



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934****For the Quarterly Period Ended June 30, 2005****or** **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

<b>Commission File Number</b>	<b>Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number</b>	<b>IRS Employer Identification Number</b>
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

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

The number of shares outstanding of each registrant's common stock as of June 30, 2005 was:

Exelon Corporation Common Stock, without par value	670,557,506
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,519
PECO Energy Company Common Stock, without par value	170,478,507
Exelon Generation Company, LLC	not applicable

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, PECO Energy Company and Exelon Generation Company, LLC Yes  No .

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## FILING FORMAT

This combined Form 10-Q is being filed separately 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

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, as well as the items discussed in (a) the Registrants' 2004 Annual Report on Form 10-K — ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation — Business Outlook and the Challenges in Managing Our Business for each of Exelon, ComEd, PECO and Generation and Current Report on Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K, (b) the Registrants' 2004 Annual Report on Form 10-K — ITEM 8. Financial Statements and Supplementary Data: Exelon — Note 20, ComEd — Note 15, PECO — Note 14 and Generation — Note 16 and Current Report on Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K, (c) Exelon's Current Report on Form 8-K filed on May 13, 2005, including those discussed in Exhibit 99.2 "Management's Discussion and Analysis of Financial Condition and Results of Operation" and Exhibit 99.3 "Financial Statements and Supplementary Data", (d) Generation's Current Report on Form 8-K filed on May 13, 2005, including those discussed in Exhibit 99.5 "Management's Discussion and Analysis of Financial Condition and Results of Operation" and Exhibit 99.6 "Financial Statements and Supplementary Data," (e) Current Report on Form 8-K dated July 21, 2005 and (f) 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 100 F Street, N.E., 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](http://www.sec.gov) and Exelon's website at [www.exeloncorp.com](http://www.exeloncorp.com). Information contained on Exelon's web site shall not be deemed incorporated into, or to be a part of, this Report.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**



**EXELON CORPORATION**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>(In millions, except per share data)</b>				
<b>Operating revenues</b>	\$ 3,484	\$ 3,438	\$ 7,045	\$ 7,073
<b>Operating expenses</b>				
Purchased power	663	686	1,232	1,259
Fuel	477	467	1,099	1,289
Operating and maintenance	945	939	1,893	1,918
Depreciation and amortization	325	311	644	612
Taxes other than income	177	182	349	371
Total operating expenses	<u>2,587</u>	<u>2,585</u>	<u>5,217</u>	<u>5,449</u>
<b>Operating income</b>	<u>897</u>	<u>853</u>	<u>1,828</u>	<u>1,624</u>
<b>Other income and deductions</b>				
Interest expense	(129)	(122)	(235)	(250)
Interest expense to affiliates	(81)	(90)	(164)	(183)
Distributions on preferred securities of subsidiaries	(1)	(1)	(2)	(2)
Equity in losses of unconsolidated affiliates	(32)	(31)	(68)	(55)
Other, net	69	116	99	148
Total other income and deductions	<u>(174)</u>	<u>(128)</u>	<u>(370)</u>	<u>(342)</u>
<b>Income from continuing operations before income taxes and minority interest</b>	<u>723</u>	<u>725</u>	<u>1,458</u>	<u>1,282</u>
<b>Income taxes</b>	<u>207</u>	<u>223</u>	<u>435</u>	<u>382</u>
<b>Income from continuing operations before minority interest</b>	<u>516</u>	<u>502</u>	<u>1,023</u>	<u>900</u>
<b>Minority interest</b>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>
<b>Income from continuing operations</b>	<u>516</u>	<u>503</u>	<u>1,023</u>	<u>900</u>
<b>Discontinued operations</b>				
Loss from discontinued operations (net of income taxes of \$0, \$(18), \$(3) and \$(25) for the three and six months ended June 30, 2005 and 2004, respectively)	(1)	(17)	(3)	(31)
Gain (loss) on disposal of discontinued operations (net of income taxes of \$(1) \$21, \$4 and \$19 for the three and six months ended June 30, 2005 and 2004, respectively)	(1)	35	15	32
Income (loss) from discontinued operations	<u>(2)</u>	<u>18</u>	<u>12</u>	<u>1</u>
<b>Income before cumulative effect of a change in accounting principle</b>	<u>514</u>	<u>521</u>	<u>1,035</u>	<u>901</u>
<b>Cumulative effect of a change in accounting principle (net of income taxes of \$22)</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32</u>
<b>Net income</b>	<u>514</u>	<u>521</u>	<u>1,035</u>	<u>933</u>
<b>Other comprehensive income (loss), net of income taxes</b>				
Minimum pension liability	—	—	2	—
Change in net unrealized gain (loss) on cash-flow hedges	(31)	50	(133)	(143)
Foreign currency translation adjustment	—	(4)	—	(2)
Unrealized gain (loss) on marketable securities	(9)	(31)	(24)	9
Total other comprehensive income (loss)	<u>(40)</u>	<u>15</u>	<u>(155)</u>	<u>(136)</u>
<b>Total comprehensive income</b>	<u>\$ 474</u>	<u>\$ 536</u>	<u>\$ 880</u>	<u>\$ 797</u>
<b>Average shares of common stock outstanding — Basic</b>	<u>670</u>	<u>661</u>	<u>669</u>	<u>660</u>
<b>Average shares of common stock outstanding — Diluted</b>	<u>677</u>	<u>667</u>	<u>676</u>	<u>666</u>
<b>Earnings per average common share — Basic:</b>				
Income from continuing operations	\$ 0.77	\$ 0.76	\$ 1.53	\$ 1.36
Income from discontinued operations	—	0.03	0.02	—
Income before cumulative effect of a change in accounting principle	\$ 0.77	\$ 0.79	\$ 1.55	\$ 1.36
Cumulative effect of a change in accounting principle	—	—	—	0.05
Net income	<u>\$ 0.77</u>	<u>\$ 0.79</u>	<u>\$ 1.55</u>	<u>\$ 1.41</u>
<b>Earnings per average common share — Diluted:</b>				
Income from continuing operations	\$ 0.76	\$ 0.75	\$ 1.51	\$ 1.35
Income from discontinued operations	—	0.03	0.02	—
Income before cumulative effect of a change in accounting principle	\$ 0.76	\$ 0.78	\$ 1.53	\$ 1.35
Cumulative effect of a change in accounting principle	—	—	—	0.05
Net income	<u>\$ 0.76</u>	<u>\$ 0.78</u>	<u>\$ 1.53</u>	<u>\$ 1.40</u>
<b>Dividends per common share</b>	<u>\$ 0.400</u>	<u>\$ 0.275</u>	<u>\$ 0.800</u>	<u>\$ 0.550</u>

See Combined Notes to Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2005	2004
<b>(In millions)</b>		
<b>Cash flows from operating activities</b>		
Net income	\$ 1,035	\$ 933
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	961	923
Other decommissioning-related activities	13	25
Cumulative effect of a change in accounting principle (net of income taxes)	—	(32)
Deferred income taxes and amortization of investment tax credits	528	154
Provision for uncollectible accounts	22	39
Equity in losses of unconsolidated affiliates	68	55
Gain on sales of investments and wholly owned subsidiaries	(17)	(155)
Net realized (gains) losses on nuclear decommissioning trust funds	(55)	1
Other non-cash operating activities	27	(30)
Changes in assets and liabilities:		
Accounts receivable	53	25
Inventories	26	14
Other current assets	(125)	(55)
Accounts payable, accrued expenses and other current liabilities	(235)	(58)
Income taxes	24	168
Net realized and unrealized mark-to-market and hedging transactions	(74)	54
Pension and non-pension postretirement benefits obligations	(1,927)	(175)
Other noncurrent assets and liabilities	(38)	21
Net cash flows provided by operating activities	<u>286</u>	<u>1,907</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(1,007)	(844)
Proceeds from sale of nuclear decommissioning trust fund assets	2,149	1,042
Investment in nuclear decommissioning trust funds	(2,256)	(1,178)
Proceeds from sales of investments and wholly owned subsidiaries, net of \$32 of cash sold during the six months ended June 30, 2005	103	227
Proceeds from sales of long-lived assets	2	49
Acquisition of businesses	(97)	—
Investment in synthetic fuel-producing facilities	(56)	(16)
Change in restricted cash	23	(30)
Net cash increase from consolidation of Sithe Energies, Inc.	—	19
Other investing activities	(4)	34
Net cash flows used in investing activities	<u>(1,143)</u>	<u>(697)</u>
<b>Cash flows from financing activities</b>		
Issuance of long-term debt	1,788	75
Retirement of long-term debt	(185)	(312)
Retirement of long-term debt to financing affiliates	(397)	(345)
Issuance of short-term debt	2,500	—
Retirement of short-term debt	(2,200)	—
Change in short-term debt	(161)	(65)
Payment on acquisition note payable to Sithe Energies, Inc.	—	(27)
Dividends paid on common stock	(535)	(364)
Proceeds from employee stock plans	156	140
Purchase of treasury stock	(8)	(75)
Other financing activities	(55)	36
Net cash flows provided by (used in) financing activities	<u>903</u>	<u>(937)</u>
<b>Increase in cash and cash equivalents</b>	46	273
<b>Cash and cash equivalents at beginning of period</b>	499	493
<b>Cash and cash equivalents at end of period</b>	<u>\$ 545</u>	<u>\$ 766</u>
Supplemental cash flow information — Noncash investing and financing activities:		
Consolidation of Sithe Energies, Inc. pursuant to FASB Interpretation No. 46-R, "Consolidation of Variable Interest Entities"	\$ —	\$ 85
Disposition of Boston Generating, LLC	—	102

See Combined Notes to Consolidated Financial Statements

**EXELON CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(In millions)	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 545	\$ 499
Restricted cash and investments	47	60
Accounts receivable, net		
Customer	1,613	1,649
Other	308	409
Mark-to-market derivative assets	508	403
Inventories, at average cost		
Fossil fuel	192	230
Materials and supplies	324	312
Deferred income taxes	108	68
Other	393	296
Total current assets	<u>4,038</u>	<u>3,926</u>
<b>Property, plant and equipment, net</b>	21,390	21,482
<b>Deferred debits and other assets</b>		
Regulatory assets	4,587	4,790
Nuclear decommissioning trust funds	5,306	5,262
Investments	813	804
Goodwill	4,696	4,705
Mark-to-market derivative assets	356	383
Other	896	1,418
Total deferred debits and other assets	<u>16,654</u>	<u>17,362</u>
<b>Total assets</b>	<u>\$ 42,082</u>	<u>\$ 42,770</u>

See Combined Notes to Consolidated Financial Statements

**EXELON CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(In millions)	June 30, 2005	December 31, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Notes payable	\$ 629	\$ 490
Long-term debt due within one year	386	427
Long-term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust due within one year	511	486
Accounts payable	1,237	1,255
Mark-to-market derivative liabilities	756	598
Accrued expenses	809	1,143
Other	534	483
Total current liabilities	4,862	4,882
<b>Long-term debt</b>	8,113	7,292
<b>Long-term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust</b>	3,888	4,311
<b>Long-term debt to other financing trusts</b>	545	545
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	4,859	4,488
Unamortized investment tax credits	268	275
Asset retirement obligation	3,817	3,981
Pension obligations	23	1,993
Non-pension postretirement benefits obligations	1,108	1,065
Spent nuclear fuel obligation	890	878
Regulatory liabilities	2,240	2,204
Mark-to-market derivative liabilities	456	323
Other	886	915
Total deferred credits and other liabilities	14,547	16,122
Total liabilities	31,955	33,152
<b>Commitments and contingencies</b>		
<b>Minority interest of consolidated subsidiaries</b>	1	42
<b>Preferred securities of subsidiaries</b>	87	87
<b>Shareholders' equity</b>		
Common stock (No par value, 1,200 shares authorized, 670.6 and 664.2 shares outstanding at June 30, 2005 and December 31, 2004, respectively)	7,877	7,664
Treasury stock, at cost (2.6 and 2.5 shares held at June 30, 2005 and December 31, 2004, respectively)	(90)	(82)
Retained earnings	3,853	3,353
Accumulated other comprehensive loss	(1,601)	(1,446)
Total shareholders' equity	10,039	9,489
<b>Total liabilities and shareholders' equity</b>	\$ 42,082	\$ 42,770

See Combined Notes to Consolidated Financial Statements

**EXELON CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

<b>(Dollars in millions, shares in thousands)</b>	<u>Issued Shares</u>	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareholders' Equity</u>
<b>Balance, December 31, 2004</b>	666,688	\$ 7,664	\$ (82)	\$ 3,353	\$ (1,446)	\$ 9,489
Net income	—	—	—	1,035	—	1,035
Long-term incentive plan activity	6,557	213	—	—	—	213
Common stock purchases	—	—	(8)	—	—	(8)
Common stock dividends declared	—	—	—	(535)	—	(535)
Other comprehensive loss, net of income taxes	—	—	—	—	(155)	(155)
<b>Balance, June 30, 2005</b>	<u>673,245</u>	<u>\$ 7,877</u>	<u>\$ (90)</u>	<u>\$ 3,853</u>	<u>\$ (1,601)</u>	<u>\$ 10,039</u>

See Combined Notes to Consolidated Financial Statements

**COMMONWEALTH EDISON COMPANY**

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

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>Operating revenues</b>				
Operating revenues	\$ 1,485	\$ 1,397	\$ 2,869	\$ 2,722
Operating revenues from affiliates	3	6	6	17
Total operating revenues	1,488	1,403	2,875	2,739
<b>Operating expenses</b>				
Purchased power	88	60	156	65
Purchased power from affiliate	770	514	1,523	1,043
Operating and maintenance	158	182	316	355
Operating and maintenance from affiliates	44	41	88	83
Depreciation and amortization	101	103	198	205
Taxes other than income	73	72	151	151
Total operating expenses	1,234	972	2,432	1,902
<b>Operating income</b>	254	431	443	837
<b>Other income and deductions</b>				
Interest expense	(53)	(68)	(102)	(144)
Interest expense to affiliates	(24)	(28)	(49)	(58)
Equity in losses of unconsolidated affiliates	(4)	(6)	(8)	(9)
Interest income from affiliates	1	5	3	11
Other, net	6	2	10	6
Total other income and deductions	(74)	(95)	(146)	(194)
<b>Income before income taxes</b>	180	336	297	643
<b>Income taxes</b>	71	132	118	255
<b>Net income</b>	109	204	179	388
<b>Other comprehensive loss, net of income taxes</b>				
Change in net unrealized loss on cash-flow hedges	(19)	—	(21)	—
Total other comprehensive loss	(19)	—	(21)	—
<b>Total comprehensive income</b>	\$ 90	\$ 204	\$ 158	\$ 388

See Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30,	
	2005	2004
<b>Cash flows from operating activities</b>		
Net income	\$ 179	\$ 388
Adjustments to reconcile net income to net cash flows (used in) provided by operating activities:		
Depreciation and amortization	198	205
Deferred income taxes and amortization of investment tax credits	230	86
Provision for uncollectible accounts	12	16
Equity in losses of unconsolidated affiliates	8	9
Other non-cash operating activities	23	24
Changes in assets and liabilities:		
Accounts receivable	(100)	(44)
Inventories	1	(1)
Other current assets	(14)	5
Accounts payable, accrued expenses and other current liabilities	(27)	(7)
Changes in receivables and payables to affiliates	137	15
Income taxes	3	25
Pension asset and non-pension postretirement benefits obligation	(767)	(93)
Other noncurrent assets and liabilities	(11)	(26)
Net cash flows (used in) provided by operating activities	(128)	602
<b>Cash flows from investing activities</b>		
Capital expenditures	(391)	(369)
Changes in Exelon intercompany money pool contributions	287	207
Change in restricted cash	(1)	18
Other investing activities	1	11
Net cash flows used in investing activities	(104)	(133)
<b>Cash flows from financing activities</b>		
Issuance of long-term debt	91	—
Retirement of long-term debt	(146)	(178)
Retirement of long-term debt to ComEd Transitional Funding Trust	(190)	(179)
Dividends paid on common stock	(245)	(207)
Contributions from parent	834	62
Settlement of cash-flow and fair-value hedges	—	26
Other financing activities	(5)	—
Net cash flows provided by (used in) financing activities	339	(476)
<b>Increase (decrease) in cash and cash equivalents</b>	107	(7)
<b>Cash and cash equivalents at beginning of period</b>	30	34
<b>Cash and cash equivalents at end of period</b>	\$ 137	\$ 27

See Combined Notes to Consolidated Financial Statements

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

(In millions)	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 137	\$ 30
Restricted cash	1	—
Accounts receivable, net		
Customer	818	726
Other	46	50
Inventories, at average cost	47	48
Deferred income taxes	17	—
Receivables from affiliates	14	10
Contributions to Exelon intercompany money pool	21	308
Other	37	24
Total current assets	<u>1,138</u>	<u>1,196</u>
<b>Property, plant and equipment, net</b>	<b>9,684</b>	<b>9,463</b>
<b>Deferred debits and other assets</b>		
Investments	39	39
Investment in affiliates	44	52
Goodwill	4,696	4,705
Receivables from affiliates	1,443	1,443
Pension asset	939	156
Other	380	387
Total deferred debits and other assets	<u>7,541</u>	<u>6,782</u>
<b>Total assets</b>	<b><u>\$ 18,363</u></b>	<b><u>\$ 17,441</u></b>

See Combined Notes to Consolidated Financial Statements



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

(In millions)	June 30, 2005	December 31, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Long-term debt due within one year	\$ 272	\$ 272
Long-term debt to ComEd Transitional Funding Trust due within one year	300	321
Accounts payable	211	196
Accrued expenses	556	589
Payable to affiliates	367	227
Customer deposits	103	93
Deferred income taxes	—	17
Other	29	49
Total current liabilities	<u>1,838</u>	<u>1,764</u>
<b>Long-term debt</b>	2,839	2,901
<b>Long-term debt to ComEd Transitional Funding Trust</b>	851	1,020
<b>Long-term debt to other financing trusts</b>	361	361
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	2,145	1,890
Unamortized investment tax credits	45	45
Non-pension postretirement benefits obligation	211	195
Payables to affiliates	19	17
Regulatory liabilities	2,240	2,204
Other	327	304
Total deferred credits and other liabilities	<u>4,987</u>	<u>4,655</u>
Total liabilities	<u>10,876</u>	<u>10,701</u>
<b>Commitments and contingencies</b>		
<b>Shareholders' equity</b>		
Common stock	1,588	1,588
Preference stock	7	7
Other paid in capital	4,877	4,168
Receivable from parent	—	(125)
Retained earnings	1,036	1,102
Accumulated other comprehensive loss	(21)	—
Total shareholders' equity	<u>7,487</u>	<u>6,740</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 18,363</u>	<u>\$ 17,441</u>

See Combined Notes to Consolidated Financial Statements

**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

(In millions)	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Other Paid-In Capital</u>	<u>Receivable from Parent</u>	<u>Retained Earnings Unappropriated</u>	<u>Retained Earnings Appropriated</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareholders' Equity</u>
<b>Balance, December 31, 2004</b>	\$ 1,588	\$ 7	\$ 4,168	\$ (125)	\$ —	\$ 1,102	\$ —	\$ 6,740
Net income	—	—	—	—	179	—	—	179
Repayment of receivable from parent	—	—	—	125	—	—	—	125
Capital contribution from parent	—	—	709	—	—	—	—	709
Appropriation of Retained Earnings for future dividends	—	—	—	—	(179)	179	—	—
Common stock dividends	—	—	—	—	—	(245)	—	(245)
Other comprehensive loss, net of income taxes	—	—	—	—	—	—	(21)	(21)
<b>Balance, June 30, 2005</b>	<u>\$ 1,588</u>	<u>\$ 7</u>	<u>\$ 4,877</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,036</u>	<u>\$ (21)</u>	<u>\$ 7,487</u>

See Combined Notes to Consolidated Financial Statements

**PECO ENERGY COMPANY**

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

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>Operating revenues</b>				
Operating revenues	\$ 1,040	\$ 1,027	\$ 2,331	\$ 2,262
Operating revenues from affiliates	4	5	8	9
Total operating revenues	1,044	1,032	2,339	2,271
<b>Operating expenses</b>				
Purchased power	58	53	109	100
Purchased power from affiliate	379	349	760	699
Fuel	66	76	330	325
Fuel from affiliate	—	7	1	7
Operating and maintenance	91	104	200	215
Operating and maintenance from affiliates	28	28	53	51
Depreciation and amortization	137	125	273	250
Taxes other than income	60	60	115	118
Total operating expenses	819	802	1,841	1,765
<b>Operating income</b>	225	230	498	506
<b>Other income and deductions</b>				
Interest expense	(13)	(14)	(26)	(28)
Interest expense to affiliates	(57)	(62)	(116)	(125)
Equity in losses of unconsolidated affiliates	(4)	(7)	(8)	(13)
Interest income from affiliates	—	—	1	—
Other, net	6	3	8	5
Total other income and deductions	(68)	(80)	(141)	(161)
<b>Income before income taxes</b>	157	150	357	345
<b>Income taxes</b>	47	50	118	112
<b>Net income</b>	110	100	239	233
<b>Preferred stock dividends</b>	1	1	2	2
<b>Net income on common stock</b>	\$ 109	\$ 99	\$ 237	\$ 231
<b>Other comprehensive income, net of income taxes</b>				
Net income	\$ 110	\$ 100	\$ 239	\$ 233
Other comprehensive income (net of income taxes):				
Change in net unrealized gain (loss) on cash-flow hedges	(2)	2	(2)	3
Unrealized gain on marketable securities	—	—	—	1
Total other comprehensive income	(2)	2	(2)	4
<b>Total comprehensive income</b>	\$ 108	\$ 102	\$ 237	\$ 237

See Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30,	
	2005	2004
<b>Cash flows from operating activities</b>		
Net income	\$ 239	\$ 233
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	273	250
Deferred income taxes and amortization of investment tax credits	(60)	(95)
Provision for uncollectible accounts	11	19
Equity in losses of unconsolidated affiliates	8	13
Other non-cash operating activities	(4)	(4)
Changes in assets and liabilities:		
Accounts receivable	43	21
Inventories	23	24
Deferred energy costs	58	56
Prepaid utility taxes	(108)	(96)
Other current assets	—	(2)
Accounts payable, accrued expenses and other current liabilities	(110)	(70)
Change in receivables and payables to affiliates, net	36	21
Income taxes	27	126
Pension asset and non-pension postretirement benefits obligation	(144)	15
Other noncurrent assets and liabilities	9	(2)
Net cash flows provided by operating activities	301	509
<b>Cash flows from investing activities</b>		
Capital expenditures	(126)	(105)
Changes in Exelon intercompany money pool contributions	34	(35)
Change in restricted cash	28	(2)
Other investing activities	6	3
Net cash flows used in investing activities	(58)	(139)
<b>Cash flows from financing activities</b>		
Issuance of long-term debt	—	75
Retirement of long-term debt	(8)	(75)
Retirement of long-term debt to PECO Energy Transition Trust	(207)	(166)
Change in short-term debt	—	(46)
Dividends paid on common and preferred stock	(233)	(182)
Contribution from parent	180	71
Other financing activities	—	6
Net cash flows used in financing activities	(268)	(317)
<b>Increase (decrease) in cash and cash equivalents</b>	(25)	53
<b>Cash and cash equivalents at beginning of period</b>	74	18
<b>Cash and cash equivalents at end of period</b>	\$ 49	\$ 71

See Combined Notes to Consolidated Financial Statements

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

(In millions)	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 49	\$ 74
Restricted cash	1	29
Accounts receivable, net		
Customer	327	368
Other	21	34
Inventories, at average cost		
Gas	93	117
Materials and supplies	11	10
Contributions to Exelon intercompany money pool	—	34
Deferred income taxes	29	24
Deferred energy costs	13	71
Prepaid utility taxes	109	1
Other	11	11
Total current assets	<u>664</u>	<u>773</u>
<b>Property, plant and equipment, net</b>	<b>4,378</b>	<b>4,329</b>
<b>Deferred debits and other assets</b>		
Regulatory assets	4,587	4,790
Investments	22	22
Investment in affiliates	80	87
Receivables from affiliates	45	46
Pension asset	194	77
Other	9	9
Total deferred debits and other assets	<u>4,937</u>	<u>5,031</u>
<b>Total assets</b>	<b><u>\$ 9,979</u></b>	<b><u>\$ 10,133</u></b>

See Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2005	December 31, 2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Long-term debt due within one year	\$ 38	\$ 46
Long-term debt to PECO Energy Transition Trust due within one year	211	165
Accounts payable	105	121
Accrued expenses	206	263
Payables to affiliates	167	146
Customer deposits	48	42
Other	3	11
Total current liabilities	<u>778</u>	<u>794</u>
<b>Long-term debt</b>	<b>1,153</b>	<b>1,153</b>
<b>Long-term debt to PECO Energy Transition Trust</b>	<b>3,038</b>	<b>3,291</b>
<b>Long-term debt to other financing trusts</b>	<b>184</b>	<b>184</b>
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	2,797	2,834
Unamortized investment tax credits	18	19
Non-pension postretirement benefits obligation	292	319
Other	137	141
Total deferred credits and other liabilities	<u>3,244</u>	<u>3,313</u>
Total liabilities	<u>8,397</u>	<u>8,735</u>
<b>Commitments and contingencies</b>		
<b>Shareholders' equity</b>		
Common stock	2,176	2,176
Preferred stock	87	87
Receivable from parent	(1,302)	(1,482)
Retained earnings	613	607
Accumulated other comprehensive income	8	10
Total shareholders' equity	<u>1,582</u>	<u>1,398</u>
<b>Total liabilities and shareholders' equity</b>	<b><u>\$ 9,979</u></b>	<b><u>\$ 10,133</u></b>

See Combined Notes to Consolidated Financial Statements

**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

(In millions)	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Receivable from Parent</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Shareholders' Equity</u>
<b>Balance, December 31, 2004</b>	\$ 2,176	\$ 87	\$ (1,482)	\$ 607	\$ 10	\$ 1,398
Net income	—	—	—	239	—	239
Common stock dividends	—	—	—	(231)	—	(231)
Preferred stock dividends	—	—	—	(2)	—	(2)
Repayment of receivable from parent	—	—	180	—	—	180
Other comprehensive income, net of income taxes	—	—	—	—	(2)	(2)
<b>Balance, June 30, 2005</b>	<u>\$ 2,176</u>	<u>\$ 87</u>	<u>\$ (1,302)</u>	<u>\$ 613</u>	<u>\$ 8</u>	<u>\$ 1,582</u>

See Combined Notes to Consolidated Financial Statements

**EXELON GENERATION COMPANY, LLC**

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

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>Operating revenues</b>				
Operating revenues	\$ 955	\$ 1,010	\$ 1,840	\$ 2,076
Operating revenues from affiliates	1,150	871	2,285	1,750
Total operating revenues	2,105	1,881	4,125	3,826
<b>Operating expenses</b>				
Purchased power	517	573	967	1,093
Purchased power from affiliates	—	3	—	12
Fuel	427	390	785	958
Fuel from affiliates	1	—	1	—
Operating and maintenance	536	504	1,077	1,058
Operating and maintenance from affiliates	66	69	134	134
Depreciation and amortization	63	65	125	120
Taxes other than income	39	46	74	93
Total operating expenses	1,649	1,650	3,163	3,468
<b>Operating income</b>	456	231	962	358
<b>Other income and deductions</b>				
Interest expense	(29)	(26)	(56)	(51)
Interest expense to affiliates	—	(1)	(2)	(2)
Equity in earnings (losses) of unconsolidated affiliates	4	—	4	(2)
Other, net	51	96	69	115
Total other income and deductions	26	69	15	60
<b>Income from continuing operations before income taxes and minority interest</b>	482	300	977	418
<b>Income taxes</b>	185	114	376	160
<b>Income from continuing operations before minority interest</b>	297	186	601	258
<b>Minority interest</b>	—	1	—	—
<b>Income from continuing operations</b>	297	187	601	258
<b>Discontinued operations</b>				
Loss from discontinued operations (net of income taxes of \$0, \$(14), \$(1) and \$(14) for the three and six months ended June 30, 2005 and 2004, respectively)	—	(9)	—	(10)
Gain (loss) on disposal of discontinued operations (net of income taxes of \$(1), \$0, \$4 and \$0 for the three and six months ended June 30, 2005 and 2004, respectively)	(1)	—	15	—
Income (loss) from discontinued operations	(1)	(9)	15	(10)
<b>Income before cumulative effect of a change in accounting principle</b>	296	178	616	248
<b>Cumulative effect of a change in accounting principle (net of income taxes of \$22)</b>	—	—	—	32
<b>Net income</b>	296	178	616	280
<b>Other comprehensive income (loss), net of income taxes</b>				
Change in net unrealized gain (loss) on cash-flow hedges	39	48	(85)	(147)
Unrealized gain (loss) on marketable securities	(9)	(31)	(24)	8
Foreign currency translation adjustment	(1)	(4)	(1)	(2)
Total other comprehensive income (loss)	29	13	(110)	(141)
<b>Total comprehensive income</b>	\$ 325	\$ 191	\$ 506	\$ 139

See Combined Notes to Consolidated Financial Statements



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

(In millions)	Six Months Ended June 30,	
	2005	2004
<b>Cash flows from operating activities</b>		
Net income	\$ 616	\$ 280
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	440	431
Cumulative effect of a change in accounting principle (net of income taxes)	—	(32)
Other decommissioning-related activities	13	25
Gain on sale of investments	(19)	(90)
Deferred income taxes and amortization of investment tax credits	337	148
Provision for uncollectible accounts	—	2
Equity in (earnings) losses of unconsolidated affiliates	(4)	2
Net realized (gains) losses on nuclear decommissioning trust funds	(55)	1
Other non-cash operating activities	17	—
Changes in assets and liabilities:		
Accounts receivable	61	(56)
Receivables and payables to affiliates, net	(181)	(35)
Inventories	3	(10)
Other current assets	(45)	(15)
Accounts payable, accrued expenses and other current liabilities	(45)	24
Income taxes	174	(52)
Net realized and unrealized mark-to-market and hedging transactions	(57)	39
Pension asset and non-pension postretirement benefits obligation	(839)	(59)
Other noncurrent assets and liabilities	(36)	13
Net cash flows provided by operating activities	380	616
<b>Cash flows from investing activities</b>		
Capital expenditures	(484)	(366)
Proceeds from sale of nuclear decommissioning trust fund assets	2,149	1,042
Investment in nuclear decommissioning trust funds	(2,256)	(1,178)
Acquisition of business	(97)	—
Proceeds from sale of wholly owned subsidiaries, net of \$32 of cash sold	103	—
Net cash increase from consolidation of Sithe Energies, Inc. and Exelon Energy Company	—	24
Change in restricted cash	(2)	(18)
Other investing activities	(5)	58
Net cash flows used in investing activities	(592)	(438)
<b>Cash flows from financing activities</b>		
Retirement of long-term debt	(1)	(4)
Change in short-term debt	—	211
Payment on acquisition note payable to Sithe Energies, Inc.	—	(27)
Changes in Exelon intercompany money pool borrowings	(283)	(218)
Distribution to member	(319)	(109)
Contribution from member	843	—
Other financing activities	1	6
Net cash flows provided by (used in) financing activities	241	(141)
<b>Increase in cash and cash equivalents</b>	29	37
<b>Cash and cash equivalents at beginning of period</b>	263	158
<b>Cash and cash equivalents at end of period</b>	\$ 292	\$ 195
<b>Supplemental cash flow information — Noncash investing and financing activities:</b>		
Consolidation of Sithe Energies, Inc. pursuant to FASB Interpretation No. 46-R, “Consolidation of Variable Interest Entities”	\$ —	\$ 85
Contribution of Exelon Energy Company from Exelon Corporation	—	(9)
Disposition of Boston Generating, LLC	—	102

See Combined Notes to Consolidated Financial Statements

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

(In millions)	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 292	\$ 263
Restricted cash and investments	4	26
Accounts receivable, net		
Customer	449	525
Other	107	209
Mark-to-market derivative assets	508	403
Receivables from affiliates	494	332
Inventories, at average cost		
Fossil fuel	98	112
Materials and supplies	267	255
Deferred income taxes	46	48
Other	190	148
Total current assets	<u>2,455</u>	<u>2,321</u>
<b>Property, plant and equipment, net</b>	7,185	7,536
<b>Deferred debits and other assets</b>		
Nuclear decommissioning trust funds	5,306	5,262
Investments	119	103
Receivable from affiliate	11	11
Pension asset	1,018	199
Mark-to-market derivative assets	330	373
Other	126	633
Total deferred debits and other assets	<u>6,910</u>	<u>6,581</u>
<b>Total assets</b>	<u>\$ 16,550</u>	<u>\$ 16,438</u>

See Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2005	December 31, 2004
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current liabilities</b>		
Long-term debt due within one year	\$ 12	\$ 47
Accounts payable	845	856
Mark-to-market derivative liabilities	756	598
Payables to affiliates	30	42
Notes payable to affiliates	—	283
Accrued expenses	339	367
Other	284	223
Total current liabilities	<u>2,266</u>	<u>2,416</u>
<b>Long-term debt</b>	<b>1,798</b>	<b>2,583</b>
<b>Deferred credits and other liabilities</b>		
Asset retirement obligation	3,816	3,980
Pension obligation	10	21
Non-pension postretirement benefits obligation	575	584
Spent nuclear fuel obligation	890	878
Deferred income taxes	659	506
Unamortized investment tax credits	205	210
Payable to affiliates	1,477	1,479
Mark-to-market derivative liabilities	421	323
Other	362	375
Total deferred credits and other liabilities	<u>8,415</u>	<u>8,356</u>
Total liabilities	<u>12,479</u>	<u>13,355</u>
<b>Commitments and contingencies</b>		
<b>Minority interest of consolidated subsidiary</b>	<b>2</b>	<b>44</b>
<b>Member's equity</b>		
Membership interest	3,204	2,361
Undistributed earnings	1,058	761
Accumulated other comprehensive loss	(193)	(83)
Total member's equity	<u>4,069</u>	<u>3,039</u>
<b>Total liabilities and member's equity</b>	<b>\$ <u>16,550</u></b>	<b>\$ <u>16,438</u></b>

See Combined Notes to Consolidated Financial Statements

**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF MEMBERS' EQUITY**  
**(Unaudited)**

<b>(In millions)</b>	<u>Membership Interest</u>	<u>Undistributed Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Member's Equity</u>
<b>Balance, December 31, 2004</b>	\$ 2,361	\$ 761	\$ (83)	\$ 3,039
Net income	—	616	—	616
Distribution to member	—	(319)	—	(319)
Contribution from member	843	—	—	843
Other comprehensive loss, net of income taxes	—	—	(110)	(110)
<b>Balance, June 30, 2005</b>	<u>\$ 3,204</u>	<u>\$ 1,058</u>	<u>\$ (193)</u>	<u>\$ 4,069</u>

See Combined Notes to Consolidated Financial Statements

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

**1. Basis of Presentation (Exelon, ComEd, PECO and Generation)**

Exelon Corporation (Exelon) is a utility services holding company engaged, through its subsidiaries, in the energy delivery and wholesale generation businesses discussed below (see Note 15 — Segment Information). The energy delivery businesses (Energy Delivery) include the purchase and regulated retail sale of electricity and distribution and transmission services by Commonwealth Edison Company (ComEd) in northern Illinois and PECO Energy Company (PECO) in southeastern Pennsylvania and the purchase and retail sale of natural gas and related distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia. The generation business consists principally of the electric generating facilities and wholesale energy marketing operations of Exelon Generation Company, LLC (Generation), the competitive retail sales business of Exelon Energy Company and certain other generation projects. Exelon sold or wound down substantially all components of Exelon Enterprises Company, LLC (Enterprises) in 2004 and 2003. As a result, as of January 1, 2005, Enterprises is no longer reported as a segment.

The consolidated financial statements of Exelon, ComEd, PECO and Generation each include the accounts of entities in which it has a controlling financial interest, other than certain financing trusts of ComEd and PECO, and its proportionate interests in jointly owned utility plants, after the elimination of intercompany transactions. A controlling financial interest is evidenced by either a voting interest greater than 50% or a risk and rewards model that identifies the registrant as the primary beneficiary of the variable interest entity. Investments and joint ventures in which Exelon, ComEd, PECO and Generation do not have a controlling financial interest and certain financing trusts of ComEd and PECO are accounted for under the equity or cost methods of accounting.

In accordance with Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46 (revised December 2003), “Consolidation of Variable Interest Entities” (FIN 46-R), Exelon and Generation consolidated Sithe Energies, Inc. (Sithe), formerly a 50% owned subsidiary of Generation, as of March 31, 2004 and recorded income of \$32 million (net of income taxes) as a result of the elimination of a guarantee of Sithe’s commitments previously recorded by Generation. This income was reported as a cumulative effect of a change in accounting principle in the first quarter of 2004. Generation sold its interest in Sithe on January 31, 2005. See Note 4 — Acquisitions and Dispositions for additional information.

The accompanying consolidated financial statements as of June 30, 2005 and 2004 and for the three and six months then ended are unaudited but, in the opinion of the management of each of Exelon, ComEd, PECO and Generation, include all adjustments that are considered necessary for a fair presentation of its respective financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2004 Consolidated Balance Sheets were taken from audited financial statements. These combined notes to consolidated financial statements do not include all disclosures required by GAAP. Certain prior-year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income. These notes should be read in conjunction with the Notes to Consolidated Financial Statements of Exelon, ComEd, PECO and Generation included in ITEM 8 of their 2004 Annual Report on Form 10-K and Exelon’s and Generation’s Form 8-K filed on May 13, 2005 to recast the December 31, 2004 and previous financial statements for the presentation of certain businesses as discontinued operations within the Consolidated Statements of Income contained in Exelon’s and Generation’s 2004 Annual Report on Form 10-K and a change in the reportable segments in Exelon’s 2004 Annual Report on Form 10-K.

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**2. Discontinued Operations (Exelon and Generation)**

As discussed in Note 4 — Acquisitions and Dispositions, on January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. In addition, during 2003 and 2004 Exelon sold or wound down substantially all components of Enterprises, and Generation sold or wound down substantially all components of AllEnergy Gas & Electric Marketing LLC (AllEnergy), a business within Exelon Energy. As a result, the results of operations and any gain or loss on the sale of these entities are presented as discontinued operations for the three and six months ended June 30, 2005 within Exelon's (for Sithe, AllEnergy and Enterprises) and Generation's (for Sithe and AllEnergy) Consolidated Statements of Income and Comprehensive Income. In addition, the results of operations of these entities have been presented as discontinued operations for the three and six months ended June 30, 2004 for comparative purposes. Results related to these entities were as follows:

<u>Three Months Ended June 30, 2005(a)</u>	<u>Sithe(b)</u>	<u>Enterprises(c)</u>	<u>Total</u>
Total operating revenues	\$ —	\$ 4	\$ 4
Operating loss	—	(2)	(2)
Loss before income taxes and minority interest	(2)	(1)	(3)

- (a) Results of AllEnergy were immaterial for the three months ended June 30, 2005.
- (b) Sithe was sold on January 31, 2005. As such, results only include only one month of operations. See Note 4 — Acquisitions and Dispositions for further information regarding the sale of Sithe.
- (c) Excludes certain investments.

<u>Six Months Ended June 30, 2005(a)</u>	<u>Sithe(b)</u>	<u>Enterprises(c)</u>	<u>Total</u>
Total operating revenues	\$ 30	\$ 8	\$ 38
Operating income (loss)	5	(4)	1
Income (loss) before income taxes and minority interest(d)	18	(5)	13

- (a) Results of AllEnergy were immaterial for the six months ended June 30, 2005.
- (b) Sithe was sold on January 31, 2005. As such, results only include only one month of operations. See Note 4 — Acquisitions and Dispositions for further information regarding the sale of Sithe.
- (c) Excludes certain investments.
- (d) Sithe includes a pre-tax gain on sale of \$19 million.

<u>Three Months Ended June 30, 2004</u>	<u>Sithe</u>	<u>Enterprises(a)</u>	<u>AllEnergy</u>	<u>Total</u>
Total operating revenues	\$ 66	\$ 43	\$ 1	\$ 110
Operating loss	(18)	(22)	(2)	(42)
Income (loss) before income taxes and minority interest	(32)	44	(2)	10

- (a) Excludes certain investments.

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<u>Six Months Ended June 30, 2004</u>	<u>Sithe(a)</u>	<u>Enterprises(b)</u>	<u>AllEnergy</u>	<u>Total</u>
Total operating revenues	\$ 66	\$ 132	\$ 8	\$ 206
Operating loss	(18)	(40)	(3)	(61)
Income (loss) before income taxes and minority interest	(32)	19	(3)	(16)

- (a) In accordance with FIN 46-R, Exelon and Generation consolidated Sithe, formerly a 50% owned subsidiary of Generation, as of March 31, 2004. As Sithe was a nonconsolidated subsidiary during the three months ended March 31, 2004, Sithe's results of operations were not included in discontinued operations for that period. See Note 1 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding the adoption of FIN 46-R and resulting consolidation of Sithe.
- (b) Excludes certain investments.

### **3. New Accounting Pronouncements (Exelon, ComEd, PECO and Generation)**

#### *EITF 03-1*

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus on and the FASB ratified EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). EITF 03-1 provides guidance on recognizing other-than-temporary impairments of investment securities. Exelon has adopted the disclosure requirements of EITF 03-1 for investments accounted for under FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). On September 30, 2004, the FASB issued FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, 'The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments,'" which delayed the effective date of the application guidance on impairment of securities included within EITF 03-1. The FASB, at its June 29, 2005 Board meeting, withdrew its guidance on when an impairment is other than temporary. However, EITF 03-1's provisions regarding the measurement, disclosure and post-impairment accounting guidance of debt securities, as well as the identification of impaired cost method investments remain intact. The FASB expects to issue a final FASB Staff Position in the third quarter of 2005. Additionally, the existing guidance under SFAS No. 115 remains in effect.

#### *SFAS No. 151*

In November 2004, the FASB issued FASB Statement No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4" (SFAS No. 151), which is the result of its efforts to converge U.S. accounting standards for inventories with International Accounting Standards. SFAS No. 151 requires abnormal amounts of idle facility expense, freight, handling costs and wasted material or spoilage to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Exelon, ComEd, PECO and Generation are assessing the impact SFAS No. 151 will have on their consolidated financial statements.

#### *SFAS No. 123-R*

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123-R). SFAS No. 123-R replaces SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) and supersedes Accounting Principles Board (APB) No. 25, "Accounting for Stock Issued"

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to Employees” (APB No. 25). SFAS No. 123-R requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Exelon will no longer be permitted to follow the intrinsic value accounting method of APB No. 25, which resulted in no expense being recorded for stock option grants for which the strike price was equal to the fair value of the underlying stock on the date of grant. Exelon has not elected to early adopt SFAS No. 123-R. In April 2005, the Securities and Exchange Commission (SEC) approved a rule that delayed the effective date of SFAS No. 123-R for public companies. As a result, SFAS No. 123-R will be effective for Exelon in the first quarter of 2006 and will apply to all of Exelon’s outstanding unvested share-based payment awards as of January 1, 2006 and all prospective awards.

In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107 which expressed the views of the SEC regarding the interaction between SFAS No. 123-R and certain SEC rules and regulations. SAB No. 107 provides guidance related to the valuation of share-based payment arrangements for public companies, including assumptions such as expected volatility and expected term. Exelon is assessing the impact SFAS No. 123-R and SAB No. 107 will have on its consolidated financial statements and which of three transition methods allowed by SFAS No. 123-R will be elected.

