Bank One, NA, as Administrative Agent, at 1 Bank One Plaza, Chicago, Illinois 60670, in immediately available funds. Each Advance made by the Lender to the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, at the Lender's option, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Three Year Credit Agreement dated as of October 31, 2003 among the Borrower, [Exelon Corporation, Commonwealth Edison Company, PECO Energy Company, Exelon Generation Company, LLC], various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Lender's Pro Rata Share of the Borrower's Sublimit at such time and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

THIS PROMISSORY NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

[By _____]

[Name:]
[Title:]

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Principal Paid or Prepaid	Amount of Unpaid Principal Balance	Notation Made By

EXHIBIT B

FORM OF NOTICE OF BORROWING

Bank One, NA, as Administrative Agent
for the Lenders parties to the Credit Agreement referred to below
1 Bank One Plaza
Chicago, Illinois 60670

[Date]

Attention: Utilities Department
North American Finance Group

Ladies and Gentlemen:

The undersigned, [Exelon Corporation] [PECO Energy Company] [Commonwealth Edison Company] [Exelon Generation Company, LLC], refers to the Three Year Credit Agreement, dated as of October 31, 2003, among Exelon Corporation, PECO Energy Company, Commonwealth Edison Company, Exelon Generation Company, LLC, various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), and hereby gives you notice, irrevocably, pursuant to Section 2.02(a) of the Credit Agreement that the undersigned requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20__.

(ii) The Type of Advances to be made in connection with the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Borrowing is $_____.

(iv) The Interest Period for each Advance made as part of the Proposed Borrowing is [__ month[s]].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties of the undersigned contained in Section 4.01 of the Credit Agreement (excluding, if the proceeds of the Proposed Borrowing will be used exclusively to repay commercial paper issued by the undersigned, the representations and warranties set forth in Section 4.01(e) and the first

sentence of Section 4.01(f) of the Credit Agreement) are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default; and

(C) after giving effect to the Proposed Borrowing, the undersigned will not have exceeded any limitation on its ability to incur indebtedness (including any limitation imposed by any governmental or regulatory authority).

Very truly yours,

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

[By _____]

[Name:]
[Title:]

EXHIBIT C
FORM OF ASSIGNMENT AND ACCEPTANCE

Dated ____, 20____

Reference is made to the Three Year Credit Agreement dated as of October 31, 2003 among Exelon Corporation, PECO Energy Company, Commonwealth Edison Company, Exelon Generation Company, LLC (together the "Borrowers"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the Pro Rata Share specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement, including, without limitation, a corresponding interest in the Assignor's Commitment, the Advances owing to the Assignor, the Assignor's interest in Facility LCs and the Notes held by the Assignor. After giving effect to such sale and assignment, the Assignee's Commitment Amount will be as set forth in Section 2 of Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statement, warranty or representation made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Lead Arranger, the LC Issuer, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their

terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (vi) confirms that none of the consideration used to make the purchase being made by the Assignee hereunder are "plan assets" as defined under ERISA; and the rights and interests of the Assignee in and under the Credit Agreement will not be "plan assets" under ERISA; [and] (vii) specifies as its Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof [;and (viii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying that it is exempt from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes].[1]

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent for acceptance by Exelon (if required), the LC Issuer and the Administrative Agent and recording by the Administrative Agent. The effective date of this Assignment and Acceptance shall be the date of recording thereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto (the "Effective Date").

5. Upon such recording by the Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

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[1] If the Assignee is organized under the laws of a jurisdiction outside the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF ASSIGNOR]

By _____

Name:
Title:

[NAME OF ASSIGNEE]

By _____

Name:
Title:

Domestic Lending Office (and address for notices):
[Address]

Eurodollar Lending Office:
[Address]

[Consented to this ____ day
of _____, 20__]

EXELON CORPORATION

By _____

Name:
Title:

Consented to and Accepted this ____ day
of _____, 20__

BANK ONE, NA, as Administrative Agent and LC Issuer

By _____

Name:
Title:

Schedule 1

to

Assignment and Acceptance

Dated ____, 20____

Section 1.

Pro Rata Share: _____%

Section 2.

Assignee's Commitment Amount after giving effect hereto: $_____

Section 3.

Effective Date[2]: ____, 20____

[2] This date should be no earlier than the date of recording by the Administrative Agent.

EXHIBIT D - 1

FORM OF OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL

October 31, 2003

To each of the Agents and the Lenders which is a party to the Credit Agreement, dated as of October 31, 2003, among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC, as Borrowers, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent

Re: $750,000,000 Three-Year Credit Agreement

Ladies and Gentlemen:

This opinion letter is furnished to you pursuant to Section 3.01(v) of the $750,000,000 Three-Year Credit Agreement, dated as of October 31, 2003 (the "Agreement"), among Exelon Corporation ("Exelon"), Commonwealth Edison Company ("ComEd"), PECO Energy Company ("PECO") and Exelon Generation Company, LLC ("Genco"), as Borrowers, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent. Unless otherwise specified, terms defined in the Agreement are used herein as therein defined.

We have acted as special counsel for Exelon, Genco and PECO (collectively, the "Pennsylvania Borrowers") in connection with the preparation, execution and delivery of the Agreement and as local counsel for ComEd with respect to certain matters of Pennsylvania law relating to the Agreement. In that capacity, we have examined the following:

(i) The Agreement, the Notes executed by Exelon (the "Exelon Notes"), the Notes executed by PECO (the "PECO Notes"), the Notes executed by Genco (the "Genco Notes") and the Notes executed by ComEd (the "ComEd Notes" and, together with the Exelon Notes, the PECO Notes and the Genco Notes, the "Notes");

(ii) The documents furnished by each of the Pennsylvania Borrowers pursuant to Section 3.01 of the Agreement;

(iii) The Articles of Incorporation of each of Exelon and PECO and all amendments thereto (in each case, its "Charter");

(iv) The by-laws of each of Exelon and PECO and all amendments thereto (in each case, its "By-laws");

(v) The Operating Agreement of Genco and all amendments thereto (the "Operating Agreement");

(vi) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of Exelon in Pennsylvania;

(vii) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of PECO in Pennsylvania; and

(viii) A certificate from the Secretary of State of the Commonwealth of Pennsylvania dated October 29, 2003 certifying as to the subsistence of Genco in Pennsylvania;

We have also examined, and relied upon the accuracy of factual matters contained in, originals or copies, certified or otherwise identified to our satisfaction, of such other corporate or organizational records of the Pennsylvania Borrowers, certificates or comparable documents of public officials and of officers of the Pennsylvania Borrowers, and such other agreements, instruments and documents and have made such examinations of law as we have deemed necessary in connection with the opinions set forth below.

We have assumed the legal capacity and competence of natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted to us as certified, conformed, photostatic, electronic or facsimile copies. We have made no independent factual investigation other than as described above, and as to other factual matters, we have relied exclusively on the facts stated in the representations and warranties contained in the Agreement and the Exhibits and Schedules to the Agreement (other than representations and warranties constituting conclusions of law on matters on which we opine). We have not examined any records of any court, administrative tribunal or other similar entity in connection with our opinion.

When an opinion or confirmation is given to our knowledge or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual contemporaneous knowledge or awareness of facts, without investigation, by the lawyer who is the current primary contact for each of the Pennsylvania Borrowers and the individual lawyers in this firm who have participated in the specific transaction to which this opinion letter relates.

We have also assumed, without verification, (i) that the parties to the Agreement and the other agreements, instruments and documents executed in connection therewith, other than the Borrowers, have the power (including, without limitation, corporate power where applicable) and authority to enter into and perform the Agreement and such other agreements, instruments and documents, (ii) the due authorization, execution and delivery by such parties other than the Borrowers of

the Agreement and such other agreements, instruments and documents, (iii) that the Agreement and such other agreements, instruments and documents constitute legal, valid and binding obligations of each such party other than the Borrowers, enforceable against each such other party in accordance with their respective terms and (iv) the amount of a Borrower's borrowings outstanding under the Agreement and the $750,000,000 3-Day Credit Agreement being entered into by the Borrower concurrently with this Agreement will not exceed the amount such Borrower is authorized to borrow under any approval referred to in Paragraphs 4 and 8 below.

Based upon the foregoing and subject to the assumptions, exceptions, limitations and qualifications set forth herein, we are of the opinion that:

1. Each of Exelon and PECO is a corporation duly incorporated and presently subsisting under the laws of the Commonwealth of Pennsylvania. Genco is a limited liability company duly formed and presently subsisting under the laws of the Commonwealth of Pennsylvania.

2. The execution and delivery, and the performance of the obligations thereunder, by the Pennsylvania Borrowers of the Agreement and the applicable Notes (a) are within the Pennsylvania Borrowers' corporate or limited liability company powers, (b) have been duly authorized by all necessary corporate and limited liability company action of each of the Pennsylvania Borrowers, (c) do not contravene (i) the Charter, By-laws or the Operating Agreement, as the case may be, of each of the Pennsylvania Borrowers, (ii) any law of the United States or the Commonwealth of Pennsylvania or (iii) to our knowledge, any agreement or instrument to which any of the Pennsylvania Borrowers is a party or by which any of the Pennsylvania Borrowers is bound and (d) to our knowledge, do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Pennsylvania Borrowers' properties under such agreements or instruments.

3. The execution, delivery and performance by ComEd of the Agreement and the ComEd Notes do not contravene any law of the Commonwealth of Pennsylvania.

4. No consent or approval of, or notice to or filing with, any federal or state regulatory authority of the United States or the Commonwealth of Pennsylvania is required by the Pennsylvania Borrowers in connection with the execution or delivery by the Pennsylvania Borrowers of the Agreement or the applicable Notes, except for, in the case of Exelon and Genco, the authorization of the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 and, in the case of PECO, approval from the Public Utility Commission of the Commonwealth of Pennsylvania, which authorization and approval have been received and are in full force and effect.

5. The Agreement and the Exelon Notes have been duly executed and delivered by Exelon, and the Agreement and the Exelon Notes constitute the legal, valid and binding obligations of Exelon, enforceable against Exelon in accordance with their respective terms.

6. The Agreement and the PECO Notes have been duly executed and delivered by PECO, and the Agreement and the PECO Notes constitute the legal, valid and binding obligations of PECO, enforceable against PECO in accordance with their respective terms.

7. The Agreement and the Genco Notes have been duly executed and delivered by Genco, and the Agreement and the Genco Notes constitute the legal, valid and binding obligations of Genco, enforceable against Genco in accordance with their respective terms.

8. Assuming that the execution, delivery and performance of the Agreement and the ComEd Notes are within ComEd's corporate power and the Agreement and the ComEd Notes have been duly authorized, executed and delivered by ComEd after receipt of all required governmental and regulatory approvals, the Agreement and the ComEd Notes constitute the legal, valid and binding obligations of ComEd, enforceable against ComEd in accordance with their respective terms.

9. None of the Pennsylvania Borrowers is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

We do not have knowledge, after inquiry of each lawyer in this firm who is the current primary contact for the Borrowers or who has devoted substantive attention to matters on behalf of the Borrowers during the preceding twelve months and who is still currently employed by or a member of this firm, except as disclosed in Exelon's Annual Report on Form 10-K for the year ended December 31, 2002 or Exelon's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, no litigation or governmental proceeding is pending or threatened in writing against any Borrower (i) with respect to the Agreement or the Notes, or (ii) which is likely to have a material adverse effect upon the financial condition, business, properties or prospects of any Borrower and its subsidiaries taken as a whole.

The foregoing opinions are subject to the following exceptions, limitations and qualifications:

(a) Our opinions are subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer marshalling or similar laws affecting creditors' rights and remedies generally; general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on enforceability of rights to indemnification or contribution by federal or state securities laws or regulations or by public policy.

(b) We draw your attention to the provisions of Section 911(b) of the Pennsylvania Crimes Code (the "Crimes Code"), 18 Pa. C.S.§ 911(b), in connection with the fact that the Advances bear floating rates of interest. Section 911(b) of the Crimes Codes makes it unlawful to use or invest income derived from a pattern of "racketeering activity" in the establishment or operation of any enterprise.

"Racketeering activity," as defined in the Crimes Code, includes the collection of money or other property in full or partial satisfaction of a debt which arose as the result of the lending of money or other property at a rate of interest exceeding 25% per annum where not otherwise authorized by law.

(c) We express no opinion as to the application or requirements of federal or state securities (except with respect to the opinion in paragraph 9), patent, trademark, copyright, antitrust and unfair competition, pension or employee benefit, labor, environmental health and safety or tax laws in respect of the transactions contemplated by or referred to in the Agreement.

(d) We express no opinion as to the validity or enforceability of any provision of the Agreement or the Notes which (i) permits the Lenders to increase the rate of interest or to collect a late charge in the event of delinquency or default to the extent deemed to be penalties or forfeitures; (ii) purports to be a waiver by any Borrower of any right or benefit except to the extent permitted by applicable law; (iii) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions of the Agreement or the Notes has been made; (iv) purports to exculpate any party from its own negligent acts; or (v) purports to authorize any Participant to set off and apply any deposits at any time held, and any other indebtedness at any time owing, by such Participant to or for the account of any Borrower.

We express no opinion as to the law of any jurisdiction other than the law of the Commonwealth of Pennsylvania and the federal law of the United States.

A copy of this opinion may be delivered by you to each financial institution that may become a Lender under the Agreement, and such persons may rely on this opinion as if it were addressed to them and had been delivered to them on the date hereof. This opinion may be relied on by you and such persons to whom you may deliver copies as provided in the preceding sentence only in connection with the consummation of the transactions described herein and may not be used or relied upon by you or any other person for any other purpose, without in each instance our prior written consent.

This opinion is limited to the matters expressly stated herein. No implied opinion may be inferred to extend this opinion beyond the matters expressly stated herein. We do not undertake to advise you or anyone else of any changes in the opinions expressed herein resulting from changes in law, changes in facts or any other matters that hereafter might occur or be brought to our attention.

Very truly yours,

BALLARD SPAHR ANDREWS & INGERSOLL

EXHIBIT D-2

FORM OF OPINION OF SIDLEY AUSTIN BROWN & WOOD LLP

October 31, 2003

To each of the Agents and Lenders party to the Three Year Credit Agreement dated as of October 31, 2003 among Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC, as Borrowers, the various financial institutions named therein, as Lenders, and Bank One, NA, as Administrative Agent

Ladies and Gentlemen:

We have been asked to furnish this letter to you pursuant to Section 3.01(b)(v) of the Three Year Credit Agreement dated as of October 31, 2003 (the "***Credit Agreement***") among Exelon Corporation ("***Exelon***"), Commonwealth Edison Company ("***ComEd***"), PECO Energy Company ("***PECO***") and Exelon Generation Company, LLC ("***Genco***"), as Borrowers, various financial institutions, as Lenders, and Bank One, NA, as Administrative Agent. Unless otherwise defined in this letter, capitalized terms defined in the Credit Agreement are used herein as therein defined.

We have acted as special Illinois counsel to ComEd in connection with the execution and delivery of the Credit Agreement and the Notes executed and delivered by ComEd (the "***ComEd Notes***"). In that capacity, we have examined:

(i) the Credit Agreement;

(ii) the ComEd Notes;

(iii) the Restated Articles of Incorporation of ComEd and all amendments thereto (the "***ComEd Charter***"); and

(iv) the by-laws of ComEd and all amendments thereto (the "***ComEd By-Laws***").

We are familiar with the corporate proceedings taken by ComEd in connection with the Credit Agreement and the transactions contemplated thereby. For purposes of expressing the opinions expressed in this letter, we have relied, as to various questions of fact material thereto, upon the representations made by ComEd in the Credit Agreement and upon certificates of officers of ComEd. We have also examined originals, or copies of originals certified to our satisfaction, of such corporate records of ComEd and such agreements, documents, certificates and other statements of government officials and other instruments, have examined such questions of law and have satisfied ourselves as to such matters of fact as we have considered relevant and necessary as a basis for this letter. We have

assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission. We have also assumed that the amount of ComEd's borrowings outstanding under the Credit Agreement and the 364-Day Credit Agreement dated as of October 31, 2003 among Exelon, ComEd, PECO and Genco, as Borrowers, various financial institutions, as Lenders, and Bank One, NA, as Administrative Agent, will not exceed the amount that ComEd is authorized to borrow under any approval referred to in paragraph 5. With respect to any instrument or agreement executed or to be executed by any party other than ComEd, we have assumed, to the extent relevant to the opinions set forth herein, that (i) such other party (if not a natural person) has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization and (ii) such other party has full right, power and authority to execute, deliver and perform its obligations under each instrument or agreement to which it is a party and each such instrument or agreement has been duly authorized (if applicable), executed and delivered by, and is a valid, binding and enforceable agreement or obligation, as the case may be, of, such other party.

Based upon the foregoing and subject to the qualifications and limitations stated below, it is our opinion that:

1. ComEd is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois.

2. The execution and delivery by ComEd of, and performance by ComEd of its obligations under, the Credit Agreement and the ComEd Notes are within its corporate powers, have been duly authorized by all necessary corporate action, and do not (a) violate any provision of the ComEd Charter, the ComEd By-laws or any law, rule or regulation known to us to be customarily applicable to transactions of the nature contemplated by the Credit Agreement or the ComEd Notes or (b) to our knowledge, breach, constitute a default under or otherwise violate any agreement or instrument to which ComEd is a party or by which it or its properties are bound; and such execution, delivery and performance do not, to our knowledge, result in or require the creation of any lien, security interest or encumbrance on or in any of ComEd's properties.

3. The Credit Agreement and the ComEd Notes have been duly executed and delivered by ComEd.

4. The Credit Agreement and the ComEd Notes are, to the extent that the laws of the State of Illinois or the federal laws of the United States are applicable to the enforcement of ComEd's obligations thereunder, legal, valid and binding obligations of ComEd, enforceable against ComEd in accordance with their respective terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws of general applicability relating to or affecting the enforceability of creditors'

rights generally, and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

5. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body of the United States or the State of Illinois is required for the due execution and delivery by ComEd of, and performance by ComEd of its obligations under, the Credit Agreement and the ComEd Notes, except for (i) the authorization of the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, which authorization has been received, and (ii) the approval of the Illinois Commerce Commission under the Illinois Public Utilities Act, as amended, which approval has been received.

6. ComEd is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended ("***Investment Company Act***").

We confirm to you that, to our knowledge, after inquiry of each lawyer in this firm who currently has supervisory responsibility for matters handled by this firm on behalf of ComEd, except as disclosed in ComEd's Annual Report on Form 10-K for the year ended December 31, 2002 and its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2003 and June 30, 2003, there is no pending or overtly threatened action or proceeding to which ComEd or any of its Subsidiaries is a party before any court, governmental agency or arbitrator that relates to the Credit Agreement or the ComEd Notes or that could reasonably be expected to affect materially and adversely ComEd's performance of its obligations under the Credit Agreement or the ComEd Notes.

The opinion as to enforceability set forth in paragraph 4 above is subject to the qualification that the enforceability of ComEd's obligations under the Credit Agreement and the ComEd Notes is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity). Such principles of equity are of general application and, in applying such principles, a court, among other things, might not allow a contracting party to exercise remedies in respect of a default deemed immaterial, or might decline to order an obligor to perform covenants. Such principles would include an expectation that parties act with reasonableness and in good faith, and might be applied, for example, to provisions which purport to grant a party with the authority to exercise sole discretion or make conclusive determinations. We note further, that, in addition to the application of equitable principles described above, courts have imposed an obligation on contracting parties to act reasonably and in good faith in the exercise of their contractual rights and remedies, and may also apply public policy considerations in limiting the rights of parties seeking to obtain indemnification.

With respect to our opinion in paragraph 6 above that ComEd is not an "investment company" within the meaning of the Investment Company Act, we have relied exclusively, as to all factual matters, on a certificate, dated as of the date of this letter (the "***Certificate***"), of J. Barry Mitchell, Vice President and Treasurer of ComEd (the "***Executing Officer***"). We note that, for purposes of determining whether a particular entity is an "investment company" within the meaning of the Investment Company Act, it is necessary to examine the "value" of the assets of such entity within

the meaning of Section 2(a)(41)(A) of the Investment Company Act. Section 2(a)(41)(A)(ii) of the Investment Company Act provides that the "value" of certain assets held by an entity shall be the "fair value" of such assets as determined in good faith by such entity's board of directors (or similar governing body). Although the Certificate makes certain certifications regarding the value of the assets of ComEd and certain of its subsidiaries, the Executing Officer did not request the Board of Directors of ComEd or of any of such subsidiaries to determine the value of any assets required to be valued at "fair value" pursuant to Section 2(a)(41)(A)(ii), but obtained values from other sources he deemed to be reliable. We have assumed, however, with your permission, that all assets of ComEd and its subsidiaries that are required to be valued at "fair value" pursuant to Section 2(a)(41)(A)(ii) of the Investment Company Act by the Board of Directors of ComEd or of the relevant subsidiary, as the case may be, would have been valued at the same values ascribed to such assets in the Certificate had the Board of Directors of ComEd or of the relevant subsidiary determined the "fair value" thereof pursuant to said section.

We express no opinion as to the enforceability of provisions of the Credit Agreement that (a) attempt to exculpate other parties from liability for future actions, inactions or practices, (b) purport to establish evidentiary standards, (c) purport to confer subject matter jurisdiction on any court or fix venue, (d) relate to severability or separability, (f) relate to payment without set-off or that otherwise purport to make obligations of, or determinations by, any party unconditional and absolute or (g) constitute agreements to agree. We also express no opinion as to the enforceability of provisions in the Credit Agreement to the effect that terms may not be waived or modified except in writing.

Any opinion or statement herein which is expressed to be "to our knowledge" or is otherwise qualified by words of like import means that the lawyers in this firm who have had an involvement in reviewing the Credit Agreement and the ComEd Notes have no current conscious awareness of any facts or information contrary to such opinion or statement.

This letter is limited to the federal laws of the United States of America and the laws of the State of Illinois. We note that the Credit Agreement and each of the ComEd Notes provides that it is to be governed by the laws of the Commonwealth of Pennsylvania. We express no opinion as to (i) Exelon, PECO or Genco or (ii) the enforceability under the laws of the Commonwealth of Pennsylvania of ComEd's obligations under the Credit Agreement or the ComEd Notes. With respect to these matters, we understand you are relying upon the opinion of Ballard Spahr Andrews & Ingersoll LLP, special counsel to Exelon, PECO and Genco and special Pennsylvania counsel to ComEd.

This letter is being delivered solely for the benefit of the persons to whom it is addressed; accordingly, it may not be relied upon by any other person or otherwise circulated or utilized for any purpose without our written consent, except that Ballard Spahr Andrews & Ingersoll LLP may rely upon the opinions expressed in paragraphs 1 through 3 (inclusive) in rendering their opinion to you of even date herewith. This letter may not be quoted or filed with any governmental authority or other regulatory agency (except to the extent required by law). We assume no obligation to update or supplement the opinions expressed herein to reflect any facts or circumstances which may hereafter

come to our attention with respect to such opinions, including any changes in applicable law which may hereafter occur.

Very truly yours,

SIDLEY AUSTIN BROWN & WOOD LLP

EXHIBIT E

FORM OF ANNUAL AND QUARTERLY COMPLIANCE CERTIFICATE

_____, 20____

Pursuant to the Three Year Credit Agreement, dated as of October 31, 2003, among Exelon Corporation ("Exelon"), PECO Energy Company ("PECO"), Commonwealth Edison Company ("ComEd"), Exelon Generation Company, LLC ("Genco"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), the undersigned, being _____ of [Exelon] [PECO] [ComEd] [Genco] (the "Borrower"), hereby certifies on behalf of the Borrower as follows:

1. Delivered herewith are the financial statements prepared pursuant to Section 5.01(b)[(ii)/(iii)] of the Credit Agreement for the fiscal _____ ended _____, 20____. All such financial statements comply with the applicable requirements of the Credit Agreement.

2. Schedule I hereto sets forth in reasonable detail the information and calculations necessary to establish the Borrower's compliance with the provisions of Section 5.02(c) of the Credit Agreement as of the end of the fiscal period referred to in paragraph 1 above.

3. (Check one and only one:)

☐ No Event of Default or Unmatured Event of Default has occurred and is continuing.

☐ An Event of Default or Unmatured Event of Default has occurred and is continuing, and the document(s) attached hereto as Schedule II specify in detail the nature and period of existence of such Event of Default or Unmatured Event of Default as well as any and all actions with respect thereto taken or contemplated to be taken by the Borrower.

4. The undersigned has personally reviewed the Credit Agreement, and this certificate was based on an examination made by or under the supervision of the undersigned sufficient to assure that this certificate is accurate.

5. Capitalized terms used in this certificate and not otherwise defined shall have the meanings given in the Credit Agreement.

[EXELON CORPORATION]
[PECO ENERGY COMPANY]
[COMMONWEALTH EDISON COMPANY]
[EXELON GENERATION COMPANY, LLC]

By _____

Name: _____

Title: _____

Date: _____

Exhibit 10.45

EXECUTION COPY

$850,000,000

CREDIT AGREEMENT

dated as of September 29, 2003

among

EXELON GENERATION COMPANY, LLC

as Borrower

VARIOUS FINANCIAL INSTITUTIONS

as Lenders

BANK ONE, NA

as Administrative Agent

and

JPMORGAN CHASE BANK

as Documentation Agent

BANC ONE CAPITAL MARKETS, INC.

Lead Arranger and Sole Book Runner

CREDIT AGREEMENT
dated as of September 29, 2003

EXELON GENERATION COMPANY, LLC, the banks listed on the signature pages hereof BANK ONE, NA, as Administrative Agent and JPMORGAN CHASE BANK, as Documentation Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, each of the following terms shall have the respective meanings set forth below (each such meaning to be equally applicable to both the singular and plural forms of the term defined):

"Adjusted Funds From Operations" means, for any period, Net Cash Flows From Operating Activities for such period plus Net Interest Expense for such period minus, to the extent applicable, the portion (but, if the Borrower or any Subsidiary, other than any Sithe Entity, has made any loan or advance to, or investment in, any Sithe Entity during such period, not less than zero) of Net Cash Flows From Operating Activities attributable to any Sithe Entity.

"Administrative Agent" means Bank One in its capacity as administrative agent for the Lenders pursuant to Article VII, and not in its individual capacity as a Lender, and any successor Administrative Agent appointed pursuant to Section 7.06.

"Advance" means an advance by a Lender to the Borrower hereunder. An Advance may be a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person.

"Aggregate Commitment Amount" means the aggregate amount of the Commitment Amounts.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" – see Schedule II.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit C.

"Bank One" means Bank One, NA, a national banking association with its main office in Chicago, Illinois.

"Base Rate" means, for any period, a fluctuating interest rate per annum which rate per annum shall at all times be equal to the higher of:

(a) the Prime Rate; and

(b) the sum of 0.5% per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.06(a).

"Bond Issuance Date" means any date on which the Borrower receives the proceeds of any issuance of debt securities in the public or private long-term capital markets (other than a refinancing of existing tax-exempt debt).

"Borrower" means Exelon Generation Company, LLC.

"Borrowing" means a group of Advances to the Borrower of the same Type made, continued or converted on the same day by the Lenders ratably according to their Pro Rata Shares and, in the case of a Borrowing of Eurodollar Rate Advances, having the same Interest Period.

"Business Day" means a day on which banks are not required or authorized to close in Philadelphia, Pennsylvania, Chicago, Illinois or New York, New York, and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Closing Date" shall mean the date on which all conditions precedent to the initial Borrowing have been satisfied.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, in each case as amended, reformed or otherwise modified from time to time.

"Commitment" means, for any Lender, such Lender's commitment to make Advances for the account of the Borrower hereunder.

"Commitment Amount" means, for any Lender at any time, the amount set forth opposite such Lender's name on Schedule III or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register, as such amount may be reduced pursuant to Section 2.04.

"Commitment Termination Date" means, the earlier of (i) March 31, 2004 or (ii) the date of termination in whole of the Commitments pursuant to Section 2.04 or 6.01.

"Commodity Trading Obligations" mean, with respect to any Person, the obligations of such Person under (i) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity cap agreement, commodity floor agreement, commodity collar agreement, commodity hedge agreement, commodity forward contract or derivative transaction

and any put, call or other agreement, arrangement or transaction, including natural gas, power and emissions forward contracts, or any combination of any such arrangements, agreements and/or transactions, employed in the ordinary course of such Person's business, including any such Person's energy marketing, trading and asset optimization business, or (ii) any commodity swap agreement, commodity future agreement, commodity option agreement, commodity hedge agreement, and any put, call or other agreement or arrangement, or combination thereof (including an agreement or arrangement to hedge foreign exchange risks) in respect of commodities entered into by such Person pursuant to asset optimization and risk management policies and procedures adopted in good faith by the Board of Directors of such Person. The term "commodities" shall include natural gas, electric power, emissions contracts and related products and ancillary services.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Debt" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business), (iv) obligations as lessee under leases that shall have been or are required to be, in accordance with GAAP, recorded as capital leases, (v) obligations (contingent or otherwise) under reimbursement or similar agreements with respect to the issuance of letters of credit (other than obligations in respect of documentary letters of credit opened to provide for the payment of goods or services purchased in the ordinary course of business) and (vi) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any State thereof; (ii) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (iii) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business; or (iv) the central bank of any country that is a member of the OECD; provided that, unless otherwise agreed by the Borrower and the Administrative Agent in their sole discretion, (A) any Person described in clause (i), (ii) or (iii) above shall also (x) have outstanding unsecured long-term debt that is rated BBB- or better by S&P and Baa3 or better by Moody's (or an equivalent rating by another nationally recognized credit rating agency of similar standing if

either such corporation is no longer in the business of rating unsecured indebtedness of entities engaged in such businesses) and (y) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than $100,000,000 (or its equivalent in foreign currency), and (B) any Person described in clause (ii), (iii) or (iv) above shall, on the date on which it is to become a Lender hereunder, be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 2.14(e)).

"Eligible Successor" means a Person which (i) is a corporation, limited liability company or business trust duly incorporated or organized, validly existing and in good standing under the laws of one of the states of the United States or the District of Columbia, (ii) as a result of a contemplated acquisition, consolidation or merger, will succeed to all or substantially all of the consolidated business and assets of the Borrower and its Subsidiaries (or, if applicable, Exelon and its Subsidiaries), (iii) upon giving effect to such contemplated acquisition, consolidation or merger, will have all or substantially all of its consolidated business and assets conducted and located in the United States and (iv) is acceptable to the Majority Lenders as a credit matter.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder, each as amended and modified from time to time.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the FRB, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"Eurodollar Rate" means, for each Interest Period for each Eurodollar Rate Advance made as part of a Borrowing, the applicable London interbank offered rate for deposits in U.S. Dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two business days prior to the first day of the applicable Interest Period, and having a maturity equal to such Interest Period.

"Eurodollar Rate Advance" means any Advance that bears interest as provided in Section 2.06(b).

"Eurodollar Rate Reserve Percentage" of any Lender for any Interest Period means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" - see Section 6.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended and modified from time to time.

"Exelon" means Exelon Corporation, a Pennsylvania corporation, or any Eligible Successor thereof.

"Existing Agreement" means the Credit Agreement, dated as of June 13, 2003, among the Borrower, various financial institutions and Bank One as administrative agent.

"Facility Fee Rate" - see Schedule II.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Final Termination Date" means the earlier of (i) the date on or after the Commitment Termination Date on which all of the Borrower's obligations hereunder have been paid in full and (ii) the date on which all of the Borrower's obligations hereunder have become due and payable (pursuant to Section 6.01 or otherwise).

"FRB" means the Board of Governors of the Federal Reserve System or any successor thereto.

"GAAP" - see Section 1.03.

"Granting Bank" - see Section 8.07(h).

"Hedging Obligations" mean, with respect to any Person, the obligations of such Person under any interest rate or currency swap agreement, interest rate or currency future agreement, interest rate collar agreement, interest rate or currency hedge agreement, and any put, call or other agreement or arrangement designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"Interest Coverage Ratio" means, for any period of four consecutive fiscal quarters, the ratio of Adjusted Funds From Operations for such period to Net Interest Expense for such period.

"Interest Expense" means, for any period, "interest expense" as shown on a consolidated statement of income of the Borrower for such period prepared in accordance with GAAP.

"Interest Period" means, for a Eurodollar Rate Advance, the period commencing on the date such Eurodollar Rate Advance is made or is converted from a Base Rate Advance and

ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be 1, 2, 3 or 6 months, as the Borrower may select in accordance with Section 2.02 or 2.09; provided that:

(i) the Borrower may not select any Interest Period that ends after the scheduled Commitment Termination Date;

(ii) Interest Periods commencing on the same date for Advances made as part of the same Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, unless such extension would cause the last day of such Interest Period to occur in the next following calendar month, in which case the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) if there is no day in the appropriate calendar month at the end of such Interest Period numerically corresponding to the first day of such Interest Period, then such Interest Period shall end on the last Business Day of such appropriate calendar month.

"Lead Arranger" means Banc One Capital Markets in its capacity as Lead Arranger and Sole Book Runner.

"Lenders" means each of the financial institutions listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 8.07.

"Lien" means any lien (statutory or other), mortgage, pledge, security interest or other charge or encumbrance, or any other type of preferential arrangement (including the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Majority Lenders" means Lenders having Pro Rata Shares of more than 50% (provided that, for purposes of this definition, the Borrower or any Affiliate of the Borrower, if a Lender, shall not be included in calculating the amount of any Lender's Pro Rata Share or the amount of the Aggregate Commitment Amount or Outstanding Advances, as applicable, required to constitute more than 50% of the Pro Rata Shares).

"Material Adverse Change" and "Material Adverse Effect" each means, relative to any occurrence, fact or circumstance of whatsoever nature (including any determination in any litigation, arbitration or governmental investigation or proceeding), (i) any materially adverse change in, or materially adverse effect on, the financial condition, operations, assets or business of the Borrower and its consolidated Subsidiaries (other than the Sithe Entities), taken as a whole (except that changes or effects relating to the Borrower's investment in any Sithe Entity shall not be considered in determining whether a Material Adverse Change or Material Adverse Effect has

occurred), or (ii) any materially adverse effect on the validity or enforceability against the Borrower of this Agreement or any Note.

"Moody's" means Moody's Investors Service, Inc.

"Moody's Rating" means, at any time, the rating issued by Moody's and then in effect with respect to the Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if the Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from Moody's for debt securities of such type, then such indicative rating shall be used for determining the "Moody's Rating").

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Cash Flows From Operating Activities" means, for any period, "Net Cash Flows provided by Operating Activities" as shown on a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP, excluding any "working capital changes" (as shown on such statement of cash flows) taken into account in determining such Net Cash Flows provided by Operating Activities.

"Net Interest Expense" means, for any period, the total of (a) the Interest Expense for such period minus (b) interest on Sithe Project Debt for such period.

"Nonrecourse Indebtedness" means any Debt that finances the acquisition, development, ownership or operation of an asset in respect of which the Person to which such Debt is owed has no recourse whatsoever to the Borrower or any of its Affiliates other than:

(i) recourse to the named obligor with respect to such Debt (the "Debtor") for amounts limited to the cash flow or net cash flow (other than historic cash flow) from the asset;

(ii) recourse to the Debtor for the purpose only of enabling amounts to be claimed in respect of such Debt in an enforcement of any security interest or lien given by the Debtor over the asset or the income, cash flow or other proceeds deriving from the asset (or given by any shareholder or the like in the Debtor over its shares or like interest in the capital of the Debtor) to secure the Debt, but only if the extent of the recourse to the Debtor is limited solely to the amount of any recoveries made on any such enforcement; and

(iii) recourse to the Debtor generally or indirectly to any Affiliate of the Debtor, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for a breach of an obligation (other than a payment obligation or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the Person against which such recourse is available.