Exelon currently accounts for its stock-based compensation plans under the intrinsic method prescribed by APB No. 25 and related interpretations and follows the disclosure requirements of SFAS No. 123 and SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123.” Accordingly, compensation expense for stock options recognized within the Consolidated Statements of Income and Comprehensive Income was insignificant for the three months and six months ended June 30, 2005 and 2004. The tables below show the effect on net income and earnings per share for Exelon had Exelon elected to account for its stock-based compensation plans using the fair-value method under SFAS No. 123 for the three and six months ended June 30, 2005 and 2004:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net income — as reported	\$ 514	\$ 521	\$ 1,035	\$ 933
Add: Stock-based compensation expense included in reported net income, net of income taxes	9	7	17	16
Deduct: Total stock-based compensation expense determined under fair-value method for all awards, net of income taxes(a)	(12)	(12)	(24)	(26)
Pro forma net income	<u>\$ 511</u>	<u>\$ 516</u>	<u>\$ 1,028</u>	<u>\$ 923</u>
Earnings per share:				
Basic earnings — as reported	\$ 0.77	\$ 0.79	\$ 1.55	\$ 1.41
Basic earnings — pro forma	\$ 0.76	\$ 0.78	\$ 1.54	\$ 1.40
Diluted earnings — as reported	\$ 0.76	\$ 0.78	\$ 1.53	\$ 1.40
Diluted earnings — pro forma	\$ 0.75	\$ 0.77	\$ 1.52	\$ 1.38

(a) The fair value of options granted was estimated using a Black-Scholes-Merton option pricing model.



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The net income of ComEd, PECO and Generation for the three and six months ended June 30, 2005 and 2004 would not have been significantly affected had Exelon elected to account for its stock-based compensation plans using the fair-value method under SFAS No. 123.

Exelon recognizes the compensation cost of stock-based awards issued to retirement eligible employees that fully vest upon an employee's retirement over the nominal vesting period of performance and recognizes any remaining compensation cost at the date of retirement. Upon the adoption of SFAS No. 123-R, Exelon will be required to recognize the entire compensation cost at the grant date of new stock-based awards in which retirement eligible employees are fully vested upon issuance (the non-substantive vesting approach). Had Exelon accounted for its stock-based awards in which retirement eligible employees are fully vested upon issuance using the non-substantive vesting approach, stock-based compensation expense would have been \$1 million lower for each of the three months ended June 30, 2005 and 2004 and \$3 million higher for each of the six months ended June 30, 2005 and 2004 than reflected in the table above.

*SFAS No. 153*

In December 2004, the FASB issued FASB Statement No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, 'Accounting for Nonmonetary Transactions' " (SFAS No. 153). Previously, APB Opinion No. 29 had required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 will be effective for Exelon, ComEd, PECO and Generation in the third quarter of 2005 and earlier application is permitted for nonmonetary asset exchanges occurring after the issuance of SFAS No. 153. The provisions of SFAS No. 153 are applied prospectively.

*FIN 47*

In March 2005, the FASB issued FIN 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) which clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 will be effective for Exelon, ComEd, PECO and Generation in the fourth quarter of 2005. Exelon, ComEd, PECO and Generation are assessing the impact of FIN 47, which could be material to the financial condition and results of operations of Exelon, ComEd, PECO and Generation (collectively, the Registrants).

*SFAS No. 154*

In May 2005, the FASB issued FASB Statement No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS No. 154). Previously, APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" required the inclusion of the cumulative effect of changes in accounting principle in net income of the period of the change. SFAS No. 154 requires companies to recognize a change in accounting principle,

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including a change required by a new accounting pronouncement when the pronouncement does not include specific transition provisions, retrospectively to prior periods' financial statements. Exelon, ComEd, PECO and Generation will assess the impact of a retrospective application of a change in accounting principle in accordance with SFAS No. 154 when such a change arises after the effective date of January 1, 2006.

**4. Acquisitions and Dispositions (Exelon and Generation)**

***Proposed Merger with PSEG (Exelon)***

On December 20, 2004, Exelon entered into an Agreement and Plan of Merger (Merger Agreement) with Public Service Enterprise Group Incorporated (PSEG), a holding company engaged through its subsidiaries in electric and gas utility businesses primarily located and serving customers in New Jersey, whereby PSEG will be merged with and into Exelon (Merger).

During the first quarter of 2005, Exelon filed petitions or applications for approval of the Merger with the Federal Energy Regulatory Commission (FERC) under the Federal Power Act, the United States Department of Justice under the Hart Scott Rodino Antitrust Improvements Act of 1976, the Pennsylvania Public Utility Commission (PAPUC), the New Jersey Board of Public Utilities (NJBPU), the United States Nuclear Regulatory Commission (NRC), the New York Public Service Commission, the Connecticut Siting Council, the New Jersey Department of Environmental Protection (NJDEP) and with the SEC under the Public Utility Holding Company Act. Other state and Federal agencies will have a role in reviewing various aspects of the transaction. Exelon expects to make these remaining filings in 2005.

On June 30, 2005, the FERC approved the Merger without a hearing. Exelon and PSEG proposed in their application with the FERC, and FERC approved, a market concentration mitigation plan involving the divestiture of 4,000 MW of coal, mid-merit (or intermediate) and peaking generation in the PJM region and the ongoing auction of 2,600 MW of nuclear output. Exelon and PSEG also proposed to invest a total of \$25 million in transmission improvements, which proposal was accepted by FERC. The ultimate outcome of the market concentration mitigation is dependent upon various factors, including the market conditions and buyer interest at the time the units and the nuclear output are offered for sale. The results of these activities, therefore, are not assured, and could have a material impact on the results of operations and cash flows of Exelon and Generation if the sales price for these units is different from management's expectations.

Various governmental, consumer and other parties have intervened, or are expected to intervene, in the proceedings before the NJBPU, the PAPUC and other regulatory bodies. To facilitate approval of the Merger, Exelon may negotiate with these parties and may enter into settlement agreements. Orders resulting from the proceedings before the NJBPU, the PAPUC and other regulatory bodies and settlements in connection with the proceedings could for example, affect the extent to which Exelon and its subsidiaries may benefit from expected synergies following the Merger and could be materially different from what the Registrants expect in this and other respects and could have a material impact on the financial condition, results of operations and cash flows of the Registrants if the Merger is completed. Additionally, as a result of these proceedings, Exelon, ComEd and PECO continue to evaluate their regulated businesses' abilities to apply FASB Statement No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71). If a separable portion of Energy Delivery's business were no longer able to meet the provisions of SFAS No. 71, Exelon, ComEd and PECO, as applicable, would be required to eliminate from its financial statements the effects of regulation for that portion, which could also have a material impact on the financial condition, results of operations and cash flows of Exelon, ComEd and PECO.

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Approval of the Connecticut Siting Council was received on March 16, 2005. ComEd filed a notice of the Merger with the Illinois Commerce Commission (ICC) and the ICC's general counsel confirmed that its formal approval of the Merger is not required.

PSEG shareholders approved the Merger on July 19, 2005. Exelon shareholders approved the issuance of Exelon shares pursuant to the Merger on July 22, 2005.

Exelon has capitalized external costs associated with the Merger since the execution of the Merger Agreement on December 20, 2004. Total capitalized costs of \$19 million at June 30, 2005 are included in deferred debits and other assets on Exelon's Consolidated Balance Sheets. See Note 2 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information.

***Sithe (Exelon and Generation)***

On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. Specifically, subsidiaries of Generation closed on the acquisition of Reservoir Capital Group's 50% interest in Sithe and the sale of 100% of Sithe to Dynegy, Inc. (Dynegy). Prior to closing on the sale to Dynegy, subsidiaries of Generation received approximately \$65 million in cash distributions from Sithe. As a result of the sale, Exelon and Generation deconsolidated approximately \$820 million of debt from their balance sheets and were released from approximately \$125 million of credit support. Dynegy acquired \$32 million of cash as part of the sale of Sithe. Additionally, Exelon and Generation recorded \$55 million of liabilities related to certain indemnifications provided to Dynegy and other liabilities directly resulting from the transaction. These liabilities were taken into account in the final determination of the net gain on the sale of \$19 million (before income taxes). See Note 3 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further historical information regarding Generation's investment in Sithe.

Generation issued certain guarantees associated with income tax indemnifications to Dynegy in connection with the sale which were valued at approximately \$8 million. These guarantees are being accounted for under the provisions of FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN 45). The exposures covered by these indemnities are anticipated to expire in the second half of 2005 and beyond. Generation also recorded additional liabilities associated with the sale transaction totaling \$47 million. The estimated maximum possible exposure to Generation related to the guarantees provided as part of the sales transaction to Dynegy is approximately \$175 million.

Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2005 and 2004 included the following financial results related to Sithe:

	<b>Three Months Ended June 30, 2005(a)</b>	<b>Three Months Ended June 30, 2004</b>
Operating revenues	\$ —	\$ 70
Operating loss	—	(19)
Net loss	(1)	(10)

(a) Sithe was sold on January 31, 2005. As such, results only include only one month of operations.

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	Six Months Ended June 30, 2005(a)	Six Months Ended June 30, 2004(b)
Operating revenues	\$ 30	\$ 70
Operating income (loss)	5	(19)
Net income (loss)	15	(12)

- (a) Sithe was sold on January 31, 2005. As such, results only include only one month of operations.
- (b) Results during the three and six months ended June 30, 2004 include Generation's equity-method losses from Sithe prior to its consolidation on March 31, 2004, as well as transmission congestion contract (TCC) revenues for the three and six months ended June 30, 2004, and are not included in the disposal group of Sithe (see Note 2 — Discontinued Operations for further information regarding the disposal of Sithe). These equity-method losses and TCC revenues are presented within income from continuing operations on the Consolidated Statements of Income and Comprehensive Income of Exelon and Generation.

Exelon's and Generation's Consolidated Balance Sheets as of December 31, 2004 included current assets, noncurrent assets, current liabilities and noncurrent liabilities, which were disposed of upon the sale of Sithe on January 31, 2005 of \$57 million, \$885 million, \$106 million and \$825 million, respectively.

***Sale of Ownership Interest in Boston Generating, LLC (Exelon and Generation)***

On May 25, 2004, Exelon and Generation completed the sale, transfer and assignment of ownership of their indirect wholly owned subsidiary, Boston Generating, LLC (Boston Generating), which owns the companies that own the Mystic 4-7, Mystic 8 and 9 and Fore River generating facilities, to a special purpose entity owned by the lenders under Boston Generating's \$1.25 billion credit facility. See Note 2 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information.

Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2004 included the following financial results related to Boston Generating:

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Operating revenues	\$ 89	\$ 248
Operating loss	(15)	(47)
Net income(a)	42	24

- (a) Net income for 2004 includes an after-tax gain of \$52 million related to the sale of Boston Generating in the second quarter of 2004.

**5. Regulatory Issues (Exelon, ComEd, PECO and Generation)**

***Exelon, ComEd and PECO***

*Through and Out Rates/ SECA.* In November 2004, the FERC issued two orders authorizing ComEd and PECO to recover amounts as a result of the elimination of through and out (T&O) rates for transmission service scheduled out of or across their respective transmission systems and ending within pre-expansion PJM Interconnection, LLC (PJM) or Midwest Independent System Operators (MISO) territories. T&O rates

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were terminated pursuant to FERC orders effective December 1, 2004. The new rates, known as Seams Elimination Charge/ Cost Adjustment/ Assignment (SECA), are collected from load-serving entities within PJM and MISO over a transitional period from December 1, 2004 through March 31, 2006, subject to refund, surcharge and hearing. As load-serving entities, ComEd and PECO are also required to pay SECA rates based on the benefits they receive from the elimination of T&O rates of other transmission owners within PJM and MISO. On June 16, 2005, FERC issued an order setting a hearing to address SECA cost recovery issues, and consolidated that proceeding with a proceeding to address the long-term transmission rate design.

During 2004 prior to the termination of T&O rates, ComEd and PECO had net T&O collections of approximately \$50 million and \$3 million, respectively. As a result of the November 2004 FERC orders and potential appeals, ComEd may see reduced net collections, and PECO may become a net payer of SECA charges. Since the inception of the SECA rates in December 2004, ComEd has recorded approximately \$22 million of SECA collections net of SECA charges, including \$4 million and \$17 million, respectively, during the three and six months ended June 30, 2005, while PECO has recorded \$3 million of SECA charges net of SECA collections, including \$1 million and \$3 million during the three and six months ended June 30, 2005. Management of each of ComEd and PECO believes that appropriate reserves have been established in the event that such SECA collections are required to be refunded. However, as the above amounts collected under the SECA rates are subject to refund and surcharge and the ultimate outcome of the proceeding establishing SECA rates is uncertain, the result of this proceeding may have a material adverse effect on ComEd's and PECO's financial condition, results of operations and cash flows.

*Illinois Regulatory Filing.* In 2004, the ICC initiated and conducted a workshop process to consider issues related to retail electric service in the post-transition period (i.e., post-2006). Issues addressed included utility wholesale generation supply procurement methodology, rates, competition and utility service obligations. All interested parties were invited to participate. The end result was a report from the ICC to the Illinois General Assembly that was generally supportive of utilities competitively procuring generation supply through a reverse-auction process with full recovery of the supply costs from retail customers. In the proposed reverse-auction model, qualified energy suppliers would compete in a transparent, fair and structured auction to provide energy to the utilities and their customers; winning bidders would provide the power needed at the price determined by the auction's results; and the utilities would make no profit on the energy but would fully recover from customers the price of procurement. The ICC staff and an auction monitor would oversee the entire process to assure a fair bidding process.

On February 25, 2005, ComEd filed with the ICC seeking regulatory approval of tariffs that implement the methodologies supported by the report, including a proposal consistent with the reverse-auction process described above. As requested by ComEd, the ICC initiated hearings on the matter. The Illinois Attorney General, Citizens' Utility Board, Cook County State's Attorney's Office and the Environmental Law and Public Policy Center subsequently filed a motion to dismiss the proceeding arguing that customers are entitled to cost-based rates for power and delivery and that the ICC lacked authority to approve rates based on the market value of power, as proposed by ComEd. On June 1, 2005 the Administrative Law Judge denied the motion and on July 13 the ICC denied the moving parties' appeal. The ICC's final order is expected by January 2006. In addition to the February 2005 filing, ComEd intends to make one or more additional filings during 2005 to begin the process to establish post-2006 retail rates, including rates for bundled service and delivery service rates. The Illinois General Assembly has held hearings concerning generation procurement post-2006 and it may choose to take further action on this issue. In April 2005 a proposed amendment to the Illinois Public Utilities Act was introduced in Committee hearings in the Illinois legislature, which, if enacted into law, would have extended the current "rate freeze" and transition period for an additional two years. However, the proposed amendment was defeated in Committee. ComEd cannot predict the results of these

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regulatory processes before the ICC or whether the Illinois General Assembly might take action that could have a material impact on the outcome of the regulatory process. Neither can ComEd predict the long-term impact of customer choice for energy supply on its results of operations.

*Merger-Related Filings.* See Note 4 — Acquisitions and Dispositions for a further discussion of regulatory filings made in connection with the proposed Merger with PSEG. Exelon cannot predict the effect that the merger-related proceedings may have on other regulatory proceedings.

**6. Intangible Assets (Exelon, ComEd and Generation)**

***Goodwill (Exelon and ComEd)***

As of June 30, 2005, Exelon and ComEd had recorded goodwill of approximately \$4.7 billion. Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” (SFAS No. 142), goodwill is tested for impairment at least annually or more frequently if events or circumstances indicate that goodwill might be impaired. Exelon and ComEd will perform their annual goodwill impairment assessment in the fourth quarter of 2005. The changes in the carrying amount of goodwill for the period from January 1, 2005 to June 30, 2005 were as follows:

Balance as of January 1, 2005(a)	\$ 4,705
Resolution of certain tax matters(b)	(9)
Balance as of June 30, 2005(a)	<u>\$ 4,696</u>

(a) Exelon’s goodwill balance at January 1 and June 30, 2005 is held at ComEd, which is included in the Energy Delivery segment. See Note 15 — Segment Information for further information regarding Exelon’s segments.

(b) Adjustment related to income tax refund claims and interest thereon. See Note 13 — Commitments and Contingencies for further information.

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**Other Intangible Assets (Exelon and Generation)**

Exelon's and Generation's other intangible assets, included in deferred debits and other assets, consisted of the following:

	June 30, 2005			December 31, 2004		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<b>Generation amortized intangible assets:</b>						
Energy purchase agreement(a)	\$ —	\$ —	\$ —	\$ 384	\$ (27)	\$ 357
Tolling agreement(a)	—	—	—	73	(5)	68
Other	—	—	—	6	(6)	—
<b>Total Generation amortized intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>463</b>	<b>(38)</b>	<b>425</b>
<b>Exelon amortized intangible assets:</b>						
Synthetic fuel investments(b)	264	(87)	177	264	(56)	208
<b>Total Exelon amortized intangible assets</b>	<b>\$ 264</b>	<b>\$ (87)</b>	<b>\$ 177</b>	<b>\$ 727</b>	<b>\$ (94)</b>	<b>\$ 633</b>
<b>Exelon other intangible assets:</b>						
Intangible pension asset	171	—	171	171	—	171
<b>Total Exelon intangible assets</b>	<b>\$ 435</b>	<b>\$ (87)</b>	<b>\$ 348</b>	<b>\$ 898</b>	<b>\$ (94)</b>	<b>\$ 804</b>

- (a) See Note 3 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a description of Sithe's intangible assets. These intangible assets were eliminated from the Consolidated Balance Sheets of Exelon and Generation upon the sale of Sithe on January 31, 2005. See Note 4 — Acquisitions and Dispositions for further information regarding the sale of Sithe.
- (b) See Note 2 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a description of Exelon's right to acquire tax credits through investments in synthetic fuel-producing facilities. In addition, see Note 10 — Income Taxes.

For the three and six months ended June 30, 2005, Exelon's amortization expense related to intangible assets was \$15 million and \$35 million, respectively, of which \$4 million, for Exelon has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement for the six months ended June 30, 2005. For the three and six months ended June 30, 2004, Exelon's amortization expense related to intangible assets was \$28 million and \$41 million, respectively, of which \$17 million and \$18 million, respectively, has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement. Exelon's amortization expense associated with intangible assets related to synthetic fuel-producing investments is expected to be in the range of \$50 million to \$75 million annually from 2005 through 2007 and is expected to be insignificant in 2008 and 2009.

For the six months ended June 30, 2005, Generation's amortization expense related to Sithe's intangible assets was \$4 million, which has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement. For the three and six months ended June 30, 2004, Generation's

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amortization, which was primarily related to Sithe's intangible assets, was \$17 million and \$18 million respectively, which has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement.

**7. Debt (Exelon, ComEd, PECO and Generation)**

***Commercial Paper***

Exelon, ComEd, PECO and Generation meet their short-term liquidity requirements primarily through the issuance of commercial paper. Exelon, ComEd, PECO and Generation had the following amounts of commercial paper outstanding at June 30, 2005 and December 31, 2004:

<b>Borrower</b>	<b>June 30, 2005</b>	<b>December 31, 2004</b>
Exelon	\$ 329	\$ 490
ComEd	—	—
PECO	—	—
Generation	—	—

***Short-Term Debt***

On March 7, 2005, Exelon entered into a \$2 billion term loan agreement. The loan proceeds were used to fund discretionary contributions of \$2 billion to Exelon's pension plans, including contributions of \$803 million, \$109 million and \$842 million by ComEd, PECO and Generation, respectively. To facilitate the contributions by ComEd, PECO and Generation, Exelon contributed the corresponding amounts to the capital of each company. On April 1, 2005, Exelon entered into a \$500 million term loan agreement to reduce this \$2 billion term loan. During the second quarter of 2005, \$200 million of this \$500 million term loan, as well as the remaining \$1.5 billion balance on the \$2 billion term loan described above, were repaid with the net proceeds received from the issuance of the \$1.7 billion long-term senior notes presented in the table below. The \$300 million outstanding balance under the \$500 million term loan agreement bears interest at a variable rate determined, at Exelon's option, by either the Base Rate or the Eurodollar Rate (as defined in the term loan agreement) and is due in full on December 1, 2005. The applicable interest rate as of June 30, 2005 for the term loan was 3.14%.

***Issuance of Long-Term Debt***

During the six months ended June 30, 2005, the following long-term debt was issued:

<b>Company</b>	<b>Type</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Amount</b>
Exelon	Senior notes	4.45%	June 15, 2010	\$ 400
Exelon	Senior notes	4.90%	June 15, 2015	800
Exelon	Senior notes	5.625%	June 15, 2035	500
ComEd	Pollution Control Revenue Bonds	Variable	March 1, 2017	91
<b>Total issuances(a)</b>				<b>\$ 1,791</b>

(a) Total issuances excludes unamortized bond discounts.



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**Retirements and Redemptions of Long-Term Debt**

During the six months ended June 30, 2005, the following long-term debt was retired:

Company	Type	Interest Rate	Maturity	Amount
Exelon	Notes payable for investment in synthetic fuel-producing facilities	6.00 to 8.00%	January 2008	\$ 30
ComEd	Pollution Control Revenue Bonds	6.75%	March 1, 2015	91
ComEd	First Mortgage Bonds	9.875%	June 15, 2020	54
Other				10
<b>Total retirements</b>				<b>\$ 185</b>

Debt totaling approximately \$820 million was eliminated from the Consolidated Balance Sheets of Exelon and Generation as a result of the sale of Sithe that occurred on January 31, 2005. See Note 4 — Acquisitions and Dispositions for further discussion regarding the sale of Sithe.

During the three and six months ended June 30, 2005, ComEd made scheduled payments of \$93 million and \$190 million, respectively, related to its obligation to the ComEd Transitional Funding Trust, and PECO made scheduled payments of \$99 million and \$207 million, respectively, related to its obligation to the PECO Energy Transition Trust (PETT).

Prepayment premiums of \$3 million, unamortized premiums of \$4 million and debt issuances costs of \$3 million associated with the early retirement of debt in 2005 have been deferred in Exelon's and ComEd's regulatory assets and will be amortized to interest expense over the life of the related new debt issuance consistent with regulatory recovery.

**8. Severance Benefits (Exelon, ComEd, PECO and Generation)**

Exelon, ComEd, PECO and Generation provide 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, ComEd, PECO and Generation account for their ongoing severance plans in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43," 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.