"Note" means a promissory note of the Borrower payable to the order of a Lender, in substantially the form of Exhibit A.

"Notice of Borrowing" - see Section 2.02(a).

"OECD" means the Organization for Economic Cooperation and Development.

"Outstanding Advances" means the sum of the aggregate principal amount of all outstanding Advances to the Borrower.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Obligations" mean, with respect to any Person, (1) Hedging Obligations arising in the ordinary course of business and in accordance with such Person's established risk management policies that are designed to protect such Person against, among other things, fluctuations in interest rates or currency exchange rates and which in the case of agreements relating to interest rates shall have a notional amount no greater than the payments due with respect to the Obligations being hedged thereby and (2) Commodity Trading Obligations.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which any member of the Controlled Group may have any liability.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced by Bank One or by its parent, BANK ONE CORPORATION (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Principal Subsidiary" means each Subsidiary the assets of which exceeded $150,000,000 in book value at any time during the preceding 24-month period.

"Pro Rata Share" means, with respect to a Lender, a portion equal to a fraction the numerator of which is such Lender's Commitment Amount (or, after the Commitments have terminated, the principal amount of such Lender's outstanding Advances) and the denominator of which is the Aggregate Commitment Amount (or, after the Commitments have terminated, the Outstanding Advances).

"Register" - see Section 8.07(c).

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and regulations issued under such section with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and Section 302 of ERISA shall be a

Reportable Event regardless of the issuance of any such waiver in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"S&P Rating" means, at any time, the rating issued by S&P and then in effect with respect to the Borrower's senior unsecured long-term public debt securities without third-party credit enhancement (it being understood that if the Borrower does not have any outstanding debt securities of the type described above but has an indicative rating from S&P for debt securities of such type, then such indicative rating shall be used for determining the "S&P Rating").

"Single Employer Plan" means a Plan maintained by any member of the Controlled Group for employees of any member of the Controlled Group.

"Sithe Energies" means Sithe Energies, Inc., provided that Sithe Energies shall not be a Subsidiary until such time as it meets the requirements of that definition.

"Sithe Entity" means each of the Sithe Energies and Sithe Holdings and each of their respective Subsidiaries.

"Sithe Holdings" means Exelon New England Holdings LLC (formerly known as Sithe New England Holdings LLC).

"Sithe Project Debt" means Debt of any Sithe Entity for which neither the Borrower nor any Subsidiary (other than another Sithe Entity) has any liability, contingent or otherwise.

"SPC" - see Section 8.07(h).

"Subsidiary" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether or not at the time capital stock, or comparable interests, of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person (whether directly or through one or more other Subsidiaries). References herein to "Subsidiaries" are to Subsidiaries of the Borrower unless otherwise specified.

"Taxes" - see Section 2.14.

"Type" - see the definition of Advance.

"Unfunded Liabilities" means, (i) in the case of any Single Employer Plan, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent evaluation date for such Plan, and (ii) in the case of any Multiemployer Plan, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from such Multiemployer Plan.

"Unmatured Event of Default" means any event which (if it continues uncured) will, with lapse of time or notice or both, became an Event of Default.

"Utilization Fee Rate" - see Schedule II.

SECTION 1.02 Other Interpretive Provisions. In this Agreement, (a) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding"; (b) unless otherwise indicated, any reference to an Article, Section, Exhibit or Schedule means an Article or Section hereof or an Exhibit or Schedule hereto; and (c) the term "including" means "including without limitation".

SECTION 1.03 Accounting Principles. (a) As used in this Agreement, "GAAP" shall mean generally accepted accounting principles in the United States, applied on a basis consistent with the principles used in preparing the Borrower's audited consolidated financial statements as of December 31, 2002 and for the fiscal year then ended. In this Agreement, except to the extent, if any, otherwise provided herein, all accounting and financial terms shall have the meanings ascribed to such terms by GAAP, and all computations and determinations as to accounting and financial matters shall be made in accordance with GAAP. In the event that the financial statements generally prepared by the Borrower apply accounting principles other than GAAP (including as a result of any event described in Section 1.03(b)), the compliance certificate delivered pursuant to Section 5.01(b)(iv) accompanying such financial statements shall include information in reasonable detail reconciling such financial statements to GAAP to the extent relevant to the calculations set forth in such compliance certificate.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein and the Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); provided that, until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein.

ARTICLE II

AMOUNTS AND TERMS OF THE COMMITMENTS

SECTION 2.01 Commitments. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time during the period from the date hereof to the Commitment Termination Date, in an aggregate amount not to exceed such Lender's Commitment Amount as in effect from time to time; provided that the aggregate principal amount of all Advances by such Lender shall not exceed such Lender's Pro Rata Share of the Outstanding Advances. Within the foregoing limits, the Borrower may from time to time borrow, prepay pursuant to Section 2.10 and reborrow hereunder prior to the Commitment Termination Date.

SECTION 2.02 Procedures for Advances; Limitations on Borrowings.

(a) The Borrower may request Advances hereunder by giving notice (a "Notice of Borrowing") to the Administrative Agent (which shall promptly advise each Lender of its receipt thereof) not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed borrowing of Eurodollar Rate Advances and on the date of any proposed borrowing of Base Rate Advances. Each Notice of Borrowing shall be sent by telecopier, confirmed immediately in writing, and shall be in substantially the form of Exhibit B, specifying therein the requested (i) date of borrowing (which shall be a Business Day), (ii) Type of Advances to be borrowed, (iii) aggregate amount of such Advances, and (iv) in the case of a borrowing of Eurodollar Rate Advances, initial Interest Period therefor. Each Lender shall, before 12:00 noon (Chicago time) on the date of such borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of the requested borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. If a Notice of Borrowing requests Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the requested borrowing date the applicable conditions set forth in Article III, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the requested Advance to be made by such Lender.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any requested borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the requested borrowing date in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Advances made in connection with such borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make the Advance to be made by it on any borrowing date shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make any Advance to be made by such other Lender.

(e) Each Borrowing of Base Rate Advances shall at all times be in an aggregate amount not less than $5,000,000; and each Borrowing of Eurodollar Rate Advances shall at all

times be in an aggregate amount not less than $10,000,000. Notwithstanding anything to the contrary contained herein, the Borrower may not have more than six Borrowings of Eurodollar Rate Advances outstanding at any time.

SECTION 2.03 Facility and Utilization Fees. (a) The Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their respective Pro Rata Shares, a facility fee for the period from the date of this Agreement to the Commitment Termination Date (or, if later, the date on which all Advances have been paid in full) in an amount equal to the Facility Fee Rate multiplied by the Aggregate Commitment Amount (or, after the Commitment Termination Date, the Outstanding Advances), payable on the last day of each calendar quarter and on the Final Termination Date (and, if applicable, thereafter on demand).

(b) The Borrower agrees to pay to the Administrative Agent, for the account of the Lenders according to their respective Pro Rata Shares, a utilization fee for each day on which the Outstanding Advances exceed 33-1/3% of the Aggregate Commitment Amount in an amount equal to the Utilization Fee Rate multiplied by the Outstanding Advances on such day, payable on the last day of each calendar quarter and on the Final Termination Date.

SECTION 2.04 Reduction of Commitment Amounts. (a) The Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to reduce the Aggregate Commitment Amount to an amount that is not less than the Outstanding Advances; provided that each partial reduction of the Aggregate Commitment Amount shall be in the amount of $10,000,000 or an integral multiple thereof. Once reduced pursuant to this Section 2.04, the Aggregate Commitment Amount may not be increased.

(b) The Aggregate Commitment Amount shall be reduced on each Bond Issuance Date by the principal amount of all debt securities issued by the Borrower on such date (rounded down, if necessary, to an integral multiple of $10,000,000).

(c) The Aggregate Commitment Amount shall be reduced to $550,000,000 (i) on October 20, 2003 if the Borrower does not exercise its right of first refusal to purchase British Energy's 50% ownership interest in AmerGen Energy Company, LLC prior to the close of business on such date or (ii) on any date after the October 20, 2003 if the Borrower announces that, notwithstanding the exercise of such right of first refusal, it will not purchase such 50% ownership interest in AmerGen Energy Company, LLC.

SECTION 2.05 Repayment of Advances. The Borrower shall repay the principal amount of the Outstanding Advances on the Commitment Termination Date.

SECTION 2.06 Interest on Advances. Subject to Section 2.13(f), the Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) At all times such Advance is a Base Rate Advance, a rate per annum equal to the Base Rate in effect from time to time, payable quarterly on the last day of each calendar quarter and on the date such Base Rate Advance is converted to a Eurodollar Rate Advance or paid in full.

(b) Subject to Section 2.07, at all times such Advance is a Eurodollar Rate Advance, a rate per annum equal to the sum of the Eurodollar Rate for each applicable Interest Period plus the Applicable Margin in effect from time to time, payable on the last day of each Interest Period for such Eurodollar Rate Advance (and, if any Interest Period for such Advance is six months, on the day that is three months after the first day of such Interest Period) or, if earlier, on the date such Eurodollar Rate Advance is converted to a Base Rate Advance or paid in full.

SECTION 2.07 Additional Interest on Eurodollar Advances. The Borrower shall pay to each Lender, for any period during which such Lender is required under regulations of the FRB to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender, from the date of such Advance until such Advance is paid in full or converted to a Base Rate Advance, at an interest rate per annum equal to the remainder obtained by subtracting (i) the Eurodollar Rate for each Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance; provided that no Lender shall be entitled to demand such additional interest more than 90 days following the last day of the Interest Period in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive such additional interest to the extent that such additional interest relates to the retroactive application of the reserve requirements described above if such demand is made within 90 days after the implementation of such retroactive reserve requirements. Such additional interest shall be determined by the applicable Lender and notified to the Borrower through the Administrative Agent, and such determination shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of each applicable interest rate determined by the Administrative Agent for purposes of Section 2.06(a) or (b).

(b) If, with respect to any Eurodollar Rate Advances, the Majority Lenders notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor (unless prepaid or converted to a Base Rate Advance on or prior to such day), convert into a Base Rate Advance, and

(ii) the obligation of the Lenders to make, continue or convert into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09 Continuation and Conversion of Advances. (a) The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 10:00 A.M. (Chicago time) on the third Business Day prior to the date of any proposed continuation of or conversion into Eurodollar Rate Advances, and on the date of any proposed conversion into Base Rate Advances, and subject to the provisions of Sections 2.08 and 2.12, continue Eurodollar Rate Advances for a new Interest Period or convert a Borrowing of Advances of one Type into Advances of the other Type; provided that any continuation of Eurodollar Rate Advances or conversion of Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, unless, in the case of such a conversion, the Borrower shall also reimburse the Lenders pursuant to Section 8.04(b) on the date of such conversion. Each such notice of a continuation or conversion shall, within the restrictions specified above, specify (i) the date of such continuation or conversion, (ii) the Advances to be continued or converted, and (iii) in the case of continuation of or conversion into Eurodollar Rate Advances, the duration of the initial Interest Period for such Advances.

(b) If the Borrower shall fail to select the Type of any Advance or the duration of any Interest Period for any Borrowing of Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01 and Section 2.09(a), the Administrative Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, convert into Base Rate Advances.

SECTION 2.10 Prepayments. (a) The Borrower may, upon notice to the Administrative Agent at least three Business Days prior to any prepayment of Eurodollar Rate Advances, or one Business Day's notice prior to any prepayment of Base Rate Advances, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances made as part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided that (i) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Eurodollar Rate Advances and $5,000,000 or a higher integral multiple of $1,000,000 in the case of any prepayment of Base Rate Advances, and (ii) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders pursuant to Section 8.04(b) on the date of such prepayment.

(b) If, after giving effect to any reduction of the Aggregate Commitment Amount pursuant to Section 2.04(b) or (c), the Outstanding Advances exceed the Aggregate Commitment Amount, the Borrower shall immediately prepay Advances in an amount equal to such excess.

SECTION 2.11 Increased Costs. (a) If on or after the date of this Agreement, any Lender determines that (i) the introduction of or any change (other than, in the case of Eurodollar Rate Advances, any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) shall increase the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the

Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts (without duplication of any amount payable pursuant to Section 2.14) sufficient to compensate such Lender for such increased cost; provided that no Lender shall be entitled to demand such compensation more than 90 days following the last day of the Interest Period in respect of which such demand is made; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described in clause (i) or (ii) above if such demand is made within 90 days after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to the amount of such increased cost, submitted to the Borrower and the Administrative Agent by a Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that, after the date of this Agreement, compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) regarding capital adequacy requirements affects or would affect the amount of capital required or expected to be maintained by such Lender or any Person controlling such Lender (including, in any event, any determination after the date of this Agreement by any such governmental authority or central bank that, for purposes of capital adequacy requirements, any Lender's Commitment to the Borrower does not constitute a commitment with an original maturity of less than one year) and that the amount of such capital is increased by or based upon the existence of such Lender's Commitment or the Advances made by such Lender, then upon demand by such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall immediately pay to the Administrative Agent for the account of such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender or such controlling Person, as applicable, in the light of such circumstances, to the extent that such Lender determines such increase in capital to be allocable to the existence of such Lender's Commitment or the Advances made by such Lender; provided that no Lender shall be entitled to demand such compensation more than one year following the payment to or for the account of such Lender of all other amounts payable hereunder by the Borrower and under any Note of the Borrower held by such Lender and the termination of such Lender's Commitment to the Borrower; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive such compensation to the extent that such compensation relates to the retroactive application of any law, regulation, guideline or request described above if such demand is made within one year after the implementation of such retroactive law, interpretation, guideline or request. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by the applicable Lender shall be conclusive and binding, for all purposes, absent manifest error.

(c) Any Lender claiming compensation pursuant to this Section 2.11 shall use its best efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such compensation that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of such Lender to make, continue or convert Advances into Eurodollar Rate Advances shall be suspended (subject to the following paragraph of this Section 2.12) until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist and (ii) all Eurodollar Rate Advances of such Lender then outstanding shall, on the last day of the then applicable Interest Period (or such earlier date as such Lender shall designate upon not less than five Business Days' prior written notice to the Administrative Agent), be automatically converted into Base Rate Advances.

If the obligation of any Lender to make, continue or convert into Eurodollar Rate Advances has been suspended pursuant to the preceding paragraph, then, unless and until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, (i) all Advances that would otherwise be made by such Lender as Eurodollar Rate Advances shall instead be made as Base Rate Advances and (ii) to the extent that Eurodollar Rate Advances of such Lender have been converted into Base Rate Advances pursuant to the preceding paragraph or made instead as Base Rate Advances pursuant to the preceding clause (i), all payments and prepayments of principal that would have otherwise been applied to such Eurodollar Rate Advances of such Lender shall be applied instead to such Base Rate Advances of such Lender.

SECTION 2.13 Payments and Computations. (a) The Borrower shall make each payment hereunder and under any Note not later than 10:00 A.M. (Chicago time) on the day when due in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 in same day funds without setoff, counterclaim or other deduction. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, facility fees and utilization fees ratably (other than amounts payable pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Lender, if and to the extent any payment owed to such Lender by the Borrower is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due.

(c) All computations of interest based on the Prime Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of fees shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Lender, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.07, by a Lender) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of any interest or fees, as the case may be; provided that if such extension would cause payment of interest on a Eurodollar Rate Advance to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due by the Borrower to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) Notwithstanding anything to the contrary contained herein, any amount payable by the Borrower hereunder that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the fullest extent permitted by law) bear interest from the date when due until paid in full at a rate per annum equal at all times to the Base Rate plus 2%, payable upon demand.

SECTION 2.14 Taxes. (a) Any and all payments by the Borrower hereunder or under any Note shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively, "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Administrative Agent, (i) the sum payable shall be increased as

may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14), such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower severally agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies to the extent arising from the execution, delivery or registration of this Agreement or the Notes (all of the foregoing, "Other Taxes").

(c) No Lender may claim or demand payment or reimbursement in respect of any Taxes or Other Taxes pursuant to this Section 2.14 if such Taxes or Other Taxes, as the case may be, were imposed solely as the result of a voluntary change in the location of the jurisdiction of such Lender's Applicable Lending Office.

(d) The Borrower will indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Such indemnification shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(e) Prior to the date of an initial borrowing hereunder in the case of each Lender listed on the signature pages hereof, and on the date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, and from time to time thereafter within 30 days from the date of request if requested by the Borrower or the Administrative Agent, each Lender organized under the laws of a jurisdiction outside the United States shall provide the Administrative Agent and the Borrower with the forms prescribed by the Internal Revenue Service of the United States certifying that such Lender is exempt from United States withholding taxes with respect to all payments to be made to such Lender hereunder and under any Note. If for any reason during the term of this Agreement, any Lender becomes unable to submit the forms referred to above or the information or representations contained therein are no longer accurate in any material respect, such Lender shall notify the Administrative Agent and the Borrower in writing to that effect. Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under any Note are not subject to United States withholding tax, the Borrower or the Administrative Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States and no Lender may claim or demand payment or reimbursement for such withheld taxes pursuant to this Section 2.14.