The following tables present, by registrant, the net change in total positions expected to be eliminated during the three and six months ended June 30, 2005 and 2004 and the number of identified positions that have not been eliminated as of June 30, 2005:

	ComEd	PECO	Generation	Exelon
Net change in positions expected to be eliminated during the three months ended June 30, 2005	(26)	2	(3)	(42)
Net change in positions expected to be eliminated during the six months ended June 30, 2005	(41)	10	(20)	(59)
Positions identified for elimination not eliminated as of June 30, 2005	140	12	52	233

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	<u>ComEd</u>	<u>PECO</u>	<u>Generation</u>	<u>Exelon</u>
Net change in positions expected to be eliminated during the three months ended June 30, 2004	(2)	16	12	51
Net change in positions expected to be eliminated during the six months ended June 30, 2004	7	48	75	97

Exelon, ComEd, PECO and Generation based their estimates of the number of positions to be eliminated on each management's current plans and their ability to determine the appropriate staffing levels to effectively operate the businesses. Exelon, ComEd, PECO and Generation may incur further severance costs 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 tables present total salary continuance severance costs (benefits), recorded as an operating and maintenance expense, for the three and six months ended June 30, 2005 and 2004:

<u>Salary Continuance Severance</u>	<u>ComEd</u>	<u>PECO</u>	<u>Energy Delivery</u>	<u>Generation</u>	<u>Other</u>	<u>Exelon</u>
Expense (income) recorded for three months ended June 30, 2005	\$ (3)	\$ —	\$ (3)	\$ (1)	\$ 1	\$ (2)
Expense (income) recorded for six months ended June 30, 2005	(4)	1	(3)	(2)	1	(4)

<u>Salary Continuance Severance</u>	<u>ComEd</u>	<u>PECO</u>	<u>Energy Delivery</u>	<u>Generation</u>	<u>Other</u>	<u>Exelon</u>
Expense (income) recorded for three months ended June 30, 2004	\$ —	\$ (1)	\$ (1)	\$ 1	\$ 3	\$ 3
Expense (income) recorded for six months ended June 30, 2004	—	4	4	(5)	5	4

The following table provides a roll forward of the salary continuance severance obligations from January 1, 2005 through June 30, 2005 for Exelon, ComEd, PECO and Generation:

<u>Salary Continuance Obligations</u>	<u>ComEd</u>	<u>PECO</u>	<u>Generation</u>	<u>Exelon</u>
Balance at January 1, 2005	\$ 28	\$ 7	\$ 16	\$ 69
Severance (benefits) charges recorded	(4)	1	(2)(a)	(4)(a)
Cash payments	(7)	(4)	(3)	(20)
Balance at June 30, 2005	<u>\$ 17</u>	<u>\$ 4</u>	<u>\$ 11</u>	<u>\$ 45</u>

(a) Excludes severance charges of \$4 million related to Salem, of which Generation owns 42.59% and which is operated by PSEG.

**9. Retirement Benefits (Exelon, ComEd, PECO and Generation)**

Exelon's defined benefit pension plans and postretirement welfare benefit plans are accounted for in accordance with SFAS No. 87, "Employer's Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," and are disclosed in accordance with SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits — an Amendment of FASB Statements No. 87, 88 and 106" (revised 2003). See Note 15 of Exelon's Notes to

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Exelon made discretionary contributions of \$2 billion to its pension plans during the first quarter of 2005. These contributions were initially funded through borrowings under a short-term loan agreement, which were subsequently refinanced with long-term senior notes, as further described in Note 7 — Debt. Of the total contribution, ComEd, PECO and Generation contributed approximately \$803 million, \$109 million and \$844 million, respectively. The ComEd and PECO contributions were fully funded by capital contributions from Exelon. The Generation contribution was primarily funded by capital contributions from Exelon and included \$2 million from internally generated funds. Exelon did not contribute to its pension plans in the second quarter of 2005 and does not anticipate making any additional contributions during the remainder of 2005. The funding status of the pension obligation is based on assumed discount rates and assumed long-term rates of return on plan assets. A decrease in these assumed rates could impact the funding status of the pension obligation.

The following tables present the components of Exelon's net periodic benefit costs for the three and six months ended June 30, 2005 and 2004. The expected long-term rate of return on plan assets used to estimate 2005 pension benefit costs was 9.00%. The expected long-term rate of return on plan assets used to estimate the 2005 other postretirement benefit cost was 8.30%. A portion of the net periodic benefit cost is capitalized within the Consolidated Balance Sheets.

	Pension Benefits Three Months Ended June 30,		Other Postretirement Benefits Three Months Ended June 30,	
	2005	2004	2005	2004
Service cost	\$ 38	\$ 33	\$ 23	\$ 20
Interest cost	139	134	43	44
Expected return on assets	(192)(a)	(153)	(24)	(23)
Amortization of:				
Transition obligation (asset)	(1)	(1)	2	2
Prior service cost (benefit)	4	4	(22)	(19)
Actuarial loss	30	15	17	15
Curtailed charge(b)	—	5	—	3
Special termination benefits charge(c)	—	—	—	8
Net periodic benefit cost	<u>\$ 18</u>	<u>\$ 37</u>	<u>\$ 39</u>	<u>\$ 50</u>

- (a) Increase in expected return on pension assets for the three months ended June 30, 2005 compared to 2004 was primarily attributable to discretionary pension contributions of \$2 billion made during the first quarter of 2005.
- (b) ComEd, PECO and Generation were allocated curtailment charges for pension and other postretirement benefits of \$3 million, \$2 million and \$3 million, respectively.
- (c) ComEd, PECO and Generation were allocated special termination benefit charges related to other postretirement benefits of \$3 million, \$2 million and \$2 million, respectively.

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	Pension Benefits Six Months Ended June 30,		Other Postretirement Benefits Six Months Ended June 30,	
	2005	2004	2005	2004
Service cost	\$ 76	\$ 66	\$ 47	\$ 40
Interest cost	278	268	86	89
Expected return on assets	(385)(a)	(307)	(49)	(46)
Amortization of:				
Transition obligation (asset)	(2)	(2)	5	4
Prior service cost (benefit)	8	8	(45)	(38)
Actuarial loss	60	30	33	30
Curtailed charge(b)	—	5	—	3
Special termination benefits charge(c)	—	—	—	8
Net periodic benefit cost	<u>\$ 35</u>	<u>\$ 68</u>	<u>\$ 77</u>	<u>\$ 90</u>

- (a) Increase in expected return on pension assets for the six months ended June 30, 2005 compared to 2004 was primarily attributable to discretionary pension contributions of \$2 billion made during the first quarter of 2005.
- (b) ComEd, PECO and Generation were allocated curtailment charges for pension and other postretirement benefits of \$3 million, \$2 million and \$3 million, respectively.
- (c) ComEd, PECO and Generation were allocated special termination benefit charges related to other postretirement benefits of \$3 million, \$2 million and \$2 million, respectively.

The following table presents the allocation by registrant of Exelon's pension and post-retirement benefit costs during the three and six months ended June 30, 2005 and 2004:

Pension and Postretirement Benefit Costs(a)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
ComEd	\$ 19	\$ 23	\$ 38	\$ 47
PECO	5	8	11	16
Generation	25	31	49	62

- (a) Includes capital and operating and maintenance expense.

Exelon sponsors savings plans for the majority of its employees. The plans allow employees to contribute a portion of their pre-tax income in accordance with specified guidelines. Exelon matches a percentage of the employee contribution up to certain limits. The following table presents, by registrant, the matching contribution to the savings plans during the three and six months ended June 30, 2005 and 2004:

Savings Plan Matching Contributions	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Exelon	\$ 15	\$ 14	\$ 29	\$ 28
ComEd	4	4	8	8
PECO	1	1	3	3
Generation	7	6	14	13

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**10. Income Taxes (Exelon, ComEd, PECO and Generation)**

***Exelon***

Exelon's effective income tax rate from continuing operations varied from the U.S. Federal statutory rate principally due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	3.4	2.8	3.7	2.7
Synthetic fuel-producing facilities credit(a)	(8.8)	(6.6)	(8.1)	(7.1)
Qualified nuclear decommissioning trust fund income	1.0	0.5	0.7	0.6
Tax-exempt income	(0.4)	(0.3)	(0.4)	(0.4)
Amortization of investment tax credit	(0.3)	(0.3)	(0.3)	(0.4)
Nontaxable employee benefits	(0.2)	(0.2)	(0.3)	(0.3)
Low-income housing credit	—	(0.5)	—	(0.5)
Other	(1.1)	0.4	(0.5)	0.2
Effective income tax rate	<u>28.6%</u>	<u>30.8%</u>	<u>29.8%</u>	<u>29.8%</u>

(a) See Note 2 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding investments in synthetic fuel-producing facilities.

***ComEd***

ComEd's effective income tax rate varied from the U.S. Federal statutory rate principally due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	4.8	4.7	4.8	4.8
Amortization of regulatory asset	0.8	0.5	0.8	0.5
Amortization of investment tax credit	(0.4)	(0.2)	(0.5)	(0.2)
Nontaxable employee benefits	(0.4)	(0.3)	(0.5)	(0.2)
Other	(0.4)	(0.4)	0.1	(0.2)
Effective income tax rate	<u>39.4%</u>	<u>39.3%</u>	<u>39.7%</u>	<u>39.7%</u>

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**PECO**

PECO's effective income tax rate varied from the U.S. Federal statutory rate principally due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	(4.4)	(0.8)	(1.5)	0.1
Amortization of investment tax credit	(0.4)	(0.4)	(0.3)	(0.4)
Nontaxable employee benefits	(0.3)	(0.2)	(0.2)	(0.2)
Plant basis differences	(0.7)	(1.3)	(0.2)	(1.2)
Other	0.7	1.0	0.3	(0.8)
Effective income tax rate	<u>29.9%</u>	<u>33.3%</u>	<u>33.1%</u>	<u>32.5%</u>

**Generation**

Generation's effective income tax rate from continuing operations varied from the U.S. Federal statutory rate principally due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	4.3	3.1	4.6	3.5
Nuclear decommissioning trust income	1.5	1.2	1.0	1.8
Tax exempt income	(0.6)	(0.8)	(0.5)	(1.2)
Amortization of investment tax credit	(0.2)	(0.4)	(0.2)	(0.6)
Nontaxable employee benefits	(0.2)	(0.2)	(0.2)	(0.4)
Other	(1.4)	0.1	(1.2)	0.2
Effective income tax rate	<u>38.4%</u>	<u>38.0%</u>	<u>38.5%</u>	<u>38.3%</u>

*Investments in Synthetic Fuel-Producing Facilities.* Exelon's interests in synthetic fuel-producing facilities increased Exelon's net income by \$29 million and \$15 million during the three months ended June 30, 2005 and 2004, respectively, and \$45 million and \$29 million during the six months ended June 30, 2005 and 2004, respectively. Tax credits generated by the production of synthetic fuel are subject to a phase-out provision that gradually reduces tax credits as the annual average wellhead price per barrel of domestic crude oil increases into an inflation-adjusted phase-out range. For 2004, the tax credits would have begun to phase out when the annual average wellhead price per barrel of domestic crude oil exceeded \$51 per barrel and would have been completely phased out when the annual average wellhead price per barrel of domestic crude oil reached \$64 per barrel. The 2005 phase-out range will be calculated using inflation rates published in 2006 by the Internal Revenue Service (IRS). Exelon estimates that for 2005 the tax credits will begin to phase out

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if the annual average wellhead price per barrel of domestic crude oil exceeds \$52 per barrel and will completely phase out if the annual average wellhead price per barrel of domestic crude oil reaches \$66 per barrel. For the six months ended June 30, 2005, the average closing price of a barrel of domestic crude oil was approximately \$46. Based on both the average closing price to date and current futures prices for the remaining months of 2005, Exelon estimates that there will not be a phase-out of tax credits in 2005.

Absent any efforts to mitigate market price exposure, if domestic crude oil prices increase further in 2005 and continue to stay at a high level in 2006 and 2007, the tax credits and net income generated by the investments may be reduced substantially and could result in an estimated after-tax non-operating loss of \$70 million per year in the event the tax credits are completely phased out. In 2005, Exelon and Generation entered into certain derivatives to hedge a portion of this commodity exposure in the normal course of their trading operations. These derivatives could result in cash proceeds to Exelon of \$23 million, \$70 million and \$70 million in 2005, 2006 and 2007, respectively, in the event the tax credits are completely phased-out.

Exelon has recorded an intangible asset related to its investments in these facilities with a net carrying value of \$177 million at June 30, 2005 that could become impaired if domestic crude oil prices continue to increase in the future. However, the subsidiaries of Exelon that hold interests in the synthetic fuel-producing facilities are subject to debt obligations related to the purchase of the facilities that have a principal balance of \$189 million as of June 30, 2005. The performance of those subsidiaries with respect to these debt obligations is not guaranteed by Exelon.

*1999 Sale of Fossil Generating Assets.* Exelon, through its ComEd subsidiary, has taken certain tax positions, which have been disclosed to the IRS, to defer the tax gain on the 1999 sale of its fossil generating assets. As of June 30, 2005, deferred tax liabilities related to the fossil plant sale are reflected in Exelon's Consolidated Balance Sheets with the majority allocated to ComEd and the remainder to Generation. Exelon's and ComEd's ability to continue to defer all or a portion of this liability depends on whether their treatment of the sales proceeds as having been received in connection with an involuntary conversion is proper pursuant to applicable law. Exelon's and ComEd's ability to continue to defer the remainder of this liability may depend in part on whether their tax characterization of a lease transaction ComEd entered into in connection with the sale is proper pursuant to applicable law. For instance, the IRS may argue that the lease transaction is of a type it has recently announced its intention to challenge, and Exelon and ComEd understand that somewhat similar transactions entered into by other companies have been the subject of review and challenge by the IRS. A successful IRS challenge to ComEd's positions would have the impact of accelerating future income tax payments and increasing interest expense related to the deferred tax gain that becomes currently payable. As of June 30, 2005, Exelon's potential cash outflow, including tax and interest (after-tax), could be as much as \$930 million. Exelon's, ComEd's and Generation's management believe a reserve for interest has been appropriately recorded in accordance with SFAS No. 5, "Accounting for Contingencies" (SFAS No. 5); however, the ultimate outcome of such matters could result in unfavorable or favorable adjustments to the results of operations, and such adjustments could be material. Federal tax returns covering the period of the 1999 sale are currently under IRS audit. Final resolution of this matter is not anticipated for several years.

**11. Nuclear Decommissioning and Nuclear Decommissioning Trust Fund Investments (Exelon and Generation)**

***Nuclear Decommissioning***

Both Generation and AmerGen Energy Company, LLC (AmerGen), a wholly owned subsidiary of Generation, have legal obligations to decommission their nuclear power plants following the expiration of their

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respective operating licenses. In accordance with SFAS No. 143, this obligation is reflected as an asset retirement obligation (ARO), which is classified as a noncurrent liability. Refer to Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a full discussion of the accounting for nuclear decommissioning and nuclear decommissioning trust fund investments. In addition, see Note 16 — Related-Party Transactions for information regarding intercompany balances between Generation, and ComEd and PECO reflecting the obligation to refund to customers any decommissioning-related assets in excess of the related decommissioning obligations. The balances reflect the applicable accounting methodology; although it is expected that all decommissioning-related assets will ultimately be used to satisfy decommissioning obligations.

Generation updates its ARO on a periodic basis. During the second quarter of 2005, Generation recorded a \$281 million net decrease to the ARO resulting from revisions to estimated future nuclear decommissioning cash flows. This update also resulted in a corresponding decrease to the asset retirement cost (ARC) of approximately \$251 million, included in property, plant and equipment. The balance of the decrease to the ARO related primarily to the retired units, which have no remaining useful life and, likewise, no existing ARC to offset. The decrease related to these retired units totaled approximately \$30 million and was recorded as a credit to income. However, since there is currently no impact to net income for the decommissioning of the former ComEd and PECO units, the \$30 million credit to income was equally offset with a charge to operating income and an adjustment to the intercompany payable to ComEd and PECO at Generation, and an adjustment to the regulatory liability at Exelon. Both the credit to income and the offsetting charge to operating income are included in the operating and maintenance line of the income statement.

The net decrease to the ARO resulted primarily from a year-over-year decline in the cost escalation factors used to estimate future undiscounted costs, which was partially offset by an increase resulting from updated decommissioning cost studies received for two nuclear stations. Both the updated escalation factors and the updated cost estimates were provided by independent third-party appraisers. Cost studies are generally updated every three to five years in accordance with NRC regulations and industry practice. The net decrease in the ARO for the former ComEd units, the former PECO units and the AmerGen units resulting from revisions to estimated cash flows during 2005 was \$207 million, \$40 million and \$34 million, respectively. As of June 30, 2005, the ARO balances for the former ComEd, the former PECO and the AmerGen units totaled approximately \$2.2 billion, \$1.0 billion and \$0.6 billion, respectively.

The following table presents a roll forward of the ARO reflected on Exelon's and Generation's Consolidated Balance Sheets from January 1, 2005 to June 30, 2005:

	<u>Generation</u>	<u>Exelon</u>
Asset retirement obligation at January 1, 2005	\$ 3,980	\$ 3,981
Net decrease resulting from updates to estimated future cash flows	(281)	(281)
Liabilities disposed(a)	(3)	(3)
Accretion expense	126	126
Payments to decommission retired plants	(6)	(6)
Asset retirement obligation at June 30, 2005	<u>\$ 3,816</u>	<u>\$ 3,817</u>

(a) The ARO of Sithe was removed from the balance sheet upon its sale on January 31, 2005.



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***Nuclear Decommissioning Trust Fund Investments***

At June 30, 2005 and December 31, 2004, Exelon and Generation had nuclear decommissioning trust fund investments in the amounts of \$5,306 million and \$5,262 million, respectively.

At June 30, 2005, Exelon and Generation had gross unrealized gains of \$539 million and gross unrealized losses of \$50 million. The gross unrealized losses were comprised of \$41 million related to trust accounts for the decommissioning of the former ComEd and PECO plants and \$9 million primarily related to the trust accounts for the decommissioning of the AmerGen plants. At December 31, 2004, Exelon and Generation had gross unrealized gains of \$626 million and gross unrealized losses of \$44 million related to the nuclear decommissioning trust fund investments. The gross unrealized losses were comprised of \$37 million related to trust accounts for the decommissioning of the former ComEd and PECO plants and \$7 million primarily related to the trust accounts for the decommissioning of the AmerGen plants.

During the three and six-month periods ending June 30, 2005, Exelon realized gains resulting from the sale of nuclear decommissioning trust fund investments of \$54 million and \$55 million, respectively. Of these gains, \$36 million and \$39 million, in the three and six months ended June 30, 2005, respectively, related to investments held in the AmerGen decommissioning trust funds. These gains were recognized primarily as a result of changes to the investment strategy associated with the mix of investments in the nuclear decommissioning trust funds in the first half of 2005. For the former ComEd and PECO units, these gains and losses have been reflected as a component of other income, and due to the contractual construct, had no impact on the results of operations of Exelon and Generation. Refer to Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a full discussion of the accounting for nuclear decommissioning and nuclear decommissioning trust fund investments, including a discussion of the contractual construct.

Exelon evaluates decommissioning trust fund investments for other-than-temporary impairments by analyzing the historical performance, cost basis and market value of securities in unrealized loss positions in comparison to related market indices. During the six months ended June 30, 2005, Exelon concluded that certain trust fund investments were other-than-temporarily impaired based on various factors assessed in the aggregate, including the duration and severity of the impairment, the anticipated recovery of the securities and consideration of Exelon's ability and intent to hold the investments until the recovery of their cost basis. This determination resulted in impairment charges of \$1 million and \$2 million for the three and six months ended June 30, 2005, respectively, recorded in other income and deductions associated with the trust funds for the decommissioning of the AmerGen plants. Also, Exelon realized \$5 million and \$12 million for the three and six months ended June 30, 2005, respectively, of the previously unrealized losses associated with the trust investments for the decommissioning of the former ComEd and PECO plants. As both realized and unrealized losses are included as a reduction in the fair value of the investments and in the fair value of the regulatory liability at ComEd and PECO, realization of these losses associated with the former ComEd and PECO plants had no impact on Exelon's results of operations or financial position.

**12. Earnings Per Share and Shareholders' Equity (Exelon)**

***Share Repurchases***

During the first quarter of 2005, Exelon repurchased 0.2 million shares of common stock from a retired executive for \$8 million. These shares are held as treasury shares and are recorded at cost. Exelon did not repurchase any shares during the second quarter of 2005.

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**Earnings per Share**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Income from continuing operations	\$ 516	\$ 503	\$ 1,023	\$ 900
Income (loss) from discontinued operations	(2)	18	12	1
Income before cumulative effect of a change in accounting principle	\$ 514	\$ 521	\$ 1,035	\$ 901
Cumulative effect of a change in accounting principle	—	—	—	32
Net income	<u>\$ 514</u>	<u>\$ 521</u>	<u>\$ 1,035</u>	<u>\$ 933</u>
Average common shares outstanding — basic	670	661	669	660
Assumed exercise of stock options	7	6	7	6
Average common shares outstanding — diluted	<u>677</u>	<u>667</u>	<u>676</u>	<u>666</u>
<b>Earnings per average common share — Basic:</b>				
Income from continuing operations	\$ 0.77	\$ 0.76	\$ 1.53	\$ 1.36
Income from discontinued operations	—	0.03	0.02	—
Income before cumulative effect of a change in accounting principle	\$ 0.77	\$ 0.79	\$ 1.55	\$ 1.36
Cumulative effect of a change in accounting principle	—	—	—	0.05
Net income	<u>\$ 0.77</u>	<u>\$ 0.79</u>	<u>\$ 1.55</u>	<u>\$ 1.41</u>
<b>Earnings per average common share — Diluted:</b>				
Income from continuing operations	\$ 0.76	\$ 0.75	\$ 1.51	\$ 1.35
Income from discontinued operations	—	0.03	0.02	—
Income before cumulative effect of a change in accounting principle	\$ 0.76	\$ 0.78	\$ 1.53	\$ 1.35
Cumulative effect of a change in accounting principle	—	—	—	0.05
Net income	<u>\$ 0.76</u>	<u>\$ 0.78</u>	<u>\$ 1.53</u>	<u>\$ 1.40</u>

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was 1 million for the three and six months ended June 30, 2004. There were no stock options excluded for the three or six months ended June 30, 2005.

**13. Commitments and Contingencies (Exelon, ComEd, PECO and Generation)**

For information regarding capital commitments and nuclear decommissioning at December 31, 2004, see Notes 14 and 20 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report

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on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.

***Energy Commitments***

At June 30, 2005, Generation's long-term commitments relating to the purchase from and sale to unaffiliated utilities and others of energy, capacity and transmission rights did not change significantly from December 31, 2004, except for the following:

- Power-only sales commitments of \$395 million and minimum fuel purchase commitments of \$217 million were eliminated after the sale of Sithe on January 31, 2005.
- During the second quarter of 2005, in the normal course of business, Generation entered into long-term contracts for uranium enrichment services, increasing commitments in years beyond 2009 by approximately \$400 million.

***Commercial Commitments***

Exelon, ComEd, PECO and Generation's commercial commitments as of June 30, 2005, representing commitments potentially triggered by future events did not change significantly from December 31, 2004, except for the following:

- Letters of credit decreased \$108 million, primarily as a result of the sale of Sithe. See Note 4 — Acquisitions and Dispositions for further discussion. Guarantees decreased \$174 million, primarily as a result of the wind-down of Enterprises' operations.

***Environmental Liabilities***

Exelon, ComEd, PECO and Generation accrue amounts for environmental investigation and remediation costs that can be reasonably estimated, including amounts for manufactured gas plant (MGP) investigation and remediation. Exelon has identified 69 sites where former MGP activities have or may have resulted in actual site contamination. Of these 69 sites, the Illinois Environmental Protection Agency has approved the clean up of 5 sites and the Pennsylvania Department of Environmental Protection has approved the clean up of 9 sites. Pursuant to a PAPUC order, PECO is currently recovering a provision for environmental costs annually for the remediation of former MGP facility sites, for which PECO has recorded a regulatory asset. See Note 14 — Supplemental Financial Information for further information regarding regulatory assets and liabilities. As of June 30, 2005 and December 31, 2004, Exelon, ComEd, PECO and Generation had accrued the following amounts for environmental liabilities:

<u>June 30, 2005</u>	<u>Total Environmental Investigation and Remediation Reserve</u>	<u>Portion of Total Related to MGP Investigation and Remediation(a)</u>
ComEd	\$ 59	\$ 54
PECO	46	40
Generation	15	—
Exelon	<u>\$ 120</u>	<u>\$ 94</u>

(a) Discounted.

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<u>December 31, 2004</u>	<u>Total Environmental Investigation and Remediation Reserve</u>	<u>Portion of Total Related to MGP Investigation and Remediation(a)</u>
ComEd	\$ 61	\$ 55
PECO	47	41
Generation	16	—
Exelon	<u>\$ 124</u>	<u>\$ 96</u>

(a) Discounted.

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

*Section 316(b) of the Clean Water Act.* In a pre-draft permit dated May 13, 2005, as part of the pending National Pollution Discharge Elimination System permit renewal process for Oyster Creek, the New Jersey Department of Environmental Protection (NJDEP) preliminarily determined that closed-cycle cooling and environmental restoration are the only viable compliance options for Section 316(b) compliance at Oyster Creek. AmerGen has not made a determination regarding how it will demonstrate compliance with the Section 316(b) regulations, but believes that other compliance options under the final Phase II rule are viable and will be analyzed as part of the plant's comprehensive demonstration study. If application of the Section 316(b) regulations requires the retrofitting of Oyster Creek's cooling water intake structure, or extensive wetlands restoration, this could result in material costs of compliance. See Note 20 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for additional information regarding Section 316(b) of the Clean Water Act.

*Cotter Corporation.* See Note 20 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for information regarding environmental matters associated with the Cotter Corporation.

*Voluntary Greenhouse Gas Emissions Reductions.* Exelon announced on May 6, 2005 that it has established a voluntary goal to reduce its greenhouse gas (GHG) emissions by eight percent from 2001 levels by the end of 2008. The eight percent reduction goal represents a decrease of an estimated 1.3 million metric tons of GHG emissions. Exelon will incorporate recognition of GHG emissions and their potential cost into its business analyses as a means to promote internal investment in climate-reducing activities. Exelon made this pledge under the U.S. Environmental Protection Agency's Climate Leaders program, a voluntary industry-government partnership addressing climate change. Exelon believes that its planned greenhouse gas management efforts, including increased use of renewable energy, its current energy efficiency initiatives and its efforts in the areas of carbon sequestration, will allow it to achieve this goal. The anticipated cost of achieving the voluntary GHG emissions reduction goal will not have a material effect on Exelon's future results of operations, financial condition and cash flows.

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***Litigation***

*Exelon*

*PJM Billing Dispute.* In December 2004, Exelon filed a complaint against PJM and PPL Electric with the FERC alleging that PJM had overcharged Exelon from April 1998 through May 2003 as a result of a billing error. Specifically, the complaint alleges that PJM mistakenly identified PPL Electric's Elroy substation transformer as belonging to Exelon and that, as a consequence, during times of congestion, Exelon's bills for transmission congestion from PJM erroneously reflected energy that PPL Electric took from the Elroy substation and used to serve PPL Electric's load. The complaint requests the FERC, among other things, to direct PPL Electric to refund to PJM \$39.1 million, plus interest of approximately \$8 million, and for PJM to refund these same amounts to Exelon.

On April 18, 2005, the FERC issued an Order Establishing Hearing and Settlement Judge Proceedings. The FERC ruled that ". . . Exelon is entitled to reimbursement, but we set for hearing and settlement judge proceedings the issue of how much reimbursement Exelon is entitled to, including interest, and how much each party shall pay, based on each party's responsibility for the erroneous charges." The FERC Order required the Chief Administrative Law Judge to appoint a settlement judge and if the matter is not resolved through these settlement proceedings, the Chief Administrative Judge will be required to send the matter to an evidentiary hearing.

Exelon has not recorded any receivables associated with this matter.

*Generation*

*Asbestos Claims.* Like many other industrial companies, Generation is a defendant in personal injury actions related to asbestos exposure in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. The vast majority of these asbestos-related bodily injury claims allege a variety of lung-related diseases based on alleged exposure to asbestos by former third-party contractors involved in the original construction or maintenance of the facilities. The construction of these facilities primarily occurred between 1950 and 1975. Generation does not have significant asbestos-related bodily injury claims occurring after 1980.

As part of the 2001 restructuring in which Generation purchased ComEd's and PECO's energy producing facilities, Generation assumed all current and future benefits and liabilities associated with these facilities. Based on the receipt of asbestos-related bodily injury claims during 2002, 2003 and 2004, where previously an insignificant number of claims were received and corresponding expenses were recorded, Generation engaged independent actuaries to determine if a reasonable estimate of future losses could be made based on historical claims data and other available information. Based on the currently available volume and diversity of historical claim and payment data, the actuaries determined that a reasonable estimate could be prepared and, accordingly, Generation engaged the actuaries to calculate an estimate of future losses. In the second quarter of 2005, based on the actuaries' analyses, management's review of current and expected losses and the view of counsel regarding the assumptions used in estimating the future losses, Generation recorded an undiscounted \$43 million pre-tax charge for its estimated portion of all estimated future asbestos-related personal injury claims estimated to be presented through 2030. This amount does not include estimated legal costs associated with handling these matters, which could be material. Exelon management determined that it was not reasonable to estimate future asbestos-related personal injury claims past 2030 based on only three years of historical claims data and the significant amount of judgment required to estimate this liability. In calculating future losses, management and the actuaries made various assumptions, including but not limited to, the

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overall number of future claims estimated through the use of actuarial models, Exelon's estimated portion of future settlements and obligations, the distribution of exposure sites, the anticipated future mix of diseases that relate to asbestos exposure and the anticipated levels of awards made to plaintiffs. Exelon's recent history of successfully defending itself in court cases for asbestos-related bodily injury claims was qualitatively considered in determining this estimate.

The amounts recorded by Generation for estimated future asbestos-related bodily injury claims are based upon known facts at the time the report was prepared. Projecting future events, such as the number of new claims to be filed each year and the average cost of disposing of claims, as well as the numerous uncertainties surrounding asbestos-related litigation in the United States, could cause the actual costs to be higher or lower than projected. While it is not possible to predict the ultimate outcome of the asbestos-related claims and settlements, management believes, after consultation with counsel, that resolution of these matters is not expected to have a material adverse effect on Exelon's or Generation's results of operations and financial position. Management cautions, however, that these estimates for asbestos-related bodily injury cases and settlements are difficult to predict and may be influenced by many factors. Accordingly, these matters, if resolved in a manner different from the estimate, could have a material effect on Exelon's or Generation's financial position and cash flow.

The \$43 million pre-tax charge was recorded as part of operating and maintenance expense on Generation's Consolidated Statement of Income and Comprehensive Income and reduced net income by \$27 million. At June 30, 2005, Exelon has approximately \$53 million reserved in total for asbestos-related bodily injury claims. Approximately \$10 million of this amount relates to 135 open claims presented to Generation as of June 30, 2005, while the remaining \$43 million of the reserve is for estimated future asbestos-related bodily injury claims anticipated to arise through 2030. Exelon anticipates obtaining periodic updates of the estimate of future losses. On a quarterly basis, Exelon will monitor actual experience against the number of forecasted claims to be received and expected claim payments.

*PECO and Generation*

*Real Estate Tax Appeals.* PECO and Generation each have been challenging real estate taxes assessed on nuclear plants. 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 2004, also regarding the valuation of its Limerick and Peach Bottom plants, Quad Cities Station (Rock Island County, IL), Three Mile Island Nuclear Station (Dauphin County, PA) (TMI) and Oyster Creek Nuclear Generating Station (Forked River, NJ). PECO and Generation have reached settlements with the taxing authorities over the Limerick real estate assessments for 1998 and 1999. Pursuant to the settlement agreement, all Limerick tax appeals were dismissed by the state court, PECO has agreed to an additional payment of approximately \$3 million for the two PURTA years and Generation has agreed to make additional payments in lieu of taxes for years 2005 through 2008. As a result of the Limerick settlement, PECO reduced its real estate tax reserve balance by \$6 million in the first quarter of 2005. In addition, Generation has reached a settlement with the taxing authorities over the TMI real estate assessment and is waiting for state court approval. As a result of the TMI settlement, Generation reduced its real estate tax reserve balance by \$6 million in the first quarter of 2005. Generation recently reached an agreement with the taxing authorities for all years under appeal for the Quad Cities station and is working to reduce the agreement to writing and obtain signatures and state court approval. Generation also recently reached an agreement with the taxing authorities for all years under appeal for the

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Oyster Creek station and is working toward formal approval by the taxing authorities at their council meetings, signatures and state court approval.

PECO and Generation believe their reserve balances for other exposures associated with real estate taxes as of June 30, 2005 reflect the probable expected outcome of the litigation and appeals proceedings in accordance with SFAS No. 5. The ultimate outcome of such matters, however, could result in unfavorable or favorable adjustments to the consolidated financial statements of Exelon, PECO and Generation and such adjustments could be material.

*Exelon, ComEd, PECO and Generation*

Exelon, ComEd, PECO and Generation are involved in various other litigation matters that are being defended and handled in the ordinary course of business. Exelon, ComEd, PECO and Generation maintain accruals for such costs that are probable of being incurred and subject to reasonable estimation. The ultimate outcomes of such matters, as well as the matters discussed above, are uncertain and may have a material adverse effect on the financial condition, results of operations or cash flows of Exelon, ComEd, PECO and Generation.

***Income Tax Refund Claims***

ComEd and PECO have several pending tax refund claims seeking acceleration of certain tax deductions and additional tax credits. ComEd and PECO are unable to estimate the ultimate outcome of these refund claims and will account for any amounts received in the period the matters are settled with the IRS.

ComEd and PECO had entered into several agreements with a tax consultant related to the filing of these refund claims with the IRS. ComEd and PECO previously made refundable prepayments to the tax consultants of \$11 million and \$5 million, respectively. The fees for these agreements are contingent upon a successful outcome of the claims and are based upon a percentage of the refunds recovered from the IRS, if any. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of ComEd and PECO. A portion of ComEd's tax benefits, including any associated interest for periods prior to the merger among PECO, Unicom Corporation (Unicom), the former parent company of ComEd, and Exelon (PECO/Unicom Merger) would be recorded as a reduction of goodwill pursuant to a reallocation of the PECO/Unicom Merger purchase price. ComEd and PECO cannot predict the timing of the final resolution of outstanding refund claims.

In 2004, the IRS granted preliminary approval for one of ComEd's refund claims and final approval was obtained in the first quarter of 2005. The investment tax credit refund and associated interest have been recorded in the financial statements. Approximately \$14 million of tax and interest benefit received in the second quarter of 2005 has been reflected in the financial statements of which \$12 million (\$9 million after-tax) was recorded to goodwill under the provisions of EITF Issue 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination." As a result, ComEd recorded consulting expenses of \$5 million (pre-tax) in 2004.

Based on recent negotiations with the IRS, PECO believes it will receive a refund related to one of its claims. As of June 30, 2005, PECO had not reflected the tax benefit associated with the refund claim pending final approval of the IRS. During 2005, PECO recorded total consulting expenses of \$6 million (pre-tax). The charge represents an estimate of the fee owed to the tax consultant which may be adjusted upward or downward depending on the final resolution of the matter with the IRS.

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***Jointly Owned Electric Utility Plant***

See Note 16 of Generation's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for information regarding electric utility plants jointly owned by Generation.

**14. Supplemental Financial Information (Exelon, ComEd, PECO and Generation)**

***Supplemental Income Statement Information***

The following tables provide additional information regarding the components of other, net within the Consolidated Statements of Income and Comprehensive Income of Exelon, ComEd, PECO and Generation for the three and six months ended June 30, 2005 and 2004:

<u>Exelon</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Investment income	\$ 3	\$ 2	\$ 6	\$ 5
Gain on disposition of assets and investments, net(a)	6	9	7	13
Gain on sale of Boston Generating	—	85	—	85
Decommissioning-related activities:				
Decommissioning trust fund income(b)	50	28	79	58
Decommissioning trust fund income — AmerGen(b)	47	8	59	19
Other-than-temporary impairment of decommissioning trust funds(c)	(5)	—	(12)	—
Other-than-temporary impairment of decommissioning trust funds — AmerGen	(1)	—	(2)	—
Regulatory offset to non-operating decommissioning-related activities(d)	(46)	(28)	(67)	(58)
Net direct financing lease income	6	6	11	11
Allowance for funds used during construction (AFUDC), equity	2	2	3	2
Other	7	4	15	13
<b>Other, net</b>	<b>\$ 69</b>	<b>\$ 116</b>	<b>\$ 99</b>	<b>\$ 148</b>

- (a) See Note 4 — Acquisitions and Dispositions for further discussion. Excludes gains (losses) related to Sithe and certain components of Enterprises as they are classified as discontinued operations.
- (b) Includes investment income and realized gains and losses.
- (c) As both realized and unrealized losses are included as a reduction in the fair value of the investments and in the fair value of the regulatory liability, the realization of these losses associated with the former ComEd plants had no impact on Exelon's or Generation's results of operations or financial position.
- (d) Includes the elimination of non-operating decommissioning-related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other-than-temporary impairments for certain nuclear units. See Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's Annual Report on 2004 Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for more information regarding the regulatory accounting applied for certain nuclear units.



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	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>ComEd</b>				
Investment income	\$ 1	\$ 1	\$ 2	\$ 2
Gain on disposition of assets and investments, net	2	—	4	2
AFUDC, equity	1	1	2	2
Other	2	—	2	—
Other, net	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 10</u>	<u>\$ 6</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>PECO</b>				
Investment income	\$ 2	\$ 1	\$ 4	\$ 3
Gain on disposition of assets and investments, net	4	2	3	2
Other	—	—	1	—
Other, net	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 8</u>	<u>\$ 5</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<b>Generation</b>				
Decommissioning-related activities:				
Decommissioning trust fund income(a)	\$ 50	\$ 28	\$ 79	\$ 58
Decommissioning trust fund income — AmerGen(a)	47	8	59	19
Other-than-temporary impairment of decommissioning trust funds(b)	(5)	—	(12)	—
Other-than-temporary impairment of decommissioning trust funds — AmerGen	(1)	—	(2)	—
Regulatory offset to non-operating decommissioning-related activities(c)	(46)	(28)	(67)	(58)
Gain on sale of Boston Generating	—	85	—	85
Other	6	3	12	11
Other, net	<u>\$ 51</u>	<u>\$ 96</u>	<u>\$ 69</u>	<u>\$ 115</u>

(a) Includes investment income and realized gains and losses.

(b) As both realized and unrealized losses are included as a reduction in the fair value of the investments and in the fair value of the regulatory liability, the realization of these losses associated with the former ComEd plants had no impact on Exelon's or Generation's results of operations or financial position.

(c) Includes the elimination of non-operating decommissioning-related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other-than-temporary impairments for certain nuclear units. See Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's Annual Report on 2004 Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for more information regarding the regulatory accounting applied for certain nuclear units.

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**Supplemental Balance Sheet Information**

The following tables provide additional information regarding the regulatory assets and liabilities of Exelon, ComEd and PECO:

<u>Exelon and ComEd</u>	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>Regulatory assets (liabilities)</b>		
Nuclear decommissioning	\$ (1,432)	\$ (1,433)
Removal costs	(1,030)	(1,011)
Reacquired debt costs and interest-rate swap settlements	113	118
Recoverable transition costs	72	87
Deferred income taxes	6	4
Other	31	31
Total	<u>\$ (2,240)</u>	<u>\$ (2,204)</u>

  

<u>Exelon and PECO</u>	<u>June 30, 2005</u>	<u>December 31, 2004</u>
<b>Regulatory assets (liabilities)</b>		
Competitive transition charge	\$ 3,743	\$ 3,936
Deferred income taxes	751	747
Non-pension postretirement benefits	49	52
Reacquired debt costs	39	42
MGP regulatory asset(a)	19	32
U.S. Department of Energy facility decommissioning	16	19
Nuclear decommissioning	(45)	(46)
Other	15	8
Long-term regulatory assets	4,587	4,790
Deferred energy costs (current asset)	13	71
Total	<u>\$ 4,600</u>	<u>\$ 4,861</u>

(a) See Note 13 — Commitments and Contingencies for further information.

The following tables provide information regarding accumulated depreciation and the allowance for uncollectible accounts as of June 30, 2005 and December 31, 2004:

<u>June 30, 2005</u>	<u>Exelon</u>	<u>ComEd</u>	<u>PECO</u>	<u>Generation</u>
Property, plant and equipment:				
Accumulated depreciation	\$ 7,469	\$ 1,103	\$ 2,172	\$ 4,082
Accounts receivable:				
Allowance for uncollectible accounts	76	17	40	16

  

<u>December 31, 2004</u>	<u>Exelon</u>	<u>ComEd</u>	<u>PECO</u>	<u>Generation</u>
Property, plant and equipment:				
Accumulated depreciation	\$ 7,229	\$ 1,008	\$ 2,165	\$ 3,949
Accounts receivable:				
Allowance for uncollectible accounts	93	16	52	19

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**15. Segment Information (Exelon, ComEd, PECO and Generation)**

As of January 1, 2005, Exelon operates in two business segments: Energy Delivery (ComEd and PECO) and Generation. Exelon evaluates the performance of its business segments on the basis of net income.

Exelon sold or wound down substantially all components of Enterprises in 2004 and 2003. As a result, as of January 1, 2005, Enterprises is no longer reported as a segment and is included in the “other” category within the table below. Presentation for 2004 has been adjusted for comparative purposes.

ComEd, PECO and Generation each operate in a single business segment; as such, no separate segment information is provided for these registrants.

*Three Months Ended June 30, 2005 and 2004*

Exelon’s segment information for the three months ended June 30, 2005 and 2004 is as follows:

	<u>Energy Delivery</u>	<u>Generation</u>	<u>Other(a)</u>	<u>Intersegment Eliminations</u>	<u>Exelon</u>
<b>Total revenues:(b)</b>					
2005	\$ 2,532	\$ 2,105	\$ 174	\$ (1,327)	\$ 3,484
2004	2,435	1,881	173	(1,051)	3,438
<b>Intersegment revenues:</b>					
2005	\$ 4	\$ 1,150	\$ 173	\$ (1,327)	\$ —
2004	8	871	172	(1,051)	—
<b>Income (loss) from continuing operations before income taxes and minority interest:</b>					
2005	\$ 336	\$ 482	\$ (95)	\$ —	\$ 723
2004	485	300	(60)	—	725
<b>Income taxes:</b>					
2005	\$ 118	\$ 185	\$ (96)	\$ —	\$ 207
2004	182	114	(73)	—	223
<b>Income from continuing operations:</b>					
2005	\$ 218	\$ 297	\$ 1	\$ —	\$ 516
2004	303	187	13	—	503
<b>Income (loss) from discontinued operations:</b>					
2005	\$ —	\$ (1)	\$ (1)	\$ —	\$ (2)
2004	—	(9)	27	—	18
<b>Net income:</b>					
2005	\$ 218	\$ 296	\$ —	\$ —	\$ 514
2004	303	178	40	—	521

(a) Other includes corporate operations, shared service entities, including Exelon Business Services Company (BSC), Enterprises and investments in synthetic fuel-producing facilities.

(b) \$57 million in utility taxes are included in revenues and expenses for each of the three months ended June 30, 2005 and 2004 for ComEd. \$53 million and \$50 million in utility taxes are included in revenues and expenses for the three months ended June 30, 2005 and 2004, respectively, for PECO.