(f) Any Lender claiming any additional amount payable pursuant to this Section 2.14 shall use its best efforts (consistent with its internal policy and legal and regulatory

restrictions) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amount which may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

(g) If the Borrower makes any additional payment to any Lender pursuant to this Section 2.14 in respect of any Taxes or Other Taxes, and such Lender determines that it has received (i) a refund of such Taxes or Other Taxes or (ii) a credit against or relief or remission for, or a reduction in the amount of, any tax or other governmental charge attributable solely to any deduction or credit for any Taxes or Other Taxes with respect to which it has received payments under this Section 2.14, such Lender shall, to the extent that it can do so without prejudice to the retention of such refund, credit, relief, remission or reduction, pay to the Borrower such amount as such Lender shall have determined to be attributable to the deduction or withholding of such Taxes or Other Taxes. If, within one year after the payment of any such amount to the Borrower, such Lender determines that it was not entitled to such refund, credit, relief, remission or reduction to the full extent of any payment made pursuant to the first sentence of this Section 2.14(g), the Borrower shall upon notice and demand of such Lender promptly repay the amount of such overpayment. Any determination made by a Lender pursuant to this Section 2.14(g) shall in the absence of bad faith or manifest error be conclusive, and nothing in this Section 2.14(g) shall be construed as requiring any Lender to conduct its business or to arrange or alter in any respect its tax or financial affairs (except as required by Section 2.14(f)) so that it is entitled to receive such a refund, credit or reduction or as allowing any Person to inspect any records, including tax returns, of such Lender.

(h) Without prejudice to the survival of any other agreement of the Borrower or any Lender hereunder, the agreements and obligations of the Borrower and the Lenders contained in this Section 2.14 shall survive the payment in full of principal and interest hereunder and under the Notes; provided that no Lender shall be entitled to demand any payment from the Borrower under this Section 2.14 more than one year following the payment to or for the account of such Lender of all other amounts payable by the Borrower hereunder and under any Note issued by the Borrower to such Lender and the termination of such Lender's Commitment; provided, further, that the foregoing proviso shall in no way limit the right of any Lender to demand or receive any payment under this Section 2.14 to the extent that such payment relates to the retroactive application of any Taxes or Other Taxes if such demand is made within one year after the implementation of such Taxes or Other Taxes.

SECTION 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it (other than pursuant to Section 2.02(b), 2.07, 2.11, 2.14 or 8.04(b)) in excess of its ratable share of payments on account of the Advances obtained by all Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount

so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16 Term-Out Option. On the Commitment Termination Date, the Borrower may, subject to the approval of all Lenders (which approval may be withheld by any Lender in its sole discretion), elect to convert all Outstanding Advances to term loans maturing 364 days after the Commitment Termination Date (in which event the parties hereto shall enter into an amendment hereto to reflect the fact that this is no longer a revolving facility and to make such other changes to the terms hereof as may be agreed by the parties hereto).

ARTICLE III

CONDITIONS TO BORROWINGS

SECTION 3.01 Conditions Precedent to Initial Borrowing. No Lender shall be obligated to make any Advance unless the Administrative Agent shall have received (a) evidence that the Borrower has paid, or concurrently with the making of the initial Advances will pay, all of its obligations under the Existing Agreement; and (b) each of the following documents, each dated the date of the initial Borrowing (or an earlier date satisfactory to the Administrative Agent, in form and substance satisfactory to the Administrative Agent and each (except for the Notes) in sufficient copies to provide one for each Lender:

(i) A Note for each Lender that has requested a Note to evidence its Advances.

(ii) Certified copies of resolutions of the Board of Directors or equivalent managing body of the Borrower approving the transactions contemplated by this Agreement and of all documents evidencing other necessary organizational action of the Borrower with respect to this Agreement and the documents contemplated hereby.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying (A) the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered hereunder; (B) that attached thereto are true and correct copies of the certificate of formation and operating agreement of the Borrower, in each case in effect on such date; and (C) that attached thereto are true and correct copies of all governmental and regulatory authorizations and approvals required for the due execution, delivery and performance by the Borrower of this Agreement and the documents contemplated hereby.

(iv) A certificate signed by either the chief financial officer, principal accounting officer or treasurer of the Borrower stating that (A) the representations

and warranties contained in Section 4.01 are correct on and as of the date of such certificate as though made on and as of such date and (B) no Event of Default or Unmatured Event of Default has occurred and is continuing on the date of such certificate.

(v) A favorable opinion of Ballard Spahr Andrews & Ingersoll LLC, special counsel for the Borrower, substantially in the form of Exhibit D.

SECTION 3.02 Conditions Precedent to All Borrowings. The obligation of each Lender to make any Advance to the Borrower shall be subject to the further conditions precedent that on the date of such Borrowing the following statements shall be true, and the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of Advances pursuant thereto shall constitute a representation and warranty by the Borrower that on the date of the making of such Advances such statements are true:

(A) The representations and warranties of the Borrower contained in Section 4.01 are correct on and as of the date of such Borrowing, before and after giving effect to such Borrowing and the application of the proceeds therefrom, as though made on and as of such date; and

(B) No event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's powers, have been duly authorized by all necessary organizational action on the part of the Borrower, and do not and will not contravene (i) the organizational documents of the Borrower, (ii) applicable law or (iii) any contractual or legal restriction binding on or affecting the properties of the Borrower or any Subsidiary.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement or any Note, except an appropriate order or orders of the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, which order or orders have been duly obtained, and are (x) in full force and effect and (y) sufficient for the purposes hereof.

(d) This Agreement is, and each Note when delivered hereunder will be, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforceability thereof may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(e) (i) The consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2002 and the related consolidated statements of income, retained earnings and cash flows of the Borrower for the fiscal year then ended, certified by Pricewaterhouse Coopers LLP, and the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of June 30, 2003 and the related unaudited statement of income for the six-month period then ended, copies of which have been furnished to each Lender, fairly present in all material respects (subject, in the case of such balance sheet and statement of income for the period ended June 30, 2003, to year-end adjustments) the consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates in accordance with GAAP; and (ii) since December 31, 2002, there has been no Material Adverse Change.

(f) Except as disclosed in Exelon's Annual, Quarterly or Current Reports, each as filed with the Securities and Exchange Commission and delivered to the Lenders prior to the date of execution and delivery of this Agreement, there is no pending or threatened action, investigation or proceeding affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that may reasonably be anticipated to have a Material Adverse Effect. There is no pending or threatened action or proceeding against the Borrower or any Subsidiary that purports to affect the legality, validity, binding effect or enforceability against the Borrower of this Agreement or any Note.

(g) No proceeds of any Advance have been or will be used directly or indirectly in connection with the acquisition of in excess of 5% of any class of equity securities that is registered pursuant to Section 12 of the Exchange Act or any transaction subject to the requirements of Section 13 or 14 of the Exchange Act.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the FRB), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the value of the assets of the Borrower and its Subsidiaries is represented by margin stock.

(i) The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) During the twelve consecutive month period prior to the date of the execution and delivery of this Agreement and prior to the date of any Borrowing, no steps have been taken

to terminate any Plan, and no contribution failure by any member of the Controlled Group has occurred with respect to any Plan. No condition exists or event or transaction has occurred with respect to any Plan (including any Multiemployer Plan) which might result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01 Affirmative Covenants. The Borrower agrees that so long as any amount payable by the Borrower hereunder remains unpaid or any Lender has any Commitment, the Borrower will, and, in the case of Section 5.01(a), will cause its Principal Subsidiaries to, unless the Majority Lenders shall otherwise consent in writing:

(a) Keep Books; Existence; Maintenance of Properties; Compliance with Laws; Insurance; Taxes.

(i) keep proper books of record and account, all in accordance with generally accepted accounting principles in the United States, consistently applied;

(ii) subject to Section 5.02(b) (and except for the dissolution or liquidation of any Sithe Entity), preserve and keep in full force and effect its existence;

(iii) maintain and preserve all of its properties (except such properties the failure of which to maintain or preserve would not have, individually or in the aggregate, a Material Adverse Effect) which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted;

(iv) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders (including those of any governmental authority and including with respect to environmental matters) to the extent the failure to so comply, individually or in the aggregate, would have a Material Adverse Effect;

(v) maintain insurance with responsible and reputable insurance companies or associations, or self-insure, as the case may be, in each case in such amounts and covering such contingencies, casualties and risks as is customarily carried by or self-insured against by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower and its Principal Subsidiaries operate;

(vi) at any reasonable time and from time to time, pursuant to prior notice delivered to the Borrower, permit any Lender, or any agent or representative thereof, to examine and, at such Lender’s expense, make copies of, and abstracts from the records and books of account of, and visit the properties of,

the Borrower and any Principal Subsidiary and to discuss the affairs, finances and accounts of the Borrower and any Principal Subsidiary with any of their respective officers; provided that any non-public information (which has been identified as such by the Borrower or the applicable Principal Subsidiary) obtained by any Lender or any of its agents or representatives pursuant to this clause (vi) shall be treated confidentially by such Person; provided, further, that such Person may disclose such information to any other party to this Agreement, its examiners, affiliates, outside auditors, counsel or other professional advisors in connection with this Agreement or if otherwise required to do so by law or regulatory process; and

(vii) use the proceeds of the Advances to repay a note issued by the Borrower to Sithe Energies, Inc. and for other general corporate purposes (including the making of acquisitions), but in no event for any purpose which would be contrary to Section 4.01(g) or 4.01(h).

(b) Reporting Requirements. Furnish to the Lenders:

(i) as soon as possible, and in any event within five Business Days after the occurrence of any Event of Default or Unmatured Event of Default continuing on the date of such statement, a statement of an authorized officer of the Borrower setting forth details of such Event of Default or Unmatured Event of Default and the action which the Borrower proposes to take with respect thereto;

(ii) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower (commencing with the quarter ending September 30, 2003), a copy of the Borrower's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission with respect to such quarter (or, if the Borrower is not required to file a Quarterly Report on Form 10-Q, copies of an unaudited consolidated balance sheet of the Borrower as of the end of such quarter and the related consolidated statement of income of the Borrower for the portion of the Borrower's fiscal year ending on the last day of such quarter, in each case prepared in accordance with GAAP, subject to the absence of footnotes and to year-end adjustments), together with a certificate of an authorized officer of the Borrower stating that no Event of Default or Unmatured Event of Default has occurred and is continuing or, if any such Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto;

(iii) as soon as available and in any event within 105 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Annual Report on Form 10-K filed with the Securities and Exchange Commission with respect to such fiscal year (or, if the Borrower is not required to file an Annual Report on Form 10-K, the consolidated balance sheet of the Borrower and its subsidiaries as of the last day of such fiscal year and the related consolidated statements of income, retained earnings (if applicable) and cashflows of the Borrower for such

fiscal year, certified by Pricewaterhouse Coopers LLP or other certified public accountants of recognized national standing), together with a certificate of an authorized officer of the Borrower stating that no Event of Default or Unmatured Event of Default has occurred and is continuing or, if any Event of Default or Unmatured Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which the Borrower proposes to take with respect thereto;

(iv) concurrently with the delivery of the annual and quarterly reports referred to in Sections 5.01(b)(ii) and 5.01(b)(iii), a compliance certificate in substantially the form set forth in Exhibit E, duly completed and signed by the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the Borrower;

(v) except as otherwise provided in clause (ii) or (iii) above, promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its security holders, and copies of all Reports on Form 10-K, 10-Q or 8-K, and registration statements and prospectuses that the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange (except to the extent that any such registration statement or prospectus relates solely to the issuance of securities pursuant to employee or dividend reinvestment plans of the Borrower or such Subsidiary);

(vi) promptly upon becoming aware of the institution of any steps by the Borrower or any other Person to terminate any Plan, or the failure to make a required contribution to any Plan if such failure is sufficient to give rise to a lien under section 302(f) of ERISA, or the taking of any action with respect to a Plan which could result in the requirement that the Borrower furnish a bond or other security to the PBGC or such Plan, or the occurrence of any event with respect to any Plan which could result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty, notice thereof and a statement as to the action the Borrower proposes to take with respect thereto;

(vii) promptly upon becoming aware thereof, notice of any change in the Moody's Rating or the S&P Rating; and

(viii) such other information respecting the condition, operations, business or prospects, financial or otherwise, of the Borrower or any Subsidiary as any Lender, through the Administrative Agent, may from time to time reasonably request.

SECTION 5.02 Negative Covenants. The Borrower agrees that so long as any amount payable by the Borrower hereunder remains unpaid or any Lender has any Commitment (except with respect to Section 5.02(a), which shall be applicable only as of the date hereof and at the time of each Advance to the Borrower), the Borrower will not, without the written consent of the Majority Lenders:

(a) Limitation on Liens. Create, incur, assume or suffer to exist any Lien on its property, revenues or assets, whether now owned or hereafter acquired except (i) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens arising in the ordinary course of business; (ii) Liens on the capital stock of or any other equity interest in any Subsidiary to secure Nonrecourse Indebtedness; (iii) Liens upon or in any property acquired in the ordinary course of business to secure the purchase price of such property or to secure any obligation incurred solely for the purpose of financing the acquisition of such property; (iv) Liens existing on property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition unless permitted by the preceding clause (iii)); (v) Liens granted in connection with any financing arrangement for the purchase of nuclear fuel or the financing of pollution control facilities, limited to the fuel or facilities so purchased or acquired; (vi) Liens arising in connection with sales or transfers of, or financing secured by, accounts receivable or related contracts; provided that any such sale, transfer or financing shall be on arms' length terms; (vii) Liens arising in connection with sale and leaseback transactions, but only to the extent the aggregate purchase price of all assets sold pursuant to such transactions does not exceed $250,000,000; (viii) Liens securing Permitted Obligations; and (ix) Liens, other than those described in clauses (i) through (viii) of this Section 5.02(a), granted by the Borrower in the ordinary course of business securing Debt of the Borrower; provided that the aggregate amount of all Debt secured by Liens permitted by clause (ix) of this Section 5.02(a) shall not exceed in the aggregate at any one time outstanding $50,000,000.

(b) Mergers and Consolidations; Disposition of Assets. Merge with or into or consolidate with or into, or sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any Person or permit any Principal Subsidiary (other than any Sithe Entity) to do so, except that (i) any Principal Subsidiary may merge with or into or consolidate with or transfer assets to the Borrower or any other Principal Subsidiary; and (ii) the Borrower or any Principal Subsidiary may merge with or into or consolidate with or transfer assets to any other Person; provided that, in each case, immediately before and after giving effect thereto, no Event of Default or Unmatured Event of Default shall have occurred and be continuing and (A) in the case of any such merger, consolidation or transfer of assets to which the Borrower is a party, either (x) the Borrower shall be the surviving entity or (y) the surviving entity shall be an Eligible Successor and shall have assumed all of the obligations of the Borrower under this Agreement and the Notes pursuant to a written instrument in form and substance satisfactory to the Administrative Agent, and (B) subject to clause (A) above, in the case of any such merger, consolidation or transfer of assets to which any Principal Subsidiary is a party, a Principal Subsidiary shall be the surviving entity.

(c) Interest Coverage Ratio. Permit its Interest Coverage Ratio as of the last day of any fiscal quarter to be less than 3.25 to 1.0.

(d) Continuation of Businesses. Engage in, or permit any Subsidiary to engage in, any line of business which is material to the Borrower and its Subsidiaries, taken as a whole, other than businesses engaged in by the Borrower and its Subsidiaries as of the date hereof and reasonable extensions thereof.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events shall occur and be continuing (any such event an "Event of Default"):

(a) The Borrower shall fail to pay (i) any principal of any Advance when the same becomes due and payable or (ii) any interest on any Advance or any other amount payable by the Borrower under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) pursuant to the terms of this Agreement shall prove to have been incorrect or misleading in any material respect when made; or

(c) The Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.02, Section 5.01(a)(vii) or Section 5.01(b)(i); or (ii) any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent (which notice shall be given by the Administrative Agent at the written request of any Lender); or

(d) The Borrower or any Principal Subsidiary shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount in excess of $50,000,000 in the aggregate (but excluding Sithe Project Debt, Debt evidenced by the Notes and Nonrecourse Indebtedness) of the Borrower or such Principal Subsidiary (as the case may be) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof, other than any acceleration of any Debt secured by equipment leases or fuel leases of the Borrower or a Principal Subsidiary as a result of the occurrence of any event requiring a prepayment (whether or not characterized as such) thereunder, which prepayment will not result in a Material Adverse Change; or

(e) The Borrower or any Principal Subsidiary (other than, so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Principal Subsidiary (other than, so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) seeking to adjudicate it as bankrupt or insolvent,

or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any Principal Subsidiary (other than, so long as such entity has no Debt other than Sithe Project Debt, any Sithe Entity) shall take any action to authorize or to consent to any of the actions set forth above in this Section 6.01(e); or

(f) One or more judgments or orders for the payment of money in an aggregate amount exceeding $50,000,000 (excluding any such judgments or orders which are fully covered by insurance, subject to any customary deductible, and under which the applicable insurance carrier has acknowledged such full coverage in writing) shall be rendered against the Borrower or any Principal Subsidiary (other than, if applicable, any Sithe Entity) and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) (i) Any Reportable Event that the Majority Lenders determine in good faith might constitute grounds for the termination of any Plan or for the appointment by the appropriate United States District Court of a trustee to administer a Plan shall have occurred and be continuing 30 days after written notice to such effect shall have been given to the Borrower by the Administrative Agent, (ii) any Plan shall be terminated, (iii) a Trustee shall be appointed by an appropriate United States District Court to administer any Plan or (iv) the PBGC shall institute proceedings to terminate any Plan or to appoint a trustee to administer any Plan; provided that on the date of any event described in clauses (i) through (iv) above, the Unfunded Liabilities of such Plan exceed $20,000,000; or

(h) Exelon (or a wholly owned Subsidiary of Exelon) shall fail to own, free and clear of all Liens, 100% of the membership interests of the Borrower;

then, and in any such event, the Administrative Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to the Borrower, (i) declare the Commitments to be terminated, whereupon the same shall forthwith terminate, and/or (ii) declare the principal amount of the Advances, all interest thereon and all other amounts payable by the Borrower under this Agreement to be forthwith due and payable, whereupon the principal amount of the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided that in the event of an Event of Default under Section 6.01(e), (A) the obligation of each Lender to make any Advance to the Borrower shall automatically be terminated and (B) the principal amount of the Advances, all interest thereon and all other amounts payable by the Borrower hereunder shall automatically and immediately become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02 Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their respective own gross negligence or willful misconduct. Without limiting the generality of the foregoing: (i) the Administrative Agent may treat the payee of any Note as the holder thereof until the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) the Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) the Administrative Agent makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statement, warranty or representation (whether written or oral) made in or in connection with this Agreement; (iv) the Administrative Agent shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) the Administrative Agent shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant hereto; and (vi) the Administrative Agent shall not incur any liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03 Administrative Agent and Affiliates. With respect to its Commitment, Advances and Note (if any), Bank One shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Bank One in its individual capacity. Bank One and its affiliates may accept

deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with the Borrower, any Subsidiary and any Person who may do business with or own securities of the Borrower or any Subsidiary, all as if it were not the Administrative Agent and without any duty to account therefor to the Lenders.