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*Six Months Ended June 30, 2005 and 2004*

Exelon's segment information for the six months ended June 30, 2005 and 2004 is as follows:

	<u>Energy Delivery</u>	<u>Generation</u>	<u>Other(a)</u>	<u>Intersegment Eliminations</u>	<u>Exelon</u>
<b>Total revenues:(b)</b>					
2005	\$ 5,214	\$ 4,125	\$ 341	\$ (2,635)	\$ 7,045
2004	5,010	3,826	335	(2,098)	7,073
<b>Intersegment revenues:</b>					
2005	\$ 8	\$ 2,285	\$ 342	\$ (2,635)	\$ —
2004	21	1,750	327	(2,098)	—
<b>Income (loss) from continuing operations before income taxes and minority interest:</b>					
2005	\$ 652	\$ 977	\$ (171)	\$ —	\$ 1,458
2004	986	418	(122)	—	1,282
<b>Income taxes:</b>					
2005	\$ 236	\$ 376	\$ (177)	\$ —	\$ 435
2004	367	160	(145)	—	382
<b>Income from continuing operations:</b>					
2005	\$ 416	\$ 601	\$ 6	\$ —	\$ 1,023
2004	619	258	23	—	900
<b>Income (loss) from discontinued operations:</b>					
2005	\$ —	\$ 15	\$ (3)	\$ —	\$ 12
2004	—	(10)	11	—	1
<b>Cumulative effect of a change in accounting principle:</b>					
2005	\$ —	\$ —	\$ —	\$ —	\$ —
2004	—	32	—	—	32
<b>Net income:</b>					
2005	\$ 416	\$ 616	\$ 3	\$ —	\$ 1,035
2004	619	280	34	—	933
<b>Total Assets:</b>					
June 30, 2005	\$ 28,342	\$ 16,550	\$ 13,897	\$ (16,707)	\$ 42,082
December 31, 2004	27,574	16,438	13,268	(14,510)	42,770

(a) Other includes corporate operations, shared service entities, including Exelon Business Services Company (BSC), Enterprises and investments in synthetic fuel-producing facilities.

(b) \$120 million and \$119 million in utility taxes are included in revenues and expenses for the six months ended June 30, 2005 and 2004, respectively, for ComEd. \$105 million and \$100 million in utility taxes are included in revenues and expenses for the six months ended June 30, 2005 and 2004, respectively, for PECO.

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**16. Related-Party Transactions (Exelon, ComEd, PECO and Generation)**

*Exelon and ComEd*

The financial statements of Exelon and ComEd include related-party transactions with unconsolidated affiliates as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating revenues from ComEd				
Transitional Funding Trust	\$ 1	\$ —	\$ 2	\$ —
Interest expense to financing affiliates				
ComEd Transitional Funding Trust	17	21	36	45
ComEd Financing II	4	4	7	7
ComEd Financing III	3	3	6	6
Equity in losses from unconsolidated affiliates				
ComEd Funding LLC	4	6	8	9
	June 30,		December 31,	
	2005		2004	
Receivables from affiliates (current)				
ComEd Transitional Funding Trust	\$ 14		\$ 9	
Investment in affiliates				
ComEd Funding LLC	28		36	
ComEd Financing II	10		10	
ComEd Financing III	6		6	
Receivable from affiliates (noncurrent)				
ComEd Transitional Funding Trust	11		10	
Payables to affiliates (current)				
ComEd Financing II	6		6	
ComEd Financing III	4		4	
Long-term debt to financing trusts (including due within one year)				
ComEd Transitional Funding Trust	1,151		1,341	
ComEd Financing II	155		155	
ComEd Financing III	206		206	

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In addition to the transactions described above, ComEd's financial statements include related-party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating revenues from affiliates				
Generation(a)	\$ 2	\$ 5	\$ 4	\$ 16
Enterprises(a)	—	1	—	1
Purchased power from affiliate				
PPA with Generation(b)	770	514	1,523	1,043
Operations & maintenance from affiliates				
BSC(c)	44	45	88	82
Enterprises(d)	—	(4)	—	1
Interest income from affiliates				
UII(e)	—	4	—	9
Exelon intercompany money pool(f)	1	1	3	2
Capitalized costs				
BSC(c)	16	16	30	28
Cash dividends paid to parent	107	104	245	207
	June 30, 2005	December 31, 2004		
Receivables from affiliates (current)				
Exelon intercompany money pool(f)	\$ 21	\$ 308		
Other	—	1		
Receivables from affiliates (noncurrent)				
Generation(g)	1,432	1,433		
Payables to affiliates (current)				
Generation decommissioning(h)	11	11		
Generation (a, b)	331	189		
BSC(c)	15	17		
Payables to affiliates (noncurrent)				
Generation decommissioning(h)	11	11		
Other	8	6		
Shareholders' equity — receivable from parent(i)	—	125		

- (a) ComEd provides retail electric and ancillary services to Generation. ComEd provided electric and ancillary services to certain Enterprises companies which were sold in 2004. Prior to joining PJM on May 1, 2004, ComEd also provided transmission services to Generation and Enterprises.
- (b) ComEd has entered into a full-requirements purchase power agreement (PPA), as amended, with Generation. See Note 15 of ComEd's Notes to Consolidated Financial Statements within ComEd's 2004 Annual Report on Form 10-K for more information regarding the PPA.

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- (c) ComEd receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology, supply management services, planning and engineering of delivery systems, management of construction, maintenance and operations of the transmission and delivery systems and management of other support services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.
- (d) ComEd had contracted with a subsidiary of Exelon Services (an Enterprises company) to provide energy conservation services to ComEd customers. The subsidiary was sold by Exelon in 2004.
- (e) ComEd had a note and interest receivable with a variable rate of the one month forward LIBOR rate plus 50 basis points from UII, LLC (successor to Unicom Investments Inc.) relating to ComEd's December 1999 fossil plant sale. The note was paid in full during 2004.
- (f) ComEd participates in Exelon's intercompany money pool. ComEd earns interest on its contributions to the money pool and pays interest on its borrowings from the money pool at a market rate of interest.
- (g) ComEd has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to ComEd for payment to ComEd's customers. For further information see Note 10 of ComEd's Notes to Consolidated Financial Statements within ComEd's 2004 Annual Report on Form 10-K information.
- (h) 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 its customers to Generation.
- (i) ComEd had a non-interest bearing receivable from Exelon related to a corporate restructuring in 2001. The receivable was settled in 2005.

***Exelon and PECO***

The financial statements of Exelon and PECO include related-party transactions with unconsolidated financing subsidiaries as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating revenues from affiliate				
PETT(a)	\$ 2	\$ 3	\$ 4	\$ 5
Interest expense to financing affiliates				
PETT	54	59	110	119
PECO Trust III	1	1	3	3
PECO Trust IV	2	2	3	3
Equity in losses from unconsolidated affiliates				
PETT	4	7	8	13

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	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Investment in affiliates		
PETT	\$ 70	\$ 77
PECO Energy Capital Corp	4	4
PECO Trust IV	6	6
Payables to affiliates (current)		
PECO Trust III	1	1
Long-term debt to financing trusts (including due within one year)		
PETT	3,249	3,456
PECO Trust III	81	81
PECO Trust IV	103	103

(a) PECO receives a monthly service fee from PETT based on a percentage of the outstanding balance of all series of transition bonds.

In addition to the transactions described above, PECO's financial statements include related-party transactions as presented in the tables below:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Operating revenues from affiliate				
Generation(a)	\$ 2	\$ 2	\$ 4	\$ 4
Purchased power from affiliate				
Generation(b)	379	349	760	699
Fuel from affiliate				
Generation(c)	—	7	1	7
Operating and maintenance from affiliates				
BSC(d)	28	28	53	51
Interest income from affiliates				
Other	—	—	1	—
Capitalized costs				
BSC(d)	6	5	12	9
Cash dividends paid to parent	116	90	231	180



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	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Receivable from affiliate (current)		
Exelon intercompany money pool(e)	\$ —	\$ 34
Receivable from affiliate (noncurrent)		
Generation decommissioning(f)	45	46
Payables to affiliates (current)		
Generation (b, c)	152	125
BSC(d)	14	20
Shareholder's equity — receivable from parent(g)	1,302	1,482

- (a) PECO provides energy to Generation for Generation's own use.
- (b) PECO has entered into a PPA with Generation. See Note 14 of PECO's Notes to Consolidated Financial Statements within PECO's 2004 Annual Report on Form 10-K for more information regarding the PPA.
- (c) Effective April 1, 2004, PECO entered into a one-year gas procurement agreement with Generation.
- (d) PECO receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology, supply management services, planning and engineering of delivery systems, management of construction, maintenance and operations of the transmission and delivery systems and management of other support services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.
- (e) PECO participates in Exelon's intercompany money pool. PECO earns interest on its contributions to the money pool at a market rate of interest.
- (f) PECO has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct, whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to PECO for payment to PECO's customers. See Note 9 of PECO's Notes to Consolidated Financial Statements within PECO's 2004 Annual Report on Form 10-K for further information.
- (g) 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 2005 through 2010.

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**Generation**

The financial statements of Generation include related-party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating revenues from affiliates				
ComEd(a)	\$ 770	\$ 514	\$ 1,523	\$ 1,043
PECO(a)	379	356	761	706
BSC(c)	1	1	1	1
Purchased power from affiliates				
ComEd(b)	—	3	—	12
Fuel from affiliates				
PECO(b)	1	—	1	—
Operating and maintenance from affiliates				
ComEd(b)	2	2	4	4
PECO(b)	1	2	3	4
BSC(c)	63	65	127	126
Interest expense to affiliates				
Exelon intercompany money pool(d)	—	1	2	2
Cash distribution paid to member	80	55	319	109
Cash contribution received from member	—	—	843	—
		June 30, 2005		December 31, 2004
Receivables from affiliates (current)				
ComEd(a)	\$	331	\$	189
ComEd decommissioning(f)		11		11
PECO(a)		152		125
BSC(c)		—		7
Note receivable from affiliate (noncurrent)				
ComEd decommissioning(f)		11		11
Payables to affiliates (current)				
Exelon(e)		4		42
BSC(c)		26		—
Notes payable to affiliates (current)				
Exelon intercompany money pool(d)		—		283
Payables to affiliates (noncurrent)				
ComEd decommissioning(g)		1,432		1,433
PECO decommissioning(g)		45		46

- (a) Generation has entered into PPAs with ComEd and PECO, as amended, to provide the full energy requirements of ComEd and PECO. Effective April 1, 2004, Generation entered into a one-year gas supply agreement with PECO. See Note 16 of Generation's Notes to Consolidated Financial Statements within Generation's 2004 Annual Report

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on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.

- (b) Generation purchases retail electric and ancillary services from ComEd and buys energy from PECO for Generation's own use. In order to facilitate payment processing, ComEd processes certain invoice payments on behalf of Generation. Prior to joining PJM on May 1, 2004, ComEd also provided transmission services to Generation. Amounts charged by PECO and ComEd to Generation for transmission have been recorded as intercompany purchased power by Generation. See Note 16 of Generation's Notes to Consolidated Financial Statements within Generation's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.
- (c) Generation receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology and supply management services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized. Some third-party reimbursements due Generation are recovered through BSC.
- (d) Generation participates in Exelon's intercompany money pool. Generation earns interest on its contributions to the money pool, and pays interest on its borrowings from the money pool at a market rate of interest.
- (e) In order to facilitate payment processing, Exelon processes certain invoice payments on behalf of Generation.
- (f) Generation has a short-term and a long-term receivable from ComEd, primarily representing ComEd's legal requirements to remit collections of nuclear decommissioning costs from its customers to Generation resulting from the 2001 corporate restructuring. See Note 13 of Generation's Notes to Consolidated Financial Statements within Generation's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.
- (g) Generation has long-term payables to ComEd and PECO as a result of the nuclear decommissioning contractual construct whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO, such amounts are due back to ComEd and PECO, as applicable, for payment to their respective customers. See Note 13 of Generation's Notes to Consolidated Financial Statements within Generation's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.

**17. Derivative Financial Instruments (Exelon, ComEd and Generation)**

*Interest-Rate Swaps (Exelon and ComEd)*

The fair values of Exelon's and ComEd's interest-rate swaps were determined using quoted exchange prices, external dealer prices and available market pricing curves. At June 30, 2005 and December 31, 2004, Exelon had \$565 million and \$440 million, respectively, of notional amounts of interest-rate swaps outstanding, of which \$565 million and \$240 million, respectively, was held by ComEd. The following table provides the fair values at June 30, 2005 and December 31, 2004 of interest-rate swaps outstanding at June 30, 2005:

<u>Company</u>	<u>Notional Amount</u>	<u>Company Pays</u>	<u>Counterparty Pays</u>	<u>June 30, 2005 Fair Value</u>	<u>December 31, 2004 Fair Value</u>
<b>Fair-Value Hedges</b>					
ComEd		3 Month LIBOR plus			
	\$ 240	1.12% — 1.60%	6.15%	\$ 9	\$ 9
<b>Cash-Flow Hedges</b>					
ComEd	325	4.87% — 5.43%	3 Month LIBOR	(35)	—
Net deferred gains (losses)				<u>\$ (26)</u>	<u>\$ 9</u>

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*Fair-Value Hedges.* The Registrants utilize fixed-to-floating interest-rate swaps as a means to achieve their targeted level of variable rate debt as a percent of total debt. At June 30, 2005, ComEd had \$240 million of notional amounts of fair-value hedges outstanding. The swaps have been designated as fair-value hedges, as defined in SFAS No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133) and, as such, changes in the fair value of the swaps are 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 are 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 is recorded immediately in earnings. During the three and six months ended June 30, 2005 and June 30, 2004, no amounts relating to fair-value hedges were recorded in earnings as a result of ineffectiveness.

*Cash Flow Hedges.* The Registrants utilize forward-starting interest-rate swaps to lock in interest-rate levels in anticipation of future financings. At June 30, 2005, ComEd had \$325 million of notional amounts of cash-flow hedges outstanding. The swaps have been designated as cash-flow hedges, as defined in SFAS No. 133 and, as such, changes in the fair value of the swaps are recorded in accumulated other comprehensive income (OCI). Any change in the fair value of the hedge as a result of ineffectiveness is recorded immediately in earnings. During the three and six months ended June 30, 2005, Exelon settled interest-rate swaps in aggregate notional amounts of \$1.5 billion and recorded net pre-tax losses of \$39 million, which are being recorded as additional interest expense over the remaining life of the debt. During the three and six months ended June 30, 2005, Exelon recorded income of less than \$1 million which was included in other, net on Exelon's Consolidated Statement of Income and Comprehensive Income, representing the ineffective portions of changes in the fair value of cash-flow hedge positions related to the settlement of the interest-rate swaps. During the three and six months ended June 30, 2004, Exelon did not reclassify any amounts from accumulated OCI into earnings as a result of ineffectiveness. During the three and six months ended June 30, 2005 and June 30, 2004, ComEd did not reclassify any amounts from accumulated OCI into earnings as a result of ineffectiveness. Additionally, during the three and six months ended June 30, 2005 and 2004, Exelon and ComEd did not reclassify any amounts from accumulated OCI into earnings as a result of forecasted financing transactions no longer being probable.

***Energy-Related Derivatives (Exelon and Generation)***

Generation utilizes derivatives to manage its available generating capacity and the provision of wholesale energy to its affiliates. Exelon and Generation utilize energy option contracts, energy financial swap arrangements, futures and forwards to limit the market price risk associated with energy commodity prices. Additionally, Generation enters into certain energy-related derivatives for trading or speculative purposes.

Exelon and Generation's energy contracts are accounted for under SFAS No. 133. Non-trading contracts may qualify for the normal purchases and normal sales exemption to SFAS No. 133 discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operation -Critical Accounting Policies and Estimates" in Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K. Those that do not meet the normal purchase and normal sales exemption are recorded as assets or liabilities on the balance sheet at fair value. Changes in the derivatives recorded at fair value are recognized in earnings unless specific hedge accounting criteria are met and they are designated as cash-flow hedges, in which case those changes are recorded in 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 the hedge criteria under SFAS No. 133 (or are not designated as such) and proprietary trading contracts are recognized in current earnings. Generation also has contracted for access to additional generation and sales to load-serving entities that are accounted for under the accrual method of accounting discussed in Note 20 of Exelon's Notes to

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Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.

At June 30, 2005, Exelon and Generation had net liabilities of \$322 million and \$339 million, respectively, on their Consolidated Balance Sheets for the fair value of energy derivatives, which included the energy derivatives at Exelon and Generation discussed below. The following table provides a summary of the fair value balances recorded by Exelon and Generation as of June 30, 2005:

<u>Derivatives</u>	<u>Generation</u>				<u>Other(a) Derivatives</u>	<u>Exelon Energy-Related Derivatives(b)</u>
	<u>Cash-Flow Hedges</u>	<u>Other Derivatives</u>	<u>Proprietary Trading</u>	<u>SubTotal</u>		
Current assets	\$ 335	\$ 161	\$ 12	\$ 508	\$ —	\$ 508
Noncurrent assets	158	32	140	330	17	347
Total mark-to-market energy contract assets	<u>\$ 493</u>	<u>\$ 193</u>	<u>\$ 152</u>	<u>\$ 838</u>	<u>\$ 17</u>	<u>\$ 855</u>
Current liabilities	\$ (607)	\$ (140)	\$ (9)	\$ (756)	\$ —	\$ (756)
Noncurrent liabilities	(254)	(28)	(139)	(421)	—	(421)
Total mark-to-market energy contract liabilities	<u>\$ (861)</u>	<u>\$ (168)</u>	<u>\$ (148)</u>	<u>\$ (1,177)</u>	<u>\$ —</u>	<u>\$ (1,177)</u>
Total mark-to-market energy contract net assets (liabilities)	<u>\$ (368)</u>	<u>\$ 25</u>	<u>\$ 4</u>	<u>\$ (339)</u>	<u>\$ 17</u>	<u>\$ (322)</u>

(a) Other includes corporate operations, shared service entities, including Exelon Business Services Company (BSC), Enterprises and investments in synthetic fuel-producing facilities.

(b) Excludes Exelon's interest-rate swaps.

*Normal Operations and Hedging Activities.* Electricity available from Generation's owned or contracted generation supply in excess of Generation's 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 anticipated exposures.

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***Cash-Flow Hedges (Generation)***

The tables below provide details of effective cash-flow hedges under SFAS No. 133 included on Generation's Consolidated Balance Sheet as of June 30, 2005. 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 derivatives. The tables also include a rollforward of accumulated OCI related to cash-flow hedges for the three and six months ended June 30, 2005 and 2004, providing information about the changes in the fair value of hedges and the reclassification from OCI into earnings.

	<b>Total Cash-Flow Hedge OCI Activity, Net of Income Tax</b>
<b>Three Months Ended June 30, 2005</b>	
Accumulated OCI derivative loss at April 1, 2005	\$ (259)
Changes in fair value	(28)
Reclassifications from OCI to net income	63
Accumulated OCI derivative loss at June 30, 2005	<u>\$ (224)</u>
<b>Six Months Ended June 30, 2005</b>	
Accumulated OCI derivative loss at January 1, 2005	\$ (137)
Changes in fair value	(204)
Reclassifications from OCI to net income	117
Accumulated OCI derivative loss at June 30, 2005	<u>\$ (224)</u>
<b>Three Months Ended June 30, 2004</b>	
Accumulated OCI derivative loss at April 1, 2004	\$ (322)
Changes in fair value	(44)
Reclassifications from OCI to net income	76
Accumulated OCI derivative loss at June 30, 2004	<u>\$ (290)</u>
<b>Six Months Ended June 30, 2004</b>	
Accumulated OCI derivative loss at January 1, 2004	\$ (133)
Changes in fair value	(310)
Reclassifications from OCI to net income	151
Exelon Energy opening balance	2
Accumulated OCI derivative loss at June 30, 2004	<u>\$ (290)</u>

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At June 30, 2005, Generation had net unrealized pre-tax losses of \$370 million of cash-flow hedges recorded in accumulated OCI. Based on market prices at June 30, 2005, approximately \$274 million of these deferred net pre-tax unrealized losses on derivative instruments in accumulated OCI are expected to be reclassified to earnings during the next twelve months. However, the actual amount reclassified to earnings could vary due to future changes in market prices. Amounts recorded in accumulated OCI 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 three years.

Generation's cash-flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a \$102 million pre-tax loss and a \$124 million pre-tax loss for the three months ended June 30, 2005 and 2004, respectively, and a \$189 million pre-tax loss and a \$248 million pre-tax loss for the six months ended June 30, 2005 and 2004, respectively.

***Other Derivatives (Exelon and Generation)***

Exelon and Generation enter into certain contracts that are derivatives, but do not qualify for hedge accounting under SFAS No. 133 or are not designated as cash-flow hedges. These contracts are also entered into to economically hedge and limit the market price risk associated with energy commodity prices. Changes in the fair value of these derivative contracts are recognized in current earnings. For the three months ended June 30, 2005 and 2004, Exelon and Generation recognized net unrealized losses of \$12 million and realized gains of \$7 million for a mark-to-market loss of \$5 million and net unrealized gains of \$152 million and realized losses of \$131 million for a mark-to-market gain of \$21 million, respectively, relating to mark-to-market activity of certain non-trading power purchase and sale contracts pursuant to SFAS No. 133. For the six months ended June 30, 2005 and 2004, Exelon and Generation recognized net unrealized gains of \$41 million and realized gains of \$17 million for a mark-to-market gain of \$58 million and net unrealized gains of \$186 million and realized losses of \$204 million for a mark-to-market loss of \$18 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 expense and purchased power expense.

As a result of the nature of operations and the use of mark-to market accounting for certain derivatives, mark-to-market earnings will fluctuate. Generation cannot predict these fluctuations, but the impact on purchased power expense, fuel expense and earnings could be material. The primary factors that cause changes in earnings due to mark-to-market are the number and size of Generation's open derivative positions and the changes in forward commodity prices.

***Proprietary Trading Activities.*** Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure and is subject to limits established by the Risk Management Committee. 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. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a very small portion of Generation's overall energy marketing activities.

Generation recognized a mark-to-market gain of \$4 million for the three months ended June 30, 2005, and a mark-to-market gain of \$9 million and a mark-to-market loss of \$1 million for the six months ended June 30, 2005 and 2004, respectively, relating to mark-to-market activity of derivative instruments entered

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into for trading purposes. Gains and losses associated with financial trading are reported as revenue in the Consolidated Statements of Income and Comprehensive Income.