SECTION 7.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05 Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its Pro Rata Share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such expenses are reimbursable by the Borrower but for which the Administrative Agent is not reimbursed by the Borrower.

SECTION 7.06 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank described in clause (i) or (ii) of the definition of "Eligible Assignee" and having a combined capital and surplus of at least $150,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was

Administrative Agent under this Agreement. Notwithstanding the foregoing, if no Event of Default or Unmatured Event of Default shall have occurred and be continuing, then no successor Administrative Agent shall be appointed under this Section 7.06 without the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed.

SECTION 7.07 Documentation Agent and Lead Arranger. No Person designated on the cover page, a signature page or elsewhere in this Agreement as the "Documentation Agent" or "Lead Arranger and Sole Book Runner" shall have any duties or responsibilities in such capacity.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders and, in the case of an amendment, the Borrower, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (other than any Lender that is the Borrower or an Affiliate of the Borrower), do any of the following: (a) waive any of the conditions specified in Section 3.01 or 3.02, (b) increase or extend the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, or (f) amend this Section 8.01; provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent, in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any Note.

SECTION 8.02 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to the Borrower, at 10 S. Dearborn, 37th Floor, Chicago, IL 60603, Attention: J. Barry Mitchell, Telecopy: (312) 394-5440; if to any Lender listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Administrative Agent, at its address at 1 Bank One Plaza, Mail Suite 0634, 1FPN-10, Chicago, Illinois 60670, Attention: Mr. Ron Cromey, Telecopy: (312) 732-4840 or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when deposited in the mails, telecopied, delivered to the telegraph company, confirmed by telex answerback or delivered to the cable company,

respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VII shall not be effective until received by the Administrative Agent.

SECTION 8.03 No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04 Costs and Expenses; Indemnification. (a) The Borrower severally agrees to pay on demand all costs and expenses incurred by the Administrative Agent and the Lead Arranger in connection with the preparation, execution, delivery, administration, syndication, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including the reasonable fees, internal charges and out-of-pocket expenses of counsel (including in-house counsel) for the Administrative Agent and the Lead Arranger with respect thereto and with respect to advising the Administrative Agent and the Lead Arranger as to their respective rights and responsibilities under this Agreement. The Borrower further severally agrees to pay on demand all costs and expenses, if any (including counsel fees and expenses of outside counsel and of internal counsel), incurred by the Agent or any Lender in connection with the collection and enforcement (whether through negotiations, legal proceedings or otherwise) of the Borrower's obligations this Agreement, the Notes and the other documents to be delivered by the Borrower hereunder, including reasonable counsel fees and expenses in connection with the enforcement of rights under this Section 8.04(a).

(b) If any payment of principal of, or any conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment or conversion pursuant to Section 2.09 or 2.12 or acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amount required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or conversion, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(c) The Borrower hereby severally agrees to indemnify and hold each Lender and the Administrative Agent and each of their respective Affiliates, officers, directors and employees (each, an "Indemnified Person") harmless from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorney's fees and expenses, whether or not such Indemnified Person is named as a party to any proceeding or is otherwise subjected to judicial or legal process arising from any such proceeding) that any of them may pay or incur arising out of or relating to this Agreement, the Notes or the transactions contemplated thereby, or the use by the Borrower or any of its Subsidiaries of the proceeds of any Advance to the Borrower; provided that the Borrower shall not be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from such Indemnified Person's gross negligence or willful misconduct. The Borrower's obligations under this Section 8.04(c) shall survive the repayment of all amounts owing by the Borrower to the Lenders and the

Administrative Agent under this Agreement and the Notes issued by the Borrower and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 8.04(c) are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 8.05 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Notes issued by the Borrower due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and any Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 8.05 are in addition to other rights and remedies (including other rights of set-off) that such Lender may have.

SECTION 8.06 Binding Effect. This Agreement shall become effective when counterparts hereof shall have been executed by the Borrower and the Administrative Agent and the Administrative Agent shall have been notified by each Lender that such Lender has executed a counterpart hereof and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Lender and their respective successors and assigns, provided that (except as permitted by Section 5.02(b)(iii)) the Borrower shall not have the right to assign rights hereunder or any interest herein without the prior written consent of all Lenders.

SECTION 8.07 Assignments and Participations. (a) Each Lender may, with the prior written consent of the Borrower and the Administrative Agent (which consents shall not be unreasonably withheld or delayed), and if demanded by the Borrower pursuant to Section 8.07(g) shall to the extent required by such Section, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it and any Note held by it); provided that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the portion of the Commitment Amount of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the applicable Assignment and Acceptance) shall in no event be less than $10,000,000 or, if less, the entire amount of such Lender's Commitment, and shall be an integral multiple of $1,000,000 or such Lender's entire Commitment, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note subject to such assignment and a processing and recordation fee of $4,000 (which shall be payable by one or more of the parties to the Assignment and Acceptance, and not by the Borrower, and shall not be payable if the assignee is a Federal Reserve Bank), and (v) the consent of the Borrower shall not be required after the occurrence and during the continuance of

any Event of Default. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (although an assigning Lender shall continue to be entitled to indemnification pursuant to Section 8.04(c)). Notwithstanding anything contained in this Section 8.07(a) to the contrary, (A) the consent of the Borrower and the Administrative Agent shall not be required with respect to any assignment by any Lender to an Affiliate of such Lender or to another Lender and (B) any Lender may at any time, without the consent of the Borrower or the Administrative Agent, and without any requirement to have an Assignment and Acceptance executed, assign all or any part of its rights under this Agreement and any Note to a Federal Reserve Bank, provided that no such assignment shall release the transferor Lender from any of its obligations hereunder.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statement, warranty or representation made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment Amount of, and principal amount of the Advances owing by the Borrower to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Lenders

may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Note subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note issued by the Borrower, a new Note to the order of the applicable assignee in an amount equal to the Commitment Amount assumed by such assignee pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Note to the order of the assigning Lender in an amount equal to the Commitment Amount of such assigning Lender after giving effect to such assignment. Each such new Note or Notes shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A.

(e) Each Lender may sell participations to one or more banks or other entities (each, a "Participant") in or to all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it and any Note held by it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) such Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of this Agreement or any Note held by such Lender, other than any such amendment, modification or waiver with respect to any Advance or Commitment in which such Participant has an interest that forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Advance or Commitment, postpones any date fixed for any regularly scheduled payment of principal of, or interest or fees on, any such Advance or Commitment, extends any Commitment, releases any guarantor of any such Advance or releases any substantial portion of collateral, if any, securing any such Advance.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant, or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Lender (subject to customary exceptions regarding regulatory requirements, compliance with legal process and other requirements of law).

(g) If (i) any Lender shall make demand for payment under Section 2.11(a), 2.11(b) or 2.14 or (ii) shall deliver any notice to the Administrative Agent pursuant to Section 2.12 resulting in the suspension of certain obligations of such Lender with respect to Eurodollar Rate Advances, then (in the case of clause (i)) within 60 days after such demand (if, but only if, such payment demanded under Section 2.11(a), 2.11(b) or 2.14 has been made by the Borrower), or (in the case of clause (ii)) within 60 days after such notice (if such suspension is still in effect), as the case may be, the Borrower may demand that such Lender assign in accordance with this Section 8.07 to one or more Eligible Assignees designated by the Borrower and reasonably acceptable to the Administrative Agent all (but not less than all) of such Lender's Commitment and the Advances owing to it within the next succeeding 30 days. If any such Eligible Assignee designated by the Borrower shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrower shall fail to designate any such Eligible Assignee for all of such Lender's Commitment and Advances, then such Lender may (but shall not be required to) assign such Commitment and Advances to any other Eligible Assignee in accordance with this Section 8.07 during such period.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Advance and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In furtherance of the foregoing, each party hereto agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 8.07, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances to the Granting Bank or to any financial institutions (consented to by the Borrower and Administrative Agent, neither of which consents shall be unreasonably withheld or delayed) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Advances and (ii) disclose on a confidential basis any non-public information relating to its Advances to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 8.07(h) may not be amended in any manner which adversely affects a Granting Bank or an SPC without the written consent of such Granting Bank or SPC.

SECTION 8.08 Governing Law. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

SECTION 8.09 Consent to Jurisdiction; Certain Waivers. (a) THE BORROWER IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE COURTS OF THE COMMONWEALTH OF PENNSYLVANIA AND ANY UNITED STATES DISTRICT COURT SITTING IN THE COMMONWEALTH OF PENNSYLVANIA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH A COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(b) EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES.

SECTION 8.10 Execution in Counterparts; Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes all prior and contemporaneous agreements and understandings, oral or written, relating to the subject matter hereof (excluding any fee letter between the Borrower and the Lead Arranger or any Lender).

SECTION 8.11 Termination of Existing Agreement. The Borrower and the Lenders which are parties to the Existing Agreement (which Lenders constitute the "Majority Lenders" as defined in the Existing Agreement) and Bank One, as administrative agent under the Existing Agreement, agree that, concurrently with the making of the initial Advances hereunder, the commitments under the Existing Agreement shall terminate and be of no further force or effect (without regard to any requirement in Section 2.04 of the Existing Agreement for prior notice of termination of the commitments thereunder).

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

EXELON GENERATION COMPANY, LLC

By: _____

Name:
Title:

THE LENDERS

BANK ONE, NA (Main Office Chicago), as Administrative Agent and as a Lender

By: _____

Name: **Kenneth J. Bauer**
Title: **Authorized Agent**

JPMORGAN CHASE BANK, as Documentation Agent and as a Lender

By: _____

Name:
Title:

SCHEDULE I
LIST OF APPLICABLE LENDING OFFICES

Credit Agreement dated as of September 29, 2003, among Exelon Generation Company, LLC, as Borrower, various financial institutions, as Lenders, and Bank One, NA, as Administrative Agent.

Name of Lender	Domestic Lending Office	Eurodollar Lending Office
Bank One, NA	1 Bank One Plaza Mail Suite 0634, 1FNP-10 Chicago, IL 60670 Attn: Gwendolyn Watson Phone: (312) 732-4509 Fax: (312) 732-4840	Same
JPMorgan Chase Bank	270 Park Avenue New York, NY 10017 4th Floor Attn: Michael J. DeForge Phone: (212) 270-1656 Fax: (212) 270-1063	Same

SCHEDULE II
PRICING SCHEDULE

The “Applicable Margin,” the “Facility Fee Rate” and the “Utilization Fee Rate” for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Applicable Margin	Facility Fee Rate	Utilization Fee Rate
Level I	0.550%	0.100%	0.100%
Level II	0.625%	0.125%	0.125%
Level III	0.725%	0.150%	0.125%
Level IV	0.925%	0.200%	0.250%
Level V	1.000%	0.250%	0.500%

The Applicable Margin, the Facility Fee Rate and the Utilization Fee Rate shall be determined in accordance with the table above based on the applicable Status. The Status in effect on any date for the purposes of this Pricing Schedule is based on the Moody’s Rating and S&P Rating in effect at the close of business on such date.

For the purposes of the foregoing (but subject to the final paragraph of this Pricing Schedule):

“Level I Status” exists at any date if, on such date, the Moody’s Rating is A3 or better or the S&P Rating is A- or better.

“Level II Status” exists at any date if, on such date, (i) Level I Status does not exist and (ii) the Moody’s Rating is Baa1 or better or the S&P Rating is BBB+ or better.

“Level III Status” exists at any date if, on such date, (i) neither Level I Status nor Level II Status exists and (ii) the Moody’s Rating is Baa2 or better or the S&P Rating is BBB or better.

“Level IV Status” exists at any date if, on such date, (i) none of Level I Status, Level II Status or Level III Status exists and (ii) the Moody’s Rating is Baa3 or better or the S&P Rating is BBB- or better.

“Level V Status” exists at any date if, on such date, none of Level I Status, Level II Status, Level III Status or Level IV Status exists.

“Status” means Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

If the S&P Rating and the Moody’s Rating create a split-rated situation and the ratings differential is one level, the higher rating will apply. If the differential is two levels or more, the intermediate rating at the midpoint will apply. If there is no midpoint, the higher of the two intermediate ratings will apply. If the Borrower has no Moody’s Rating or no S&P Rating, Level V Status shall exist.

SCHEDULE III
COMMITMENTS

Name of Lender	Commitment Amount
Bank One, NA	$566,666,667
JPMorgan Chase Bank	$283,333,333
TOTAL	**$850,000,000**

EXHIBIT A

FORM OF NOTE

Dated: [ ], 2003

FOR VALUE RECEIVED, the undersigned, EXELON GENERATION COMPANY, LLC, a Pennsylvania limited liability company (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender"), for the account of its Applicable Lending Office (such term and other capitalized terms herein being used as defined in the Credit Agreement referred to below) on the Final Termination Date, the aggregate principal amount of all outstanding Advances made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower further promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Bank One, NA, as Administrative Agent, at 1 Bank One Plaza, Chicago, Illinois 60670, in immediately available funds. Each Advance made by the Lender to the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, at the Lender's option, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement dated as of September 29, 2003 among the Borrower, various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Lender's Commitment Amount and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

THIS PROMISSORY NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA

EXELON GENERATION COMPANY, LLC

By _____

Name:
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Principal Paid or Prepaid	Amount of Unpaid Principal Balance	Notation Made By

EXHIBIT B

FORM OF NOTICE OF BORROWING

[Date]

Bank One, NA, as Administrative Agent
for the Lenders parties to the Credit Agreement referred to below
1 Bank One Plaza
Chicago, Illinois 60670

Attention: Utilities Department
North American Finance Group

Ladies and Gentlemen:

The undersigned, Exelon Generation Company, LLC, refers to the Credit Agreement, dated as of September 29, 2003, among Exelon Generation Company, LLC, various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), and hereby gives you notice, irrevocably, pursuant to Section 2.02(a) of the Credit Agreement that the undersigned requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20__.

(ii) The Type of Advances to be made in connection with the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Borrowing is $_____.

(iv) The Interest Period for each Advance made as part of the Proposed Borrowing is [____ month[s]].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties of the undersigned contained in Section 4.01 of the Credit Agreement are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes an Event of Default or Unmatured Event of Default.

Very truly yours,

EXELON GENERATION COMPANY, LLC

By _____

Name:
Title:

EXHIBIT C

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____, 20__

Reference is made to the Credit Agreement dated as of September 29, 2003 among Exelon Generation Company, LLC (the "Borrower"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the Pro Rata Share specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement, including, without limitation, a corresponding interest in the Assignor's Commitment, the Advances owing to the Assignor and the Notes held by the Assignor. After giving effect to such sale and assignment, the Assignee's Commitment Amount will be as set forth in Section 2 of Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statement, warranty or representation made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Lead Arranger, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the

terms of the Credit Agreement are required to be performed by it as a Lender; (vi) confirms that none of the consideration used to make the purchase being made by the Assignee hereunder are "plan assets" as defined under ERISA; and the rights and interests of the Assignee in and under the Credit Agreement will not be "plan assets" under ERISA; [and] (vii) specifies as its Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof [;and (viii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying that it is exempt from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement and the Notes].[1]

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent for acceptance by the Borrower (if required) and the Administrative Agent and recording by the Administrative Agent. The effective date of this Assignment and Acceptance shall be the date of recording thereof by the Administrative Agent, unless otherwise specified on Schedule 1 hereto (the "Effective Date").

5. Upon such recording by the Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves.

7. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.

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[1] If the Assignee is organized under the laws of a jurisdiction outside the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF ASSIGNOR]

By _____

Name:
Title:

[NAME OF ASSIGNEE]

By _____

Name:
Title:

Domestic Lending Office (and address for notices):
[Address]

Eurodollar Lending Office:
[Address]

[Consented to this _____ day
of _____, 20__]

EXELON GENERATION COMPANY, LLC

By _____

Name:
Title:

Consented to and Accepted this _____ day
of _____, 20__

BANK ONE, NA, as Administrative Agent

By _____

Name:
Title:

Schedule 1

to

Assignment and Acceptance

Dated _____, 20__

Section 1.

Pro Rata Share: _____%

Section 2.

Assignee's Commitment Amount after giving effect hereto: $ _____

Section 3.

Effective Date[2]: _____, 20__

[2] This date should be no earlier than the date of recording by the Administrative Agent.

EXHIBIT D

FORM OF OPINION OF BALLARD SPAHR ANDREWS & INGERSOLL

September 29, 2003

To each of the Agents and the Lenders which is a party to the Credit Agreement, dated as of September 29, 2003, among Exelon Generation Company, LLC, as Borrower, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent

Re: Credit Agreement

Ladies and Gentlemen:

This opinion letter is furnished to you pursuant to Section 3.01 of the Credit Agreement, dated as of September 29, 2003 (the "Agreement"), among Exelon Generation Company, LLC (the "Borrower"), as Borrower, the various financial institutions named therein, as Lenders and Bank One, NA, as Administrative Agent. Unless otherwise specified, terms defined in the Agreement are used herein as therein defined.

We have acted as special counsel for the Borrower in connection with the preparation, execution and delivery of the Agreement. In that capacity, we have examined the following:

(i) The Agreement and the Notes;

(ii) The documents furnished by the Borrower pursuant to Section 3.01 of the Agreement;

(iii) The Operating Agreement of the Borrower and all amendments thereto (the "Operating Agreement"); and

(iv) A certificate of the Secretary of State of the Commonwealth of Pennsylvania, dated September 23, 2003, attesting to the continued subsistence of the Borrower in Pennsylvania on such dates (the "State Certificate"); and

(v) A certificate executed by the Secretary of the Borrower certifying that, among other things, the Borrower has not filed any Certificate of Merger or Consolidation or a Certificate of Dissolution since September 23, 2003 (the "Secretary's Certificate" and, together with the Operating Agreement and the State Certificate, the "Corporate Documents").

We have also examined the originals, or copies certified to our satisfaction, of such other corporate or organizational records of the Borrower, certificates of public officials and of officers of the Borrower, and such other agreements, instruments and documents as we have deemed necessary as a basis for the opinions hereinafter expressed. We have assumed the legal capacity and competence of natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted to us as certified, conformed or photostatic copies. We have assumed that the Administrative Agent and the Lenders have duly executed and delivered, with all necessary power and authority (corporate and otherwise), the Agreement.

When an opinion or confirmation is given to our knowledge or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the lawyer in this firm who is the current primary contact for the Borrower and the individual lawyers in this firm who have participated in the specific transaction to which this opinion letter relates and without any special or additional investigation undertaken for the purposes of this opinion letter, except as otherwise noted herein. Based upon the foregoing and subject to the exceptions, limitations and qualifications set forth herein, we are of the following opinion:

1. In reliance on the Corporate Documents, the Borrower is a limited liability company duly formed and validly subsisting under the laws of the Commonwealth of Pennsylvania.

2. The execution, delivery and performance by the Borrower of the Agreement and the Notes (a) are within the Borrower's limited liability company powers, (b) have been duly authorized by all necessary limited liability company action of the Borrower, (c) do not contravene (i) the Operating Agreement, of the Borrower, (ii) any law of the United States or the Commonwealth of Pennsylvania or (iii) to our knowledge, any agreement or instrument to which the Borrower is a party or by which the Borrower is bound and (d) to our knowledge, do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of the Borrower's properties under such agreements or instruments.

3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body of the United States or the Commonwealth of Pennsylvania is required for the due execution, delivery and performance by the Borrower of the Agreement or the Notes, except for the authorization of the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, which authorization has been received and is in full force and effect.

4. The Agreement and the Notes have been duly executed and delivered by the Borrower, and the Agreement and the Notes are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

5. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

We confirm to you that, to our knowledge, after inquiry of each lawyer in this firm who is the current primary contact for the Borrower or who has devoted substantive attention to matters on behalf of the Borrower during the preceding twelve months and who is still currently employed by or a member of this firm, except as disclosed in Exelon Corporation's ("Exelon") Annual Report on Form 10-K for the year ended December 31, 2002 or Exelon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, no litigation or governmental proceeding is pending or threatened in writing against the Borrower (i) with respect to the Agreement or the Notes, or (ii) which is likely to have a Material Adverse Effect.

We draw to your attention the existence of the following two Pennsylvania statutes in connection with the fact that the Advances bear floating rates of interest:

(i) Section 911 of the Pennsylvania "Crime Code," 18 Pa. C.S.A. §911, enacted by the Act of December 6, 1972, P.L. 1482. Section 911 of the Crime Code bears a close resemblance to certain of the provisions of the Federal Racketeer Influenced and Corrupt Organizations Act of 1970, 18 U.S.C. §§1961-1968, commonly known as RICO, and is referred to hereinafter as the "Pennsylvania RICO Act." The Pennsylvania RICO Act provides, among other things, that it is a criminal offense, punishable as a felony, to "use or invest, directly or indirectly ... in the acquisition of any interest in, or the establishment or operation of, any enterprise" any income collected in full or partial satisfaction of a loan made "at a rate of interest exceeding 25% per annum ... ."

(ii) The Act of December 29, 1982, P.L. 1671, 18 Pa. C.S.A. §4806.1 et seq. (superseded volume) (the "Criminal Usury Statute"). The Criminal Usury Statute provides, among other things, that it is a criminal offense, punishable as a felony, to engage in, "charging, taking or receiving any money ... on the loan ... of any money ... at a rate exceeding thirty-six percent per annum... ."

(iii) The Criminal Usury Statute may have been repealed, but the manner in which the repeal was enacted leaves the matter subject to uncertainty.

Both the Pennsylvania RICO Act and the Criminal Usury Statute appear to be intended by the legislature to apply only to racketeering and loan sharking type activities, and not to the type of commercial loan transaction evidenced by the Agreement. Nevertheless, in view of the plain language of the Pennsylvania courts, we cannot say that the ultimate resolution of this issue is free from doubt.

The foregoing opinions are subject to the following exceptions, limitations and qualifications:

(a) Our opinions are subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer or similar laws affecting creditors' rights and remedies generally, general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law); and limitations on

enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy.

(b) We express no opinion as to the application or requirements of the Pennsylvania Securities Act or federal or state securities, patent, trademark, copyright, antitrust and unfair competition, pension or employee benefit, labor, environmental health and safety or tax laws in respect of the transactions contemplated by or referred to in the Agreement.

(c) We express no opinion as to the validity or enforceability of any provision of the Agreement or the Notes which (i) permits the Lenders to increase the rate of interest in the event of delinquency or default if such increase would be deemed a penalty under applicable law; (ii) purports to be a waiver by the Borrower of any right or benefit except to the extent permitted by applicable law; (iii) purports to require that waivers must be in writing to the extent that an oral agreement or implied agreement by trade practice or course of conduct modifying provisions of the Agreement or the Notes has been made; (iv) purports to exculpate any party from its own negligent acts; or (v) purports to authorize any Participant to set off and apply any deposits at any time held, and any other indebtedness at any time owing, by such Participant to or for the account of the Borrower.

We express no opinion as to the law of any jurisdiction other than the law of the Commonwealth of Pennsylvania and the federal law of the United States.

The foregoing opinions are solely for your benefit in connection with the consummation of the transaction described herein and may not be used or relied upon by you for any other purpose or by any other Person for any purpose without our express written consent (except that any Eligible Assignee that may become a Lender under the Agreement after the date hereof may rely on this opinion letter as if it were an addressee hereof). The opinions given herein are as of the date hereof, and we assume no obligation to update or supplement this opinion letter to reflect facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Very truly yours,

BALLARD SPAHR ANDREWS & INGERSOLL

EXHIBIT E

FORM OF ANNUAL AND QUARTERLY COMPLIANCE CERTIFICATE

_____, 20__

Pursuant to the Credit Agreement, dated as of September 29, 2003, among Exelon Generation Company, LLC (the "Borrower"), various financial institutions and Bank One, NA, as Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement"), the undersigned hereby certifies as follows:

1. Delivered herewith are the financial statements prepared pursuant to Section 5.01(b)[(ii)/(iii)] of the Credit Agreement for the fiscal _____ ended _____, 20__. All such financial statements comply with the applicable requirements of the Credit Agreement.

2. Schedule I hereto sets forth in reasonable detail the information and calculations necessary to establish the Borrower's compliance with the provisions of Section 5.02(c) of the Credit Agreement as of the end of the fiscal period referred to in paragraph 1 above.

3. (Check one and only one:)

__ No Event of Default or Unmatured Event of Default has occurred and is continuing.

__ An Event of Default or Unmatured Event of Default has occurred and is continuing, and the document(s) attached hereto as Schedule II specify in detail the nature and period of existence of such Event of Default or Unmatured Event of Default as well as any and all actions with respect thereto taken or contemplated to be taken by the Borrower.

4. The undersigned has personally reviewed the Credit Agreement, and this certificate was based on an examination made by or under the supervision of the undersigned sufficient to assure that this certificate is accurate.

5. Capitalized terms used in this certificate and not otherwise defined shall have the meanings given in the Credit Agreement.

EXELON GENERATION COMPANY, LLC

By _____

Name: _____

Title: _____

Date: _____

Exhibit 14
[EXELON GRAPHIC]

Boldness

Creativity

Accountability

Commitment

Code of Business Conduct

Achieving Our Values with Integrity

Our Values

Boldness: We will surprise competitors with our imagination and execution, and customers with our commitment and service.

Creativity: We will develop new solutions to customers' needs across an ever-growing range of market opportunities.

Accountability: We will make and meet far-reaching commitments to customers, shareholders, employees and the society we serve.

Commitment: We will develop our business and operate our facilities with the utmost dedication to the safety of our employees and neighbors, and to the continuing enhancement of our environment and diverse society.

Code of Business Conduct
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Letter from the Chairman

Dear Fellow Employees and Members of the Board of Directors:

Our vision is to strive to build exceptional value by becoming the best and most consistently profitable electricity and gas company in the United States. To be truly successful in achieving this vision, we must earn and maintain the trust of our customers, shareholders, fellow employees, government officials, competitors and the communities we serve. This can be accomplished by living up to our commitments, applying our corporate values of Boldness, Creativity, Accountability and Commitment, and most importantly, by conducting our business with the utmost integrity and regard for ethical standards.

Poor ethics can be devastating to businesses and can have severe consequences for employees and shareholders. Never has it been more clear that we must conduct our business ethically and according to legal and regulatory requirements. We count on all of our employees to conduct themselves according to the highest standards of ethical conduct.

The Exelon *Code of Business Conduct* is the "roadmap" for all of us on how to conduct our business both legally and ethically. Please review the *Code* carefully. If you have any questions about the *Code* or any items not addressed, please contact the Ethics & Compliance Office at 1-800-23-ETHIC or contact your supervisor or manager.

Thank you for working with us to create a company that will be not only successful, but admired as well.

Sincerely,

John W. Rowe
Chairman and Chief Executive Officer

The Role of the Code of Business Conduct

The *Code of Business Conduct* represents the fundamental principle Exelon expects its employees and directors to follow: that we at all times behave ethically, honestly and forthrightly while living up to our commitments to co-workers, customers, shareholders, government authorities, and the communities where we do business.

The *Code of Business Conduct* does not cover every situation we may possibly encounter. It is not a substitute for good judgment nor a restraint on personal initiative. It is a guide designed to alert Exelon employees, directors, suppliers and contractors to major legal and ethical issues that frequently arise. Business units may also publish standards and policies that are more restrictive.

Exelon requires that every employee and director make a personal commitment to the observance of the highest ethical standards. By honoring this commitment, we can be sure that integrity, honesty and trust will be a way of life at Exelon.

About the Ethics & Compliance Office

One of the ways Exelon supports ethical business practices is through the Ethics & Compliance Office. The office reports to the Corporate Secretary in the Office of the Corporate General Counsel. The Corporate General Counsel serves as Exelon's Ethics & Compliance Officer. An Ethics & Compliance Committee made up of Senior Managers from the various business units of Exelon offers guidance and direction to the Ethics & Compliance Office. Committee representatives will provide organizational support for the program in their respective business units.

The Office is a resource for any employee or supplier of Exelon who has a question or concern about ethical business activities. The Office may be reached by phone, e-mail, regular mail, or in person. All issues raised will be treated confidentially to the fullest extent possible. Reports to the Ethics & Compliance Office will be handled promptly, thoroughly, fairly, and discreetly.

The Ethics & Compliance Office may be contacted anonymously by calling 1-800-23-ETHIC. No attempt is made to identify the caller. Caller ID is not used on this phone. Anonymous callers who wish to follow up on their call will be assigned a confidential case number. Anonymous callers will be advised if additional information is required before an effective investigation can take place.

Where to Get Assistance

An employee who has ethical questions or concerns may seek assistance in one of three different ways:

- by contacting the employee's supervisor, who in turn may seek assistance from other departments of Exelon with experience in the area raised by the employee's question or concern (such as Human Resources, Law Department, Security, Employee Concerns Program for Nuclear Employees, Employee Assistance Program, Safety, etc.)

- by contacting the appropriate department directly
- by contacting the Ethics Office Resource Line at 1-800-23-ETHIC (1-800-233-8442)

[GRAPHIC]

Regardless of the method used, the person or office contacted will confidentially gather all relevant information and provide guidance to the employee to resolve the employee's concern or assist the employee in making a more informed decision.

Ethical Decision Making

One of the major goals of the *Code of Business Conduct* is to help all of us make ethical business decisions. The policies and procedures contained in the Code establish guidelines for conduct in some general areas that pose ethical or legal concerns. But this document would have to be hundreds of pages long if it were to cover all the areas that we may encounter.

Therefore, employees may find it helpful to ask the following questions before taking action in specific situations:

- Is it legal and ethical?
- Would it compromise my integrity or the company's?
- Does it conform to Exelon's company policy?
- How would my actions appear to my supervisors, peers, subordinates, friends, or the public if reported in the news media?
- Does it make me feel uncomfortable?

Ultimately, employees are personally responsible for their decisions and should discuss ethical concerns, issues and questions with their supervisor, manager, Human Resources or the Ethics Office Resource Line at 1-800-23-ETHIC.

The Law

Introduction

We will obey all laws and regulations that apply to us. We will never pressure another employee to break a law or regulation, or use other employees, contractors, suppliers, or agents to circumvent the law or the *Code of Business Conduct*. Exelon will not knowingly use suppliers who operate in violation of applicable laws or regulations, including environmental, safety and employment laws.

Antitrust and Unfair Competition

As our competitive environment changes, it is important to review the antitrust and other laws that encourage fair competition among businesses. These laws prohibit a wide range of transactions and activities. Violations of these laws can subject the individuals involved, as well as the company, to huge fines and damages. To guarantee fair competition, we must not:

- Agree with a competitor to fix or control prices, allocate markets, divide up customers, or otherwise restrict competition;
- Directly or indirectly discuss matters involved in competition with a competitor;
- Arbitrarily refuse to deal with or purchase from others simply because they are competitors or they have chosen a competitor's products or services;
- Imply that our suppliers or customers are required to purchase products or services from us;
- Make anyone buy a product or service they do not want in order to get a different product or service;
- Boycott certain customers or suppliers;
- Interfere with contracts between a prospective customer and a supplier competing with Exelon;
- Engage in industrial espionage or commercial bribery;
- Disparage competitors or their products or services;
- Engage in misleading advertising or other promotional activities;
- Give potential or existing customers or suppliers' employees gratuities in order to improperly influence their decisions about doing business with Exelon;
- Use our size or historical position to intimidate any person or organization.

Employees who interact with competitors, and anyone who has a question about antitrust implications of a situation, should consult with the Law Department or the Ethics & Compliance Office.

Copyrights and Trademarks

Exelon, ComEd, PECO, and our other brand names, logos, and trademarks are very important assets. To protect these assets, they must be used consistently and solely for purposes of advancing Exelon's interests. For Corporate Identity Standards, refer to the *Brand Management and Corporate Identity* Corporate Procedure.

Other companies and individuals also own valuable trademark and copyright assets. Employees are prohibited from making, acquiring or using unauthorized copies of any computer software for either Exelon use or personal use. Also, unauthorized copying of tapes, books, magazines, periodicals and other legally protected work is a misuse of assets and a potential financial and legal liability for our company. Additional copies of needed materials should be obtained by purchasing them through the appropriate channels. Check with the Law Department or the Ethics & Compliance Office if you have any questions on copyright laws.

Employment

Fair Treatment

It is Exelon Policy to provide fair treatment and equal employment opportunity for everyone. Each individual will be judged based on qualifications, demonstrated skills and achievements, without regard to race, color, gender, national origin, age, religion, disability, sexual orientation, marital status or other protected classifications.

Harassment

We all have the right to work in an environment that is free from harassment or intimidation. Verbal or physical conduct by any employee that harasses or disrupts another's work performance or creates an intimidating, offensive, abusive, or hostile work environment will not be tolerated. Unwelcome sexual advances, requests for sexual favors, and other unwelcome verbal or physical conduct of a sexual nature are specifically prohibited.

We have the responsibility to speak up when a co-worker's conduct makes us or others uncomfortable, and to promptly report harassment, when it occurs, to the Supervisor, Department Head, HR representative, or the Ethics & Compliance Office. Any employee who reports harassment is assured that a prompt investigation will be conducted. Appropriate corrective action will be taken if the investigation reveals that there is merit to the concern.

Safety and Health

Safety is fundamental in everything that we do and it will not be compromised. Exelon is committed to managing its business to promote the safety of its employees, customers and the general public from hazards associated with the services Exelon provides. Each of us is responsible for observing the safety and health rules and practices that apply to our jobs, and for taking precautions necessary to protect ourselves, our co-workers, and the public. Accidents, injuries, hazards and unsafe activities or conditions must be promptly reported. Appropriate and timely action will be taken to correct known unsafe conditions.

Workplace Violence and Weapons

Any activity that threatens the safety of the workplace or any individual is prohibited. This includes incidents of violence against other employees or the company, stalking cases or any other type of behavior which endangers, or threatens to endanger, the safety of Exelon employees or its customers. As part of our commitment to a safe environment, we also prohibit the possession of unauthorized weapons (including incapacitating devices), explosives or other dangerous substances on the job, on company premises (including parking lots), in company vehicles, or while attending company-sponsored activities.

Drugs and Alcohol

The health and safety of employees, customers and the public demands that each of us report to work free from the influence of any substance, including alcohol, that could prevent us from conducting work activities safely and effectively. Employees who for medical reasons are using prescription or non-prescription drugs that may impair alertness or judgment, and therefore jeopardize their safety and that of their co-workers, should inform their supervisor. To conform with federal regulations, some business units may require more stringent reporting requirements.

As explained in detail in our *Drug and Alcohol Policy*, we require a drug-free workplace to support health and safety for all. Using, possessing, distributing, or being under the influence of illegal or illicit drugs while on duty, on company premises (including parking lots), or in company vehicles is prohibited. Employees with problems related to alcohol or drugs are encouraged to seek confidential assistance from the Employee Assistance Program or other qualified professionals.