**18. Subsequent Events (Exelon, ComEd and Generation)**

On July 1, 2005, ComEd retired \$163 million of 7% First Mortgage Bonds on the scheduled maturity date using internally generated cash.

On July 22, 2005, AmerGen submitted an application to the NRC to extend the operating license of Oyster Creek Generating Station by 20 years. The current operating license expires in April 2009 and, if approved by the NRC, would be extended until April 2029.



## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation**

(Dollars in millions except per share data, unless otherwise noted)

### **General**

Exelon Corporation (Exelon) is a registered public utility holding company. It operates through subsidiaries in two business segments:

- *Energy Delivery*, whose businesses include the purchase and regulated retail sale of electricity and distribution and transmission services by Commonwealth Edison Company (ComEd) in northern Illinois and PECO Energy Company (PECO) in southeastern Pennsylvania and the purchase and retail sale of natural gas and distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia.
- *Generation*, consists principally of the electric generating facilities and wholesale energy marketing operations of Exelon Generation Company, LLC (Generation), the competitive retail sales business of Exelon Energy Company and certain other generation projects.

See Note 15 of the Combined Notes to Consolidated Financial Statements for further segment information.

Exelon sold or wound down substantially all components of Exelon Enterprises Company, LLC (Enterprises) in 2004 and 2003. As a result, Enterprises is no longer reported as a segment as of January 1, 2005.

Exelon’s corporate operations, through its business services subsidiary, Exelon Business Services Company (BSC), provide Exelon’s business segments with a variety of support services, including legal, human resources, financial, information technology, supply management and corporate governance services. ComEd and PECO also receive additional services from BSC, including planning and engineering of delivery systems, management of construction, operation and maintenance of the transmission and delivery systems, and management of other support services. Generation receives additional services from BSC for inventory and information technology support and management of other support services. These costs are allocated to the applicable business segments. Additionally, the results of Exelon’s corporate operations include costs for corporate governance and interest costs and income from various investment and financing activities.

### **Critical Accounting Policies and Estimates**

Management of each of the Registrants makes a number of significant estimates, assumptions and judgments in the preparation of its financial statements. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Policies and Estimates” in Exelon’s 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon’s and Generation’s 2004 Annual Report on Form 10-K for a discussion of the estimates and judgments necessary in the Registrants’ accounting for asset retirement obligations, asset impairments, defined benefit pension and other postretirement welfare benefits, regulatory accounting, derivative instruments, depreciable lives of property, plant and equipment, contingencies, severance, revenue recognition and ownership interests in variable interest entities.

### **New Accounting Pronouncements**

See Note 3 of the Combined Notes to Consolidated Financial Statements for discussion of new accounting pronouncements.

## **EXELON CORPORATION**

### **Executive Overview**

*Financial Results.* Exelon's diluted earnings per average common share were \$0.76 for the three months ended June 30, 2005 as compared to \$0.78 for the same period in 2004. The decrease is primarily due to a reserve recorded for estimated future asbestos-related bodily injury claims, one additional planned refueling outage, decreased income from discontinued operations and the sale of Boston Generating in 2004, partially offset by higher margins on Generation's wholesale sales, favorable weather and realized gains related to the decommissioning trust fund investments for the AmerGen plants.

Exelon's diluted earnings per average common share were \$1.53 for the six months ended June 30, 2005 as compared to \$1.40 for the same period in 2004. The increase is due to higher margins on Generation's wholesale sales, favorable weather, unrealized mark-to-market gains from non-trading activities, realized gains related to the decommissioning trust fund investments for the AmerGen plants and lower interest expense due to debt retirements, partially offset by ancillary costs paid to PJM, which prior to January 1, 2005 were included in the purchase power agreement with Generation, a reserve recorded for estimated future asbestos-related bodily injury claims, the sale of Boston Generating in 2004 and a gain recorded in 2004 as a cumulative effect of a change in accounting principle due to Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46-R).

*Investment Strategy.* Exelon continued to follow a disciplined approach in investing to maximize the earnings and cash flows from its assets and businesses, while selling those that do not meet its strategic goals. Highlights include:

- **Proposed Merger with PSEG** — On December 20, 2004, Exelon entered into an Agreement and Plan of Merger (Merger Agreement) with Public Service Enterprise Group Incorporated (PSEG), a holding company engaged through its subsidiaries in electric and gas utility businesses primarily located and serving customers in New Jersey, whereby PSEG will be merged with and into Exelon (Merger).

On June 30, 2005, the Federal Energy Regulatory Commission (FERC) approved the Merger without a hearing. Exelon and PSEG proposed in the FERC application, and FERC approved, a market concentration mitigation plan involving the divestiture of 4,000 MW of coal, mid-merit (or intermediate) and peaking generation in the PJM region, the ongoing auction of 2,600 MW of nuclear output and Exelon's and PSEG's proposal to invest a total of \$25 million in transmission improvements, which proposal was accepted by FERC.

PSEG shareholders approved the Merger on July 19, 2005. Exelon shareholders approved the issuance of Exelon shares pursuant to the Merger on July 22, 2005.

See Note 4 of the Combined Notes to Consolidated Financial Statements for further information. Additionally, see Note 2 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information.

- **Sale of Sithe** — On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. Specifically, subsidiaries of Generation closed on the acquisition of Reservoir Capital Group's 50% interest in Sithe and the sale of 100% of Sithe to Dynegy, Inc. (Dynegy). Prior to closing on the sale to Dynegy, subsidiaries of Generation received from Sithe approximately \$65 million in cash distributions. As a result of the sale, Exelon and Generation deconsolidated from their balance sheets approximately \$820 million of debt and were released from approximately \$125 million of credit support. Dynegy acquired \$32 million of cash as part of the sale of Sithe. Additionally, Exelon and Generation recorded \$55 million of liabilities related to certain indemnifications provided to Dynegy and other liabilities directly resulting from the transaction. These liabilities were taken into account in the determination of the net gain on sale of

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\$19 million (before income taxes). See Note 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the sale of Generation's investment in Sithe.

*Financing Activities.* Exelon, ComEd, PECO and Generation met their respective capital resource requirements primarily with internally generated cash during the second quarter of 2005. See the Form 10-Q for the quarterly period ended March 31, 2005 for information on the financing activities which occurred in the first quarter of 2005.

- On June 15, 2005, ComEd paid \$58 million from internally generated cash to redeem its outstanding 9.875% First Mortgage Bonds, comprised of principal of \$54 million, interest of \$3 million and premium of \$1 million.
- During the three and six months ended June 30, 2005, Exelon settled interest-rate swaps designated as cash-flow hedges in aggregate notional amounts of \$1.5 billion entered into in anticipation of the issuance of debt to finance contributions to its pension plans and recorded net pre-tax losses of \$39 million, which are being recorded as additional interest expense over the life of the debt.
- On June 9, 2005, Exelon issued and sold \$1.7 billion of senior debt securities pursuant to its senior debt indenture, dated as of May 1, 2001, consisting of \$400 million of 4.45% senior notes due 2010, \$800 million of 4.90% senior notes due 2015 and \$500 million of 5.625% senior notes due 2035. The net proceeds from the sale of the notes were used to repay \$1.5 billion in remaining principal due on a \$2 billion term loan agreement and \$200 million of a \$500 million term loan agreement.

*Regulatory Developments — Through and Out Rates/ SECA.* In November 2004, the FERC issued two orders authorizing ComEd and PECO to recover amounts as a result of the elimination of through and out (T&O) rates for transmission service scheduled out of or across their respective transmission systems and ending within pre-expansion PJM Interconnection, LLC (PJM) and Midwest Independent System Operators (MISO) territories. T&O rates were terminated pursuant to FERC orders effective December 1, 2004. These new rates, known as Seams Elimination Cost/ Charge Adjustment/ Assignment (SECA), are collected from load-serving entities within PJM and MISO over a transitional period from December 1, 2004 through March 31, 2006, subject to refund, surcharge and hearing. As load-serving entities, ComEd and PECO are also required to pay SECA rates based on the benefits they receive from the elimination of T&O rates of other transmission owners within PJM and MISO. On June 16, 2005, FERC issued an order setting a hearing to address SECA cost recovery issues, and consolidated that proceeding with a proceeding to address the long-term transmission rate design.

During 2004 prior to the termination of T&O rates, ComEd and PECO had net T&O collections of approximately \$50 million and \$3 million, respectively. As a result of the November 2004 FERC orders and potential appeals, ComEd may see reduced net collections, and PECO may become a net payer of SECA charges. Since the inception of the SECA rates in December 2004, ComEd has recorded approximately \$22 million of SECA collections net of SECA charges, including \$4 million and \$17 million during the three and six months ended June 30, 2005, respectively, while PECO has recorded \$3 million of SECA charges net of SECA collections, including \$1 million and \$3 million during the three and six months ended June 30, 2005, respectively. Management of each of ComEd and PECO believes that appropriate reserves have been established in the event that such SECA collections are required to be refunded. However, as the above amounts collected under the SECA rates are subject to refund and surcharge and the ultimate outcome of the proceeding establishing SECA rates is uncertain, the result of this proceeding may have a material adverse effect on ComEd's and PECO's financial condition, results of operations and cash flows.

*Illinois Regulatory Filing.* In 2004, the ICC initiated and conducted a workshop process to consider issues related to retail electric service in the post-transition period (i.e., post-2006). Issues addressed included utility wholesale generation supply procurement methodology, rates, competition and utility service obligations. All interested parties were invited to participate. The end result was a report from the ICC to the Illinois General Assembly that was generally supportive of utilities competitively procuring generation supply through a reverse-auction process with full recovery of the supply costs from retail customers. In the proposed reverse-auction model, qualified energy suppliers would compete in a transparent, fair and structured auction to

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provide energy to the utilities and their customers; winning bidders would provide the power needed at the price determined by the auction's results; and the utilities would make no profit on the energy but would fully recover from customers the price of procurement. The ICC staff and an auction monitor would oversee the entire process to assure a fair bidding process.

On February 25, 2005, ComEd filed with the ICC seeking regulatory approval of tariffs that implement the methodologies supported by the report, including a proposal consistent with the reverse-auction process described above. As requested by ComEd, the ICC initiated hearings on the matter. The Illinois Attorney General, Citizens' Utility Board, Cook County State's Attorney's Office and the Environmental Law and Public Policy Center subsequently filed a motion to dismiss the proceeding arguing that customers are entitled to cost-based rates for power and delivery and that the ICC lacked authority to approve rates based on the market value of power, as proposed by ComEd. On June 1, 2005 the Administrative Law Judge denied the motion and on July 13 the ICC denied the moving parties' appeal. The ICC's final order is expected by January 2006. In addition to the February 2005 filing, ComEd intends to make one or more additional filings during 2005 to begin the process to establish post-2006 retail rates, including rates for bundled service and delivery service rates. The Illinois General Assembly has held hearings concerning generation procurement post-2006 and it may choose to take further action on this issue. In April 2005 a proposed amendment to the Illinois Public Utilities Act was introduced in Committee hearings in the Illinois legislature, which, if enacted into law, would have extended the current "rate freeze" and transition period for an additional two years. However, the proposed amendment was defeated in Committee. ComEd cannot predict the results of these regulatory processes before the ICC or whether the Illinois General Assembly might take action that could have a material effect on the outcome of the regulatory process. Neither can ComEd predict the long-term impact of customer choice and customer service declarations on its results of operations.

*Outlook for the Remainder of 2005 and Beyond.* In addition to the items discussed in Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K, Exelon's future financial results will be affected by the following:

- Exelon's interests in synthetic fuel-producing facilities increased Exelon's net income by \$29 million and \$15 million during the three months ended June 30, 2005 and 2004, respectively, and \$45 million and \$29 million during the six months ended June 30, 2005 and 2004, respectively. Tax credits generated by the production of synthetic fuel are subject to a phase-out provision that gradually reduces tax credits as the annual average wellhead price per barrel of domestic crude oil increases into an inflation-adjusted phase-out range. For 2004, the tax credit would have begun to phase out when the annual average wellhead price per barrel of domestic crude oil exceeded \$51 per barrel and would have been completely phased out when the annual average wellhead price per barrel of domestic crude oil reached \$64 per barrel. The 2005 phase-out range will be calculated using inflation rates published in 2006 by the Internal Revenue Service. Exelon estimates that for 2005 the tax credits will begin to phase out if the annual average wellhead price per barrel of domestic crude oil exceeds \$52 per barrel and will completely phase out if the annual average wellhead price per barrel of domestic crude oil reaches \$66 per barrel. As of June 30, 2005, the average closing price of a barrel of domestic crude oil was approximately \$46. Based on both the average closing price to date and current futures prices for the remaining months of 2005, Exelon estimates that there will not be a phase-out of tax credits in 2005.

Absent any efforts to mitigate market price exposure, if domestic crude oil prices increase further in 2005 and continue to stay at a high level in 2006 and 2007, the tax credits and net income generated by the investments may be reduced substantially and could result in an estimated after-tax non-operating loss of \$70 million per year in the event the tax credits are completely phased out. In 2005, Exelon and Generation entered into certain derivatives to hedge a portion of this commodity exposure in the normal course of their trading operations. These derivatives could result in cash proceeds to Exelon of \$23 million, \$70 million and \$70 million in 2005, 2006 and 2007, respectively, in the event the tax credits are completely phased-out.

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Exelon has recorded an intangible asset related to its investments in these facilities with a net carrying value of \$177 million at June 30, 2005 that could become impaired if domestic crude oil prices continue to increase in the future. However, the subsidiaries of Exelon that hold interests in the synthetic fuel-producing facilities are subject to debt obligations related to the purchase of the facilities that have a principal balance of \$189 million as of June 30, 2005. The performance of those subsidiaries with respect to these debt obligations is not guaranteed by Exelon.

### Results of Operations — Exelon Corporation

Three Months Ended June 30, 2005 Compared To Three Months Ended June 30, 2004

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Operating revenues	\$ 3,484	\$ 3,438	\$ 46
Purchased power and fuel expense	1,140	1,153	13
Operating and maintenance expense	945	939	(6)
Depreciation and amortization	325	311	(14)
Operating income	897	853	44
Other income and deductions	(174)	(128)	(46)
Income from continuing operations before income taxes and minority interest	723	725	(2)
Income from continuing operations	516	503	13
Income (loss) from discontinued operations	(2)	18	(20)
Net income	514	521	(7)
Diluted earnings per share	0.76	0.78	(0.02)

**Operating Revenues.** Operating revenues increased for the three months ended June 30, 2005 as compared to the same period in 2004 due to increased revenues at Energy Delivery, partially offset by decreased revenues from non-affiliates at Generation. The increase in revenues at Energy Delivery was primarily due to an increase in the number of customers choosing ComEd or PECO as their electric supplier and favorable weather, partially offset by decreased volume exclusive of the effects of customer choice and weather. The decrease in revenues from non-affiliates at Generation was primarily due to the impact of the sale of Boston Generating in May 2004 and the expiration of Generation's purchase power agreement with Midwest Generation in 2004, partially offset by higher prices. See further analysis and discussion of operating revenues by segment below.

**Purchased Power and Fuel Expense.** Purchased power and fuel expense decreased slightly during the three months ended June 30, 2005 as compared to the same period in 2004 primarily due to the sale of Boston Generating in May 2004, partially offset by unfavorable mark-to-market adjustments, higher market energy prices and increased costs for transmission and ancillary services from PJM. Purchased power represented 19% of Generation's total supply for the three months ended June 30, 2005 compared to 23% for the same period in 2004. See further analysis and discussion of purchased power and fuel expense by segment below.

**Operating and Maintenance Expense.** Operating and maintenance expense increased for the three months ended June 30, 2005 compared with the same period in 2004. The slight increase was primarily due to a reserve recorded for estimated future asbestos-related bodily injury claims, almost entirely offset by lower severance and pension expense and the sale of Boston Generating in May 2004. See further discussion of operating and maintenance expenses by segment below.

**Depreciation and Amortization Expense.** The increase in depreciation and amortization expense for the three months ended June 30, 2005 as compared to the same period in 2004 was primarily due to capital additions and increased competitive transition charge (CTC) amortization expense.

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**Operating Income.** Exclusive of the changes in operating revenues, purchased power and fuel expense, operating and maintenance expense and depreciation and amortization expense discussed above, the increase in operating income for the three months ended June 30, 2005 as compared to the same period in 2004 was the result of decreased taxes other than income in 2005 as compared to 2004, primarily due to the sale of Boston Generating in 2004 and reduced payroll tax expense.

**Other Income and Deductions.** The change in other income and deductions reflects increased interest expense on short-term debt at Exelon, reduced interest expense at Energy Delivery due to debt retirements at ComEd in 2004 and increased realized gains related to the decommissioning trust fund investments for the AmerGen plants. In 2004, other income and deductions reflected the gain on the sale of Boston Generating.

**Effective Income Tax Rate.** Exelon's effective income tax rate from continuing operations decreased from 30.8% for the three months ended June 30, 2004 to 28.6% for the same period in 2005. See Note 10 of the Combined Notes to the Consolidated Financial Statements for further discussion of the change in the effective income tax rate.

**Discontinued Operations.** On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. In addition, Exelon has sold or wound down substantially all components of Enterprises and AllEnergy Gas & Electric Marketing LLC (AllEnergy), a business within Exelon Energy, which is part of Generation. Accordingly, the results of operations and any gain or loss on the sale of these entities have been presented as discontinued operations for the three and six months ended June 30, 2005 and 2004 within Exelon's (for Sithe, AllEnergy and Enterprises) and Generation's (for Sithe and AllEnergy) Consolidated Statements of Income and Comprehensive Income. See Notes 2 and 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the presentation of Sithe, certain Enterprises businesses and AllEnergy as discontinued operations and the sale of Sithe. The results of Sithe and AllEnergy are further discussed in the Generation discussion below.

The income from discontinued operations decreased by \$20 million from 2004 to 2005 primarily due to reduced activity at Enterprises and the inclusion of Sithe in 2004 second quarter results but not 2005.

### **Results of Operations by Business Segment**

Exelon evaluates its performance on a business segment basis. The comparisons of operating results and other statistical information for the three months ended June 30, 2005 and 2004 set forth below reflect intercompany transactions, which are eliminated in Exelon's consolidated financial statements.

Exelon sold or wound down substantially all components of Enterprises in 2004 and 2003. As a result, as of January 1, 2005, Enterprises is no longer reported as a segment and is included in the "other" category within the results of operations by business segment tables below. Segment information presented below for 2004 has been adjusted to present it on a comparable basis with 2005. See Note 15 of the Combined Notes to Consolidated Financial Statements for further segment information.

#### *Net Income from Continuing Operations by Business Segment*

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Energy Delivery	\$ 218	\$ 303	\$ (85)
Generation	297	187	110
Other(a)	1	13	(12)
Total	<u>\$ 516</u>	<u>\$ 503</u>	<u>\$ 13</u>

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises, investments in synthetic fuel-producing facilities and intersegment eliminations.

[Table of Contents](#)*Net Income by Business Segment*

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Energy Delivery	\$ 218	\$ 303	\$ (85)
Generation	296	178	118
Other(a)	—	40	(40)
Total	<u>\$ 514</u>	<u>\$ 521</u>	<u>\$ (7)</u>

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises, investments in synthetic fuel-producing facilities and intersegment eliminations.

*Results of Operations — Energy Delivery*

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 2,532	\$ 2,435	\$ 97
<b>Operating expenses</b>			
Purchased power and fuel expense	1,361	1,059	(302)
Operating and maintenance	321	355	34
Depreciation and amortization	238	228	(10)
Taxes other than income	133	132	(1)
Total operating expense	<u>2,053</u>	<u>1,774</u>	<u>(279)</u>
<b>Operating income</b>	<u>479</u>	<u>661</u>	<u>(182)</u>
<b>Other income and deductions</b>			
Interest expense	(147)	(172)	25
Distributions on preferred securities of subsidiaries	(1)	(1)	—
Equity in losses of unconsolidated affiliates	(8)	(13)	5
Other, net	13	10	3
Total other income and deductions	<u>(143)</u>	<u>(176)</u>	<u>33</u>
<b>Income before income taxes</b>	<u>336</u>	<u>485</u>	<u>(149)</u>
<b>Income taxes</b>	<u>118</u>	<u>182</u>	<u>64</u>
<b>Net income</b>	<u>\$ 218</u>	<u>\$ 303</u>	<u>\$ (85)</u>

**Net Income.** Energy Delivery's net income for the three months ended June 30, 2005 compared to the same period in 2004 decreased significantly as a result of higher purchased power prices effective January 1, 2005 at ComEd associated with its purchase power agreement (PPA) with Generation, partially offset by higher revenues at ComEd due to favorable weather, lower interest expense at ComEd and PECO, and lower operating and maintenance expense at ComEd and PECO, primarily due to decreased severance and pension expense.

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**Operating Revenues.** The changes in Energy Delivery’s operating revenues for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd Electric</u>	<u>PECO Electric</u>	<u>Total Electric</u>	<u>PECO Gas</u>	<u>Total Increase (Decrease)</u>
Weather	\$ 87	\$ (9)	\$ 78	\$ 7	\$ 85
Customer choice	26	27	53	—	53
Volume	(15)	—	(15)	(19)	(34)
Rate changes and mix	(21)	11	(10)	5	(5)
Other	1	—	1	—	1
Retail revenue	78	29	107	(7)	100
PJM transmission	8	—	8	—	8
T&O/ SECA rates	(7)	—	(7)	—	(7)
Other	6	2	8	(12)	(4)
Wholesale and miscellaneous revenues	7	2	9	(12)	(3)
Increase (decrease) in operating revenues	<u>\$ 85</u>	<u>\$ 31</u>	<u>\$ 116</u>	<u>\$ (19)</u>	<u>\$ 97</u>

*Weather.* The demand for electricity and gas is affected by weather conditions. With respect to the electric business, very warm weather in summer months and, with respect to the electric and gas businesses, very cold weather in other months are referred to as “favorable weather conditions” because these weather conditions result in increased sales of electricity and gas. Conversely, mild weather reduces demand. Energy Delivery’s revenues were positively affected by favorable weather conditions at ComEd in the second quarter of 2005 compared to the same period in 2004. In the ComEd service territory, cooling and heating degree days were 69% higher and 4% lower, respectively, than the prior year. In the PECO service territory, cooling and heating degree days were 21% lower and 21% higher, respectively, than the prior year.