Environment

We must continue to demonstrate respect for public health and the environment while providing safe, reliable and economical service to our customers. It is our policy to meet-or surpass, where practical, all environmental laws and regulations.

We strive for leadership in the cost-effective recycling of materials and the reduction of waste. We will work in partnership with the community to preserve, restore and enhance natural habitats. We promote a corporate culture where competitive initiatives are consistent with environmental responsibility.

Governmental Relations

We cooperate fully with, and promptly respond to, all reasonable requests from governmental agencies and authorities. All information provided to the government must be truthful and accurate. Never mislead any investigator, and never destroy, falsify, or alter documents or records relating to the subject of any potential or pending governmental inquiry or investigation (refer to the *Document Management Retention & Disposition* Corporate Procedure). Never attempt to prevent any other employee or person from providing accurate information to any government official or agency.

We should consider that Exelon is entitled to all of the safeguards provided by law to a person being investigated, including representation by legal counsel from the very beginning of the investigation. In order to ensure that all appropriate information is communicated to the governmental authorities and that the rights of Exelon are protected, any employee who receives a request for information from a government authority about Exelon's business, or who obtains information that suggests a government investigation or inquiry has commenced, or is about to commence, should promptly report that fact to the Legal Department before responding to any non-routine request.

Also, representatives from local, state and federal government face very stringent regulations on gifts, favors, meals and entertainment. Often even a simple gesture like buying a cup of coffee for a government official may be a violation of the law. Various federal, state and local government agencies, have their own rules. Therefore, before providing anything of value to a government official, check with Government Affairs, External Affairs, or the Law Department.

Government Business

We must only use legitimate means to obtain business. In dealing with the government, we are prohibited from seeking or receiving unauthorized information related to potential government business. This would include, but is not limited to, proprietary data, competitors' pricing information for government contacts, and non-public documents relating to government purchasing. We are also prohibited from offering, giving, receiving, or soliciting any form of bribe, rebate, gratuity, honorarium, or kickback in order to get government business. Consult with the department manager for proper direction.

"Insider Information" and Securities Trading

The securities laws impose restrictions on stock transactions. Trading securities or providing material inside information to others is illegal. Information is material if it has the potential to affect the price of Exelon stock or the securities of another company after it is disclosed. Such information includes, for example, news about financial results, plans to issue or buy back securities, dividend declarations, significant new contracts, major management or operational changes, mergers, acquisitions, new services or inventions, or major litigation.

Information should be treated as "inside" if it hasn't been disclosed to the general investing public. In order to avoid the appearance that any Exelon employee is trading on inside information, no employee should engage in "short sales," or trade in market options such as puts or calls on Exelon securities. Refer to the *Buying and Selling Exelon Securities* Corporate Procedure. Employees with questions should consult with the Corporate Secretary or the Ethics & Compliance Office.

International Trade

U.S. laws govern the conduct of international trade including Anti-boycott, US Embargoes, and Export Control laws. Also, the Foreign Corrupt Practices Act prohibits bribes, offers, or promises of payments to any foreign official or political party, or to any foreign candidate, for the purpose of obtaining or retaining business. Any employee involved with international trade should consult with the Law Department for details of laws and regulations that affect them.

Regulatory Rules of Conduct

The restructuring of our industry has necessitated a new approach to the way the different parts of our business communicate and interact with one another. Both Illinois and Pennsylvania have created rules addressing the interactions between the electric distribution companies ("EDCs") and their affiliated retail electric generation suppliers. In addition, Illinois has developed rules governing the interaction between the distribution function of the EDC and its internal retail merchant function. These rules are designed to ensure the utility does not provide to its affiliated retail electric supplier or, as applicable, its retail merchant function, preferential treatment that could result in an unfair competitive advantage in the new retail electric supply market. Pennsylvania also has competitive safeguards covering the generation company's ("Genco") relationship with its affiliated EDC and retail electric supplier.

ComEd is subject to Affiliate Non-Discrimination Rules established by the Illinois Commerce Commission ("ICC") in 1998. These rules require that, in certain respects, ComEd function independently of its affiliated alternative retail electric supplier ("ARES"). Additionally, ComEd committed to the ICC that it would treat all its affiliates as an affiliated ARES for purposes of these rules. The ICC's Affiliate Non-Discrimination Rules address the utility/affiliate relationship in the areas of marketing and advertising, employee sharing and interaction, information exchanges, and cross-subsidization.

Likewise, ComEd is subject to a Code of Conduct that addresses the relationship between the utility's distribution and retail merchant functions. Like the Affiliate Non-Discrimination Rules, the Code of Conduct also addresses marketing, employee sharing and interaction, information exchanges, and cross-subsidization with the objective of insuring that ComEd's internal retail merchant function does not receive an unfair competitive advantage.

PECO EDC is subject to statewide Competitive Safeguards that prohibit an EDC from providing its affiliated Electric Generation Supplier ("EGS") any advantage in sharing customer or distribution system information or in providing regulated services and require that the EDCs and affiliated EGSs function independently.

PECO EDC, PECO EGS and the affiliated Genco are subject as well to Genco Competitive Safeguards established pursuant to PECO Energy's 1998 Restructuring Settlement. These safeguards prohibit Genco from providing PECO EDC or PECO EGS any unreasonable preference over, or noncomparable treatment to, a non-affiliated EGS in the purchase, sale, use or transfer of generation and transmission products, services, or assets.

Additionally, the Federal Energy Regulatory Commission (FERC) has rules that regulate the sharing of information between a company's transmission system functions and its wholesale merchant functions and energy affiliates. Refer to the *Implementation of FERC Standards of Conduct* Corporate Procedure.

As a multi-state holding company, Exelon is also subject to the Public Utility Holding Company Act (PUHCA) administered by the Securities and Exchange Commission (SEC). PUHCA regulates intercompany transactions within the Exelon system, governs the amount of financing Exelon can do, and restricts the type of amount of business in which Exelon can invest.

Every employee must comply with all statutes, regulatory rules, and accounting standards that govern these regulatory relationships. For guidance about a particular situation, check the regulatory codes of conduct for *Pennsylvania, Illinois or FERC.* Because these rules are complex, you should also consult with your supervisor or manager, the Law Department, or the Ethics & Compliance Office.

Accountability

Each of us is accountable for following the law, complying with Exelon and business unit policies and procedures, and striving to live up to our own values as well as those of Exelon. Committing an illegal or unethical act as an Exelon employee, agent, or contractor is never justifiable.

Our responsibility includes a duty to report any illegal or unethical conduct that we engage in or observe others engaging in to our supervisor, manager, senior management, Human Resources, or the Ethics & Compliance Office. Failure to promptly report such conduct could allow wrongdoing to continue, subjecting each of us and the company to greater harm. Federal regulations that apply to several of our business units make this both a legal and an ethical responsibility. We are also expected to cooperate in the investigation of any alleged violation. Violations of the Code of Business Conduct can result in disciplinary action, which may include a change of job location or responsibilities, suspension, termination or other action.

Business Units and Managerial Accountability

As with all employees, managers are expected to exemplify the highest standards of ethical business conduct. Additionally, managers have a responsibility to create a work environment in which all employees, consultants and contract workers know that behavior consistent with our standards is expected of them. In particular, managers are responsible for ensuring that employees are informed of and adhere to policies and procedures necessary to do their jobs. Therefore, each Business Unit, through its management and supervisors, is responsible for the following:

- Identifying the laws and regulations that affect the Business Unit
- Identifying the procedures that guide actions under the laws and regulations
- Effectively communicating standards and procedures through training programs and by disseminating information on requirements and expectations
- Assessing the potential for unethical or illegal conduct in its area of responsibility and taking action to mitigate or address it
- Enforcing the Code of Business Conduct
- Supporting a system for reporting concerns about ethics and unsafe conduct that protects employee confidentiality and anonymity to the fullest extent possible and ensures there is no retaliation against any employee for reporting a concern in good faith
- Monitoring and documenting compliance with the Corporate Compliance Program
- Consistently administering disciplinary action regarding ethical misconduct and violations of the Code of Business Conduct

Community Relations

We are committed to being a good neighbor and we support and encourage employee involvement in community activities and professional organizations. Exelon is also proud to provide financial support to hundreds of charitable and civic organizations in the communities where our employees live and work. However, we must ensure that all contributions of money, property and services are properly authorized and comply with all company policies and procedures and legal and regulatory requirements. We may not bring pressure on others to contribute to charitable organizations. Nor may we use company resources to solicit support for charitable causes without the prior approval of senior management.

We should be proud to work for a company that truly improves the quality of life of our customers. Imagine what life would be like without dependable energy. We would have darkened homes, shuttered businesses, unsafe streets and unreliable hospitals. We must continue to take seriously our commitment to dependable service.

Our customers and communities also depend on us to generate and distribute electricity, gas, and our other products and services safely. Our plants are in our neighborhoods, our lines run through our backyards. We must zealously protect the safety of our customers and communities by complying with all applicable company and government safety policies and regulations.

Safety is the primary responsibility of every Exelon employee. Any threat to public safety must be immediately reported to appropriate management or responsible authority.

Company Assets

We are entrusted with many company assets; physical assets like buildings, equipment and supplies; financial assets including cash and bank accounts; human assets, such as employees under our supervision; and information assets such as proprietary information and corporate records. Each of us has a special responsibility to protect all Exelon assets from loss, damage, misuse, theft, fraud, or embezzlement. No one should use company assets, property, information, or their position for personal gain or without appropriate authority.

Company resources should be used only to conduct company business. Limited and occasional personal use of company equipment, including computers, may be allowed provided it does not interfere with normal work responsibilities or expose Exelon to potential liabilities. Prior approval by the employee’s supervisor may be necessary for some uses. E-mail and the Internet must be used responsibly and in accordance with the *Acceptable Use* Corporate Procedure.

Regardless of condition or value, company property may not be sold, loaned, borrowed, given away, or otherwise disposed of, except with proper authorization.

Confidential Information

One of Exelon's most valuable assets is information. Our confidential information assets consist of information that is not generally disclosed to the public, and is helpful to Exelon, or would be to its competitors. It is also information that can be harmful to Exelon or its customers, if disclosed. Examples of confidential information include software, research and development information, marketing plans, business concepts and strategies, investment plans, new product plans or programs, wages and salaries, employee information, and detailed financial data. Each of us must be vigilant to protect our confidential information. These same protections also apply to similar information supplied to us by vendors and customers.

Safeguard trade secrets and confidential information by marking information accordingly, keeping it secure, and limiting access to those who need to know it in order to do their job. Avoid discussing confidential or competitive information in public areas like elevators, restaurants, public restrooms, and airplanes. The obligation to preserve Exelon's confidential information continues even after we no longer work for the company. Further details may be found in Corporate Procedures, *Protecting Exelon Information* and *Information Asset Protection*.

Computer Security

We depend on the continuous, efficient operation of our computer systems. Each one of us must safeguard integrity and confidentiality by protecting passwords, IDs and access to computer systems. Take precautions against intrusion by "viruses" from the Internet or unauthorized software. For more information, refer to the *Information Asset Protection* Corporate Procedure.

Facility Security

We have invested a great deal in the security of our facilities. Each of us needs to understand and follow all security procedures, and to immediately report any potential threats to the department head or the Security Department.

Competitive Information

While information about our competitors, customers and suppliers is a valuable asset, federal law and our high ethical standards require that we obtain this information legally. Theft of proprietary information and inducing disclosures by a competitor's past or present employees are prohibited.

Conflict of Interest

A conflict of interest exists whenever the personal interests of the employee or director are inconsistent with the responsibilities of his or her employment or position. Even the appearance of a conflict between personal interests and those of the company can undermine trust and therefore must be avoided or promptly disclosed to one's manager

and the Ethics & Compliance Office for guidance and resolution. Employees should make prior disclosures and seek guidance whenever there is a question concerning a conflict of interest, between the employee's personal interest and the interests of the company. Conflicts include any activity, interest or association that might compromise or even appear to compromise the independent exercise of an employee's judgment in the best interests of the company.

Personal Financial Interests

All employees and directors must avoid any activity, investment, interest or association which compromises, or which might reasonably be interpreted to compromise impartial and objective business decisions. Employees, directors, and members of their families, shall not knowingly have any material financial interest in:

- Any existing or proposed transaction to which the company is or is likely to become a party.
- Property which the company is acquiring or likely to acquire (Not applicable to property acquired under the company's Relocation Policy.)
- Corporations, partnerships or other entities which compete with the company (except for insignificant stock interest in publicly held companies).

A material financial interest is not subject to precise definition for all circumstances. In general, a financial interest is materials if it might compromise, or appear to compromise, the independent exercise of an employee's or director's judgment in the best interest of the company, its shareholders, and the public.

Exceptions to this policy may be granted only after disclosure to, and approval from, the functional area responsible officer and the Ethics & Compliance Officer.

Outside Employment or Activity

Employees may not engage in work or any activity that is in conflict with, or appears to conflict with the interest of Exelon or the employee's ability to perform his or her work for the company. This includes performing work or services for any person, corporation, supplier, partnership or other entity which does business or is likely to do business with the company. The solicitation or conduct of any outside business, work or activity for personal gain during working hours is prohibited. Using company time or resources for outside employment is never acceptable. Disclosure to, and approval from, the functional area responsible officer and the Ethics & Compliance Officer is required before engaging in work that may appear to be a conflict of interest.

Corporate Opportunities

An employee or director may not use company assets, or information learned as a result of his or her position with the company, if the use of those assets or that information would provide the employee or director a business opportunity which otherwise would not exist and in which the company may have an interest (such as the acquisition of a property right or an investment opportunity).

Outside Business Contacts

In the course of performing assigned duties, employees frequently have business contacts outside of the company with customers, suppliers, competitors, government agencies, and the news media. Employees should only perform services and answer questions which fall within the realm of their responsibilities. Employees may not offer or perform services for customers or suppliers which are routinely offered by the company.

Gifts and Gratuities

Employees, including members of their immediate families, may not directly or indirectly request, take, accept, or receive cash, bonuses, fees, commissions, gifts, gratuities, favors, loans, private or personal discounts from suppliers, excessive entertainment or any other similar form of consideration, of other than nominal or insignificant value, from any person, corporation, partnership or other entity with which the company does business, or is likely to do business.

Similarly, employees, or members of their immediate families, should never offer any gift, favor, entertainment or accommodation to a customer, supplier, contractor or anyone who has a business relationship with Exelon, if it will violate company policies or procedures or laws or regulations or obligate the recipient or violate the policy of the recipient’s organization.

We must avoid being placed in an embarrassing position, which might make it difficult to carry out our duties impartially. Therefore, adherence to this policy is essential in order that we all can maintain unquestioned integrity in our business relationships. If a gift or gratuity of more than nominal value is received, it should be returned with a polite note explaining Exelon’s policy, and the employee should notify their manager and the Ethics & Compliance Office.

Entertainment

Company policy does not preclude employees from providing or accepting meals and refreshments which are business related and are reasonable. Reimbursements must be properly reported in accordance with company procedures. Acceptance of such meals and amenities is contrary to policy when the employee has, or should have, any reason to believe that the offer was made with the intent to improperly influence the employee in the performance of his or her duties.

Entertainment through special events such as football games, golf outings, social dinner meetings and other social events, is not to be encouraged as a prerequisite for doing business with the company. However, such entertainment may be accepted or extended by employees when appropriate for business objectives and it is not excessive in value or frequency. Elaborate entertainment, such as overnight or weekend trips, must be avoided.

Some areas of the company, such as purchasing, internal audit, and legal, will implement stricter gift and entertainment standards. Other areas of the company may also choose to implement stricter standards.

Exceptions to the Conflict of Interest Policy

- Exceptions for employees may be granted only after disclosure to, and approval from, the functional area responsible officer and the Ethics & Compliance Officer.
- Exceptions for directors or executive officers (including the principal executive officer, the principal financial officer, the principal accounting officer or controller) may only be granted by the Board of Directors or a committee of the Board. Any such exception must also be promptly disclosed to the shareholders.

Customers

Price is certainly an important consideration for most customers. However, it is not the only one, and in most cases it's not the primary factor in a purchase decision. Customers purchase from companies that understand—and sometimes even anticipate—their needs. We must satisfy fundamental customer needs like quality, reliability, and service, and in a way that is ethical and legal. Refer to each state regulatory Code of Conduct and Federal Energy Regulatory Commission (FERC) regulations for information on the legal requirements we face when dealing with current or potential customers.

Quality and Service

We satisfy customers when we treat them as we would like to be treated. That means we need to treat customers with honesty, fairness, and respect. We must keep our commitments of quality, reliability, and service. Any time we make a promise that we cannot keep, some hard-earned customer's trust is lost. We therefore should only make promises when we are reasonably confident that we will be able to keep them.

In order to deliver quality and protect our name, compliance with quality specifications and safety or testing requirements is essential. Failure to conduct required testing or misrepresentation of test procedures or data is never acceptable.

Diversity

Embracing diversity is not simply the right thing to do; it makes good business sense. Our diverse employees are a competitive advantage, enabling us to make more informed business decisions and to better serve our diverse customer base. We will actively seek and promote a more diverse workforce. We are also committed to diversity in regard to our suppliers and vendors.

We also promote an environment of diverse ideas where communication is open, direct, honest, and respectful. This does not mean that we beat each other up over any differences. It means that we listen and speak with the goal of understanding the value that we each bring. We encourage free and open discussion. We honestly communicate plans, expectations, and results. When we disagree, we do so respectfully, treating each other with dignity.

Political Activity

Individual Political Activities

We each have the right to participate in the political process and to engage in political activities of our own choosing. While involved in personal civic and political affairs, however, we must at all times make clear that our views and actions are our own, and not those of Exelon. To determine if the political activity may create a potential conflict, employees may contact the Ethics & Compliance Office, which will review the case and inform the employee of any action considered necessary to avoid the conflict.

Exelon funds or resources are not to be used to support an individual's political parties, affiliated organizations, causes or candidates. Company resources include financial and non-financial such as using company time, telephones and copiers to solicit for a political cause or candidate.

Corporate Political Activities

Exelon will communicate and lobby on behalf of the interests of the company, but only as permitted by law. This includes the Public Utility Holding Company Act (PUCHA) which imposes significant restrictions on the political activities of corporations that are multi-state companies.

Our Political Action Committee(s) supports candidates whose political philosophies best represent the interests of the company, our employees, shareholders and customers. Donations to a Political Action Committee are strictly voluntary. Also, at times Exelon may request employees to make personal contact with government officials or to write letters presenting our position on specific issues.

Employees who lobby government employees or officials on issues that affect Exelon should contact Governmental Affairs or External Affairs to ensure that such activities fully comply with the law. Employees should also contact Governmental Affairs or External Affairs before ever discussing any employment or business opportunities with any public official. Corporate contributions or payments of any kind to any official, candidate, political party or political committee may be made only with the prior written approval of Governmental Affairs or External Affairs.

Privacy

As a company and as individuals we need to respect the privacy of our co-workers. The company will retain only the personal information necessary for effective operations, and will limit access to such information to authorized persons with the need-to-know for business or legal reasons.

While Exelon does not routinely monitor personal communications, employees should not expect that these communications are always private. When monitoring of communications is necessary for quality or legal reasons, we will comply with all state and federal laws. For the safety and protection of other employees and the company, Exelon may search employee workspaces, including company-owned lockers and vehicles.

Records and Reports

We rely on accurate information in order to make responsible business decisions. We therefore require honest and accurate recording, reporting and retention of information. This includes all business records, including financial reports, research reports, marketing information, sales reports, tax refunds, expense accounts, time sheets, claims and other documents including those submitted to governmental agencies. All records and accounts must accurately reflect transactions and events, and conform both to generally accepted accounting principles and to the Exelon system of internal controls.

It is wrong, for example, to make false claims on an expense report or time sheet, to falsify quality or safety results, or misrepresent assets, liabilities, revenues or expenses. No entry may be made in any record that intentionally hides or disguises the true nature of any transaction. Likewise, employees must never withhold or fail to communicate information which should be brought to the attention of higher levels of management.

Almost all business records may become subject to public disclosure in the course of litigation or governmental investigations. Records are also often obtained by outside parties or the media. Employees should therefore attempt to be as clear, concise, truthful and accurate as possible when recording any information. Avoid exaggeration, inappropriate language, guesswork, legal conclusions, and derogatory characterizations of people and their motives. Records should not be retained longer than necessary, and should be discarded in accordance with Exelon's *Document Management, Retention & Disposition* Corporate Policy and Procedure.

Reporting Violations

Employees have the obligation to report any situation or transaction which may violate, or could appear to violate, the letter or intent of the Code of Business Conduct. Reporting shall be to the employee's supervisor, manager, Human Resources, the Ethics Office Resource Line at 1-800-23-ETHIC, or through the company Intranet link "Report an Ethics Concern."

Retaliation

Individuals living up to their responsibility to report an ethical or legal concern shall not be subject to retaliation. No company officer, employee, contractor, subcontractor, or agent may discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in terms and conditions of employment because the employee reports a known or suspected violation of the law or the *Code of Business Conduct*. Any form of reprisal against an employee because the employee raised a matter

is contrary to our culture and values—and it will not be tolerated. A person who engages in any act of intentional retaliation will be disciplined, up to and including termination. Employees who knowingly submit false reports will also be subject to disciplinary action. An employee who believes that prohibited retaliation has occurred should immediately report the concern to Human Resources, Legal, or the Ethics & Compliance Office.

Sales and Marketing

Understanding and anticipating customer needs and accurately representing products, services, benefits and prices are first steps in creating satisfied customers. Providing misleading impressions, omitting important facts, or making false claims about our competitors' offerings is not acceptable.

Marketing and advertising of our products and services should be based on quality, service, pricing and other legitimate attributes. It's never acceptable to use any illegal or unethical means to obtain business, including offering bribes or kickbacks. In addition, it is not acceptable to enter into agreements with competitors, suppliers or customers that have the intent to limit competition or may be viewed as anti-competitive.

It is Exelon's policy to forgo any business which can be obtained only by improper or illegal methods. Accordingly, if, at any time, it appears that Exelon or its employees must engage in unethical or illegal activity to gain business, that business opportunity must not be pursued further, and the employee with that knowledge should contact the Ethics and Compliance Office or the Legal Department immediately.

Supplier Relationships

All purchasing decisions must be made on the best value received by Exelon. Quality, technical excellence, service, delivery and price are among the objective criteria that will drive our purchasing decisions.

Personal, family and financial relationships can make it difficult to make objective business decisions. An employee who has personal or family relationships with a supplier or business partner of the company should disclose this relationship to his or her manager and the Ethics & Compliance Office. See the Conflict of Interest section or refer to the *Corporate Supply Chain Requirements* Corporate Procedure for additional information.

Violations

Exelon views this Code of Business Conduct to be of the utmost importance. Accordingly, it will be enforced fairly at all levels. Violations of this Code will not be tolerated. In accordance with company regulations, violations may result in sanctions, including, as appropriate, a reprimand, probation, demotion, temporary suspension, termination, required reimbursement for Exelon's losses or damages, and referral for criminal prosecution, or civil action.

Waivers for Directors and Executive Officers

Waivers of the Code for directors or executive officers (including the principal executive officer, the principal financial officer, the principal accounting officer, or controller) may only be granted by the Board of Directors or a committee of the Board. Such waivers must also be promptly disclosed to shareholders.

Questions or Concerns

Employees who have questions about the *Code of Business Conduct* or concerns about conduct that may violate Exelon standards or the law, are encouraged to talk to their supervisors. If this is uncomfortable or seems inappropriate, talk to the Department Head or other functional senior manager, Human Resources, call the Ethics Office Resource Line at 1-800-23-ETHIC, or use the company Intranet link “Report an Ethics Concern” to write a confidential or anonymous report.

Resources

Our best resources for good, ethical business judgment are our supervisors and managers, the *Code of Business Conduct*, and our personal values. Other resources include:

Corporate Security
Ethics & Compliance Office
Diversity
Employee Assistance Program (EAP)
Employee Concerns Program (Exelon Nuclear only)
Environmental Services
Human Resources
Governmental Affairs & External Affairs
Legal
Safety

Additional References

Corporate Policies

Exelon's CEO, in conjunction with the senior governance bodies, have established the following corporate policies which describe the fundamental principles, values and practices under which Exelon operates and conducts business, as well as the corporate-wide rules, standards and practices that all employees and contractors must follow:

	Number
Ÿ Adherence to Corporate Policy & Procedures	LE-AC-1
Ÿ Corporate Accounting	FI-AC-2
Ÿ Corporate & Public Affairs	CP-AC-1
Ÿ Document Management, Retention & Disposition	LE-AC-4
Ÿ Environmental Protection	EN-AC-1
Ÿ Ethics, Legal & Regulatory Compliance	LE-AC-2
Ÿ Finance & Treasury	FI-AC-1
Ÿ Human Resources & Diversity	HR-AC-1
Ÿ Information Protection	LE-AC-3
Ÿ Safety	SA-AC-1
Ÿ Security	SE-AC-1
Ÿ Supply Management	SM-AC-1
Ÿ Use of Ibnformation Technology Assets	IT-AC-1

These policies are necessary references when employees are dealing with ethical and legal matters, including those issues covered by the *Code of Business Conduct*. Corporate Policies and the Corporate Procedures that support each of the policies above can be accessed through Exelon's Intranet homepage.

Ethics & Compliance Office

phone: 1-800-23-ETHIC (1-800-233-8442)
mail: P.O. Box 805379
Chicago, IL 60680-5379
e-mail: Ethics Advice and Inquiries
Intranet: "Report an Ethics Concern"

Exhibit 21.4

EXELON GENERATION COMPANY, LLC SUBSIDIARY LISTING

SUBSIDIARY	STATE OF INCORPORATION/ FORMATION	TRADE NAME
AmerGen Clinton NQF, LLC	Nevada	
AmerGen Consolidation, LLC	Nevada	
AmerGen Energy Company, LLC	Delaware	
AmerGen Oyster Creek NQF, LLC	Nevada	
AmerGen TMI NQF, LLC	Nevada	
Boston Generating, LLC	Delaware	
Braidwood 1 NQF, LLC	Nevada	
Braidwood 2 NQF, LLC	Nevada	
British Energy LP	Delaware	
British Energy US Holdings, Inc.	Delaware	
British Energy US Investments, LLC	Delaware	
Byron 1 NQF, LLC	Nevada	
Byron 2 NQF, LLC	Nevada	
Cenesco Company, LLC	Delaware	
Concomber, Ltd.	Bermuda	
Dresden 1 NQF, LLC	Nevada	
Dresden 2 NQF, LLC	Nevada	
Dresden 3 NQF, LLC	Nevada	
Exelon (Fossil) Holdings, Inc.	Delaware	
Exelon Allowance Management Company, LLC	Delaware	
Exelon AOG Holding #1, Inc.	Delaware	
Exelon AOG Holding #2, Inc	Delaware	
Exelon Boston Services, LLC	Delaware	
Exelon Edgar, LLC	Delaware	
Exelon Framingham Development, LLC	Delaware	
Exelon Framingham, LLC	Delaware	
Exelon Generation Consolidation, LLC	Nevada	
Exelon Generation Finance Company, LLC	Delaware	
Exelon Generation International, Inc.	Pennsylvania	
Exelon Hamilton LLC	Delaware	
Exelon New Boston, LLC	Delaware	
Exelon New England Development, LLC	Delaware	
Exelon New England Holdings, LLC	Delaware	
Exelon New England Power Marketing, Limited Partnership	Delaware	
Exelon New England Power Services, Inc.	Delaware	
Exelon Peaker Development General, LLC	Delaware	
Exelon Peaker Development Limited, LLC	Delaware	
Exelon PowerLabs, LLC	Pennsylvania	
Exelon SHC, Inc.	Delaware	
Exelon West Medway Development, LLC	Delaware	
Exelon West Medway Expansion, LLC	Delaware	
Exelon West Medway, LLC	Delaware	

SUBSIDIARY	STATE OF INCORPORATION/ FORMATION	TRADE NAME
Exelon Wyman, LLC	Delaware	
EXRES SHC, Inc.	Delaware	
ExTex LaPorte Limited Partnership	Texas	Exelon Power Texas
ExTex Marketing, LLC	Delaware	
ExTex Power, LP	Delaware	
ExTex Retail Services Company, LLC	Delaware	Exelon Power Services
Fore River Development, LLC	Delaware	
La Salle 1 NQF, LLC	Nevada	
La Salle 2 NQF, LLC	Nevada	
Limerick 1 NQF, LLC	Nevada	
Limerick 2 NQF, LLC	Nevada	
Mystic I, LLC	Delaware	Mystic Generating
Mystic Development, LLC	Delaware	
National Energy Development Inc.	Delaware	
Peach Bottom 1 NQF, LLC	Nevada	
Peach Bottom 2 NQF, LLC	Nevada	
Peach Bottom 3 NQF, LLC	Nevada	
PECO Energy Power Company	Pennsylvania	
Penesco Company, LLC	Delaware	
Port City Power, LLC	Delaware	
Quad Cities 1 NQF, LLC	Nevada	
Quad Cities 2 NQF, LLC	Nevada	
Salem 1 NQF, LLC	Nevada	
Salem 2 NQF, LLC	Nevada	
Sithe Energies, Inc.	Delaware	
Southeast Chicago Energy Project, LLC	Delaware	
Susquehanna Electric Company	Maryland	
Susquehanna Power Company	Maryland	
The Proprietors of the Susquehanna Canal	Maryland	
Zion 1 NQF, LLC	Nevada	
Zion 2 NQF, LLC	Nevada	

Exhibit 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-57640, 333-84446 and 333-108546) and on Form S-8 (File Nos. 333-61390 and 333-49780) of Exelon Corporation and Subsidiary Companies of our report dated January 28, 2003, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 28, 2004, relating to the financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 20, 2004

Exhibit 23.2

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 33-6879, 33-51379, and 333-99363) and on Form S-8 (File No. 333-33847) of Commonwealth Edison Company and Subsidiary Companies of our report dated January 28, 2004, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 20, 2004

Exhibit 23.3

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-99361 and 333-105207) of PECO Energy Company and Subsidiary Companies of our report dated January 28, 2004, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 20, 2004

Exhibit 24.1

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Edward A. Brennan**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ EDWARD A. BRENNAN

Edward A. Brennan

DATE: February 16, 2004

Exhibit 24.2

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **M. Walter D'Alessio**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ M. WALTER D'ALESSIO

M. Walter D'Alessio

DATE: February 17, 2004

Exhibit 24.3

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Bruce DeMars**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ BRUCE DEMARS

Bruce DeMars

DATE: February 16, 2004

Exhibit 24.4

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **G. Fred DiBona, Jr.**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ G. FRED DIBONA, JR.

G. Fred DiBona, Jr.

DATE: February 18, 2004

Exhibit 24.5

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Sue L. Gin**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ SUE L. GIN

Sue L. Gin

DATE: February 16, 2004

Exhibit 24.6

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Edgan D. Jannotta**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ EDGAN D. JANNOTTA

Edgan D. Jannotta

DATE: February 17, 2004

Exhibit 24.7

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **John M. Palms,** do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ JOHN M. PALMS

John M. Palms, Ph.D.

DATE: February 17, 2004

Exhibit 24.8

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **John W. Rogers, Jr.**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ JOHN W. ROGERS, JR.

John W. Rogers, Jr.

DATE: February 17, 2004

Exhibit 24.9

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Ronald Rubin,** do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ RONALD RUBIN

Ronald Rubin

DATE: February 17, 2004

Exhibit 24.10

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Richard L. Thomas,** do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/S/ R. L. THOMAS

Richard L. Thomas

DATE: February 16, 2004

Exhibit 24.11

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Nicholas DeBenedictis,** do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis

DATE: February 19, 2004

Exhibit 24.12

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS that I, **Rosemarie B. Greco**, do hereby appoint John W. Rowe and Randall E. Mehrberg, or either of them, attorney for me and in my name and on my behalf to sign the annual Securities and Exchange Commission report on Form 10-K for 2003 of Exelon Corporation, together with any amendments thereto, to be filed with the Securities and Exchange Commission, and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as I could do if personally present.

/s/ ROSEMARIE B. GRECO

Rosemarie B. Greco

DATE: February 19, 2004

Exhibit 31-1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, John W. Rowe, certify that:

1. I have reviewed this annual report on Form 10-K of Exelon Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ JOHN W. ROWE

Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31-2

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, Robert S. Shapard, certify that:

1. I have reviewed this annual report on Form 10-K of Exelon Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ ROBERT S. SHAPARD

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31-3

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, John L. Skolds, certify that:

1. I have reviewed this annual report on Form 10-K of Commonwealth Edison Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ JOHN L. SKOLDS

President, Exelon Energy Delivery
(Principal Executive Officer)

Exhibit 31-4

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, J. Barry Mitchell, certify that:

1. I have reviewed this annual report on Form 10-K of Commonwealth Edison Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ J. BARRY MITCHELL

Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31-5

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, John L. Skolds, certify that:

1. I have reviewed this annual report on Form 10-K of PECO Energy Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ JOHN L. SKOLDS

President, Exelon Energy Delivery
(Principal Executive Officer)

Exhibit 31-6

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, J. Barry Mitchell, certify that:

1. I have reviewed this annual report on Form 10-K of PECO Energy Company;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ J. BARRY MITCHELL

Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31-7

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, Oliver D. Kingsley Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Exelon Generation Company, LLC;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ OLIVER D. KINGSLEY JR.

Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31-8

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

I, J. Barry Mitchell, certify that:

1. I have reviewed this annual report on Form 10-K of Exelon Generation Company, LLC;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2004

/s/ J. BARRY MITCHELL

Senior Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32-1

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Exelon Corporation for the year ended December 31, 2003, 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: February 20, 2004

/s/ JOHN W. ROWE

John W. Rowe
Chairman and Chief Executive Officer

Exhibit 32-2

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Exelon Corporation for the year ended December 31, 2003, 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: February 20, 2004

/s/ ROBERT S. SHAPARD

Robert S. Shapard
Executive Vice President and
Chief Financial Officer

Exhibit 32-3

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Commonwealth Edison Company for the year ended December 31, 2003, 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: February 20, 2004

/s/ JOHN L. SKOLDS

John L. Skolds
President
Exelon Energy Delivery

Exhibit 32-4

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Commonwealth Edison Company for the year ended December 31, 2003, 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: February 20, 2004

/s/ J. BARRY MITCHELL

J. Barry Mitchell
Senior Vice President, Treasurer and
Chief Financial Officer

Exhibit 32-5

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of PECO Energy Company for the year ended December 31, 2003, 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: February 20, 2004

/s/ JOHN L. SKOLDS

John L. Skolds
President
Exelon Energy Delivery

Exhibit 32-6

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of PECO Energy Company for the year ended December 31, 2003, 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: February 20, 2004

/s/ J. BARRY MITCHELL

J. Barry Mitchell
Senior Vice President, Treasurer and
Chief Financial Officer

Exhibit 32-7

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Exelon Generation Company, LLC for the year ended December 31, 2003, 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: February 20, 2004

/s/ OLIVER D. KINGSLEY JR.

Oliver D. Kingsley Jr.
Chief Executive Officer and
President

Exhibit 32-8

Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code

The undersigned officer hereby certifies, as to the Report on Form 10-K of Exelon Generation Company, LLC for the year ended December 31, 2003, 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: February 20, 2004

/s/ J. BARRY MITCHELL

J. Barry Mitchell
Senior Vice President, Treasurer and
Chief Financial Officer