*Customer Choice.* For the three months ended June 30, 2005 and 2004, 27% and 29% of energy delivered to Energy Delivery’s retail customers was provided by alternative electric suppliers or under the ComEd Power Purchase Option (PPO).

All ComEd and PECO customers have the choice to purchase energy from an alternative electric supplier. This choice generally does not impact the volume of deliveries, but affects revenue collected from customers related to supplied energy and generation service. In PECO’s case, operating income is not affected by customer choice since any increase or decrease in revenues is completely offset by any related increase or decrease in purchased power expense. As of June 30, 2005, no alternative electric supplier had approval from the ICC, and no electric utilities had chosen, to enter the ComEd residential market for the supply of electricity. In July 2005, one alternative supplier was approved to serve residential customers in Illinois.



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	ComEd Three Months Ended June 30,		PECO Three Months Ended June 30,	
	2005	2004	2005	2004
Retail customers purchasing energy from an alternative electric supplier:				
Volume (GWhs)	4,825	5,257	535	1,111
Percentage of total retail deliveries	22%	25%	6%	12%
Retail customers purchasing energy from an alternative electric supplier or the ComEd PPO:				
Number of customers	22,300	21,400	71,200	292,100
Percentage of total retail customers	(a)%	(a)%	5%	19%
Volume (GWhs)	7,893	7,581	535	1,111
Percentage of total retail deliveries	36%	36%	6%	12%

(a) Less than one percent.

For ComEd, the increase in revenues was primarily from a decrease in non-residential customers in Illinois electing to purchase energy from an alternative electric supplier or the PPO. This decrease relates to the continued increase in the energy market price for electricity. The increase in electric retail revenue associated with customer choice at PECO primarily related to a significant number of residential customers returning to PECO as their energy provider in December 2004. This action followed the assignment of approximately 194,000 residential customers to alternative electric suppliers for a one-year term beginning in December 2003, as required by the PAPUC and PECO's final electric restructuring order.

*Volume.* The decrease in ComEd's electric revenues attributable to volume, exclusive of the effects of weather and customer choice, was primarily due to decreased usage per customer, generally in the residential and large commercial and industrial customer classes. The decrease in PECO's gas revenues attributable to lower delivery volume, exclusive of the effects of weather, was due to decreased usage in the residential and small commercial and industrial customer classes.

*Rate Changes and Mix.* With respect to ComEd, the increased wholesale market price of electricity and other adjustments to the energy component of its CTC calculation decreased the collection of CTC by \$16 million in 2005 as compared to 2004. Also contributing to the decrease was lower average rates paid by residential and large commercial and industrial customers totaling \$5 million. The lower average residential rates relate to the volume discounts associated with the increased usage year over year due to favorable weather. As a result of increasing mitigation factors, changes in energy prices and the ability of certain customers to establish fixed, multi-year CTC rates, ComEd anticipates that CTC revenues will range from \$90 million to \$110 million annually in 2005 and 2006, compared to annual CTC revenues of \$169 million in 2004. Under current Illinois law, no CTCs will be collected after 2006.

The increase in electric revenues at PECO attributable to rate changes and mix was a result of changes in usage patterns across all customer classes.

The increase in PECO's gas revenues attributable to rate changes and mix was due to increases in rates through PAPUC-approved changes to the purchased gas adjustment clause that became effective March 1, 2004, March 1, 2005 and June 1, 2005. The average purchased gas cost rate per million cubic feet in effect for the three months ended June 30, 2005 was 2% higher than the average rate for the same period in 2004.

*PJM Transmission.* ComEd's transmission revenues and purchased power expense each increased by \$8 million due to ComEd's May 1, 2004 entry into PJM.

*T&O/ SECA Rates.* Revenues decreased \$7 million at ComEd as a result of the elimination of T&O rates in accordance with FERC orders that became effective December 1, 2004. Effective December 1, 2004, PJM became obligated to pay SECA collections to ComEd and PECO, and ComEd and PECO became

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obligated to pay SECA charges — see “Purchased Power and Fuel Expense” below. The elimination of T&O revenues and inclusion of SECA revenues had a minimal impact on PECO as T&O revenues recognized in the past were not material and SECA revenues currently being recognized also are not material. See Note 5 of the Combined Notes to Consolidated Financial Statements for more information on T&O/ SECA rates.

*Other Wholesale and Miscellaneous Revenues.* PECO’s gas revenues decreased \$12 million due to decreased off-system sales.

**Purchased Power and Fuel Expense.** The changes in Energy Delivery’s purchased power and fuel expense for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd Electric</u>	<u>PECO Electric</u>	<u>Total Electric</u>	<u>PECO Gas</u>	<u>Total Increase (Decrease)</u>
Prices	\$ 215	\$ 9	\$ 224	\$ 5	\$ 229
Customer choice	20	27	47	—	47
Weather	36	(3)	33	5	38
PJM transmission	8	3	11	—	11
Volume	(1)	(2)	(3)	(16)	(19)
T&O/ SECA rates	(4)	1	(3)	—	(3)
Other	10	—	10	(11)	(1)
Increase (decrease) in purchased power and fuel expense	<u>\$ 284</u>	<u>\$ 35</u>	<u>\$ 319</u>	<u>\$ (17)</u>	<u>\$ 302</u>

*Prices.* ComEd’s purchased power expense increased \$215 million due to higher prices associated with its PPA with Generation. As a result of the Amended and Restated Power Purchase Agreement as of April 30, 2004 with Generation, starting in January 1, 2005, ComEd began paying higher prices for its purchased power from Generation and ceased to procure its ancillary services from Generation. This agreement fixed the pricing for purchased power through December 31, 2006 based upon the current market prices as of April 30, 2004. In 2000, ComEd and Generation entered into a PPA that fixed the pricing for purchased power through December 31, 2004 based upon the then current market prices. PECO’s purchased power expense increased due to a change in the mix of average pricing related to its PPA with Generation. Fuel expense for gas increased due to higher gas prices. See “Operating Revenues” above.

*Customer Choice.* The increase in purchased power expense resulting from customer choice was primarily due to fewer ComEd non-residential customers electing to purchase energy from an alternative electric supplier and a significant number of residential customers returning to PECO as their energy provider in December 2004.

*Weather.* The increase in purchased power and fuel expense attributable to weather was primarily due to favorable weather conditions in the ComEd service territory.

*PJM Transmission.* ComEd’s transmission revenues and purchased power expense each increased due to its May 1, 2004 entry into PJM.

*Volume.* The decrease in PECO’s gas fuel expense attributable to volume, exclusive of the effects of weather, was due to decreased usage in the residential and small commercial and industrial customer classes.

*T&O/ SECA Rates.* Prior to the FERC orders issued in November 2004, ComEd collected T&O rates for transmission service scheduled out of or across ComEd’s transmission system. Rates collected as the transmission owner were recorded in operating revenues. After joining PJM on May 1, 2004, PJM allocated T&O collections to ComEd as a load-serving entity. The collections received by ComEd as a load-serving entity have been recorded as a decrease to purchased power expense.

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Effective December 1, 2004, PJM became obligated to pay SECA collections to ComEd and PECO, and ComEd and PECO became obligated to pay SECA charges. During the three months ended June 30, 2005, ComEd recorded SECA collections net of SECA charges of \$4 million, and PECO recorded SECA charges of \$1 million. See Note 5 of the Combined Notes to Consolidated Financial Statements for more information on T&O / SECA rates.

**Operating and Maintenance Expense.** The changes in operating and maintenance expense for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Severance-related expenses	\$ (12)	\$ (5)	\$ (17)
Pension expense(a)	(6)	(4)	(10)
Professional fees related to income tax refund claim(b)	(5)	(3)	(8)
Allowance for uncollectible accounts(c)	—	(4)	(4)
Contractors(d)	7	2	9
Other	(5)	1	(4)
Decrease in operating and maintenance expense	<u>\$ (21)</u>	<u>\$ (13)</u>	<u>\$ (34)</u>

- (a) Pension expense in 2005 is expected to be lower than in 2004 due in large part to significant pension plan contributions made in the first quarter of 2005. See Note 9 of the Combined Notes to Consolidated Financial Statements for additional information.
- (b) See Note 13 of the Combined Notes to Consolidated Financial Statements for additional information.
- (c) The decrease at PECO is primarily due to the enforcement of stricter collection standards beginning in early 2005 as allowed by recent legislation in Pennsylvania.
- (d) Increase was primarily due to increases in vegetation management services compared to the prior year for ComEd and PECO and consulting services at ComEd related to various regulatory proceedings. See Note 5 of the Combined Notes to Consolidated Financial Statements for additional information regarding the regulatory proceedings.

**Depreciation and Amortization Expense.** The changes in depreciation and amortization expense for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Recoverable transition costs/ CTC amortization	\$ (2)	\$ 10	\$ 8
Depreciation expense	4	—	4
Accelerated amortization of PECO billing system	—	3	3
Other amortization expense	(4)	(1)	(5)
Increase (decrease) in depreciation and amortization expense	<u>\$ (2)</u>	<u>\$ 12</u>	<u>\$ 10</u>

ComEd anticipates amortizing on an annual basis approximately \$43 million of transition costs in 2005 and 2006, which is consistent with the amount amortized for 2004. The quarterly amount of this amortization during the year is dependent on the projected operations margin by quarter, which can result in fluctuations compared to prior periods. ComEd expects to fully recover its remaining recoverable transition costs regulatory asset balance of \$72 million by the end of 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.

PECO's additional amortization of the CTC is in accordance with its original settlement under the Pennsylvania Competition Act.

The increase in depreciation expense is primarily due to capital additions at ComEd.

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In January 2005, as part of a broader Energy Delivery systems strategy associated with the pending merger with PSEG, Exelon's Board of Directors approved the implementation of a new customer information and billing system at PECO. The approval of this new system requires an accelerated depreciation of PECO's current system, which is expected to result in additional annual depreciation expense in 2005 and 2006 of \$15 million and \$10 million, respectively, relative to 2004 levels. If additional system changes are approved, additional accelerated depreciation may be required.

The decrease in other amortization expense at ComEd was due to the completion of the amortization of one of its software packages in 2004.

**Taxes Other Than Income.** The changes in taxes other than income for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Taxes on utility revenues(a)	\$ 1	\$ 3	\$ 4
Other	—	(3)	(3)
Increase in taxes other than income	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1</u>

(a) As these taxes are collected from customers and remitted to the taxing authorities and included in revenues and expenses, the increase in taxes expense was offset by a corresponding increase in revenues.

**Interest Expense.** The reduction in interest expense at ComEd and PECO of \$19 million and \$6 million, respectively, for the three months ended June 30, 2005 compared to the same period in 2004 was primarily due to long-term debt retirements and prepayments in 2004 at ComEd pursuant to Exelon's accelerated liability management plan and payments on long-term debt owed to ComEd Transitional Funding Trust and PECO Energy Transition Trust (PETT).

**Equity in Losses of Unconsolidated Affiliates.** The decrease in equity in losses of unconsolidated affiliates was a result of a decrease in interest expense of the deconsolidated financing trusts of ComEd and PECO due to scheduled repayments of outstanding long-term debt.

**Other, Net.** The changes in other, net for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Interest income on long-term receivable from UII, LLC(a)	\$ (4)	\$ —	\$ (4)
Gain on disposition of assets and investments, net	2	2	4
Other	2	1	3
Increase in other, net	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 3</u>

(a) The decrease in interest income on the long-term receivable from UII, LLC resulted from this receivable being repaid near the end of 2004.

**Income Taxes.** ComEd's effective income tax rate from continuing operations was 39% for the three months ended June 30, 2005 and 2004. See Note 10 of the Combined Notes to Consolidated Financial Statements for further details of the components of the effective income tax rates.

PECO's effective income tax rate from continuing operations was 30% for the three months ended June 30, 2005, compared to 33% for the three months ended June 30, 2004. The effective income tax rate from continuing operations in 2005 reflects a one-time state income tax benefit as a result of a favorable Pennsylvania state tax audit for the tax year 2000. See Note 10 of the Combined Notes to Consolidated Financial Statements for further details of the components of the effective income tax rates.

[Table of Contents](#)**Energy Delivery Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in gigawatthours (GWhs))(a)</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(b)</b>				
Residential	8,921	8,065	856	10.6%
Small commercial & industrial	6,833	6,704	129	1.9%
Large commercial & industrial	5,808	5,433	375	6.9%
Public authorities & electric railroads	726	893	(167)	(18.7)%
Total full service	<u>22,288</u>	<u>21,095</u>	<u>1,193</u>	<u>5.7%</u>
<b>PPO (ComEd only)</b>				
Small commercial & industrial	1,433	1,128	305	27.0%
Large commercial & industrial	1,635	1,196	439	36.7%
	<u>3,068</u>	<u>2,324</u>	<u>744</u>	<u>32.0%</u>
<b>Delivery only(c)</b>				
Residential	74	488	(414)	(84.8)%
Small commercial & industrial	1,810	1,982	(172)	(8.7)%
Large commercial & industrial	3,476	3,898	(422)	(10.8)%
	<u>5,360</u>	<u>6,368</u>	<u>(1,008)</u>	<u>(15.8)%</u>
Total PPO and delivery only	<u>8,428</u>	<u>8,692</u>	<u>(264)</u>	<u>(3.0)%</u>
<b>Total retail deliveries</b>	<u>30,716</u>	<u>29,787</u>	<u>929</u>	<u>3.1%</u>

(a) One GWh is the equivalent of one million kilowatthours (kWh).

(b) Full service reflects deliveries to customers taking generation service under tariffed rates.

(c) Delivery only service reflects customers electing to receive generation service from an alternative electric supplier.

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Electric Revenue	Three Months Ended June 30,		Variance	% Change
	2005	2004		
<b>Full service(a)</b>				
Residential	\$ 918	\$ 819	\$ 99	12.1%
Small commercial & industrial	616	597	19	3.2%
Large commercial & industrial	388	378	10	2.6%
Public authorities & electric railroads	51	64	(13)	(20.3)%
Total full service	<u>1,973</u>	<u>1,858</u>	<u>115</u>	<u>6.2%</u>
<b>PPO (ComEd only)(b)</b>				
Small commercial & industrial	99	73	26	35.6%
Large commercial & industrial	93	69	24	34.8%
	<u>192</u>	<u>142</u>	<u>50</u>	<u>35.2%</u>
<b>Delivery only(c)</b>				
Residential	6	38	(32)	(84.2)%
Small commercial & industrial	44	56	(12)	(21.4)%
Large commercial & industrial	45	59	(14)	(23.7)%
	<u>95</u>	<u>153</u>	<u>(58)</u>	<u>(37.9)%</u>
Total PPO and delivery only	<u>287</u>	<u>295</u>	<u>(8)</u>	<u>(2.7)%</u>
<b>Total electric retail revenues</b>	<u>2,260</u>	<u>2,153</u>	<u>107</u>	<u>5.0%</u>
Wholesale and miscellaneous revenue(d)	172	163	9	5.5%
<b>Total electric and other revenue</b>	<u>\$ 2,432</u>	<u>\$ 2,316</u>	<u>\$ 116</u>	<u>5.0%</u>

(a) Full service revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a CTC. See Note 5 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding CTC.

(b) Revenues from customers choosing ComEd's PPO include an energy charge at market rates, transmission and distribution charges, and a CTC.

(c) Delivery only revenue reflects revenue under tariffed rates from customers electing to receive generation service from an alternative electric supplier, which rates include a distribution charge and a CTC. Prior to ComEd's full integration into PJM on May 1, 2004, ComEd's transmission charges received from alternative electric suppliers were included in wholesale and miscellaneous revenue.

(d) Wholesale and miscellaneous revenues include transmission revenue (including revenue from PJM), sales to municipalities and other wholesale energy sales.

[Table of Contents](#)**ComEd Electric Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in GWhs)</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	6,235	5,793	442	7.6%
Small commercial & industrial	5,103	5,018	85	1.7%
Large commercial & industrial	2,103	1,730	373	21.6%
Public authorities & electric railroads	521	669	(148)	(22.1)%
Total full service	<u>13,962</u>	<u>13,210</u>	<u>752</u>	5.7%
<b>PPO</b>				
Small commercial & industrial	1,433	1,128	305	27.0%
Large commercial & industrial	1,635	1,196	439	36.7%
	<u>3,068</u>	<u>2,324</u>	<u>744</u>	32.0%
<b>Delivery only(b)</b>				
Small commercial & industrial	1,495	1,549	(54)	(3.5)%
Large commercial & industrial	3,330	3,708	(378)	(10.2)%
	<u>4,825</u>	<u>5,257</u>	<u>(432)</u>	(8.2)%
Total PPO and delivery only	<u>7,893</u>	<u>7,581</u>	<u>312</u>	4.1%
<b>Total retail deliveries</b>	<u>21,855</u>	<u>20,791</u>	<u>1,064</u>	5.1%

(a) Full service reflects deliveries to customers taking electric service under tariffed rates.

(b) Delivery only service reflects customers electing to receive generation service from an alternative electric supplier.

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Electric Revenue	Three Months Ended June 30,		Variance	% Change
	2005	2004		
<b>Full service(a)</b>				
Residential	\$ 559	\$ 521	\$ 38	7.3%
Small commercial & industrial	413	400	13	3.3%
Large commercial & industrial	105	97	8	8.2%
Public authorities & electric railroads	32	44	(12)	(27.3)%
Total full service	<u>1,109</u>	<u>1,062</u>	<u>47</u>	4.4%
<b>PPO(b)</b>				
Small commercial & industrial	99	73	26	35.6%
Large commercial & industrial	93	69	24	34.8%
	<u>192</u>	<u>142</u>	<u>50</u>	35.2%
<b>Delivery only(c)</b>				
Small commercial & industrial	27	33	(6)	(18.2)%
Large commercial & industrial	41	54	(13)	(24.1)%
	<u>68</u>	<u>87</u>	<u>(19)</u>	(21.8)%
Total PPO and delivery only	<u>260</u>	<u>229</u>	<u>31</u>	13.5%
<b>Total electric retail revenues</b>	<u>1,369</u>	<u>1,291</u>	<u>78</u>	6.0%
Wholesale and miscellaneous revenue(d)	119	112	7	6.3%
<b>Total operating revenues</b>	<u>\$ 1,488</u>	<u>\$ 1,403</u>	<u>\$ 85</u>	6.1%

- (a) Full service 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.
- (b) Revenues from customers choosing the PPO include an energy charge at market rates, transmission and distribution charges, and a CTC.
- (c) Delivery only revenues reflect revenue under tariff rates from customers electing to receive generation service from an alternative electric supplier, which includes a distribution charge and a CTC. Prior to ComEd's full integration into PJM on May 1, 2004, ComEd's transmission charges received from alternative electric suppliers were included in wholesale and miscellaneous revenue.
- (d) Wholesale and miscellaneous revenues include transmission revenue (including revenue from PJM), sales to municipalities and other wholesale energy sales.



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**PECO Electric Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in GWhs)</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	2,686	2,272	414	18.2%
Small commercial & industrial	1,730	1,686	44	2.6%
Large commercial & industrial	3,705	3,703	2	0.1%
Public authorities & electric railroads	205	224	(19)	(8.5)%
<b>Total full service</b>	<b>8,326</b>	<b>7,885</b>	<b>441</b>	<b>5.6%</b>
<b>Delivery only(b)</b>				
Residential	74	488	(414)	(84.8)%
Small commercial & industrial	315	433	(118)	(27.3)%
Large commercial & industrial	146	190	(44)	(23.2)%
<b>Total delivery only</b>	<b>535</b>	<b>1,111</b>	<b>(576)</b>	<b>(51.8)%</b>
<b>Total retail deliveries</b>	<b>8,861</b>	<b>8,996</b>	<b>(135)</b>	<b>(1.5)%</b>

(a) Full service reflects deliveries to customers taking electric service under tariffed rates.

(b) Delivery only service reflects customers receiving electric generation service from an alternative electric supplier.

<b>Electric Revenue</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	\$ 359	\$ 298	\$ 61	20.5%
Small commercial & industrial	203	197	6	3.0%
Large commercial & industrial	283	281	2	0.7%
Public authorities & electric railroads	19	20	(1)	(5.0)%
<b>Total full service</b>	<b>864</b>	<b>796</b>	<b>68</b>	<b>8.5%</b>
<b>Delivery only(b)</b>				
Residential	6	38	(32)	(84.2)%
Small commercial & industrial	17	23	(6)	(26.1)%
Large commercial & industrial	4	5	(1)	(20.0)%
<b>Total delivery only</b>	<b>27</b>	<b>66</b>	<b>(39)</b>	<b>(59.1)%</b>
<b>Total electric retail revenues</b>	<b>891</b>	<b>862</b>	<b>29</b>	<b>3.4%</b>
Wholesale and miscellaneous revenue(c)	53	51	2	3.9%
<b>Total electric and other revenue</b>	<b>\$ 944</b>	<b>\$ 913</b>	<b>\$ 31</b>	<b>3.4%</b>

(a) Full service 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.

(b) Delivery only revenue reflects revenue from customers receiving generation service from an alternative electric supplier, which includes a distribution charge and a CTC.

(c) Wholesale and miscellaneous revenues include transmission revenue from PJM and other wholesale energy sales.

[Table of Contents](#)**Energy Delivery's and PECO's Gas Sales Statistics and Revenue Detail**

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

<b>Deliveries to customers (in million cubic feet (mmcf))</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
Retail sales	7,398	8,162	(764)	(9.4)%
Transportation	6,019	6,410	(391)	(6.1)%
<b>Total</b>	<b>13,417</b>	<b>14,572</b>	<b>(1,155)</b>	<b>(7.9)%</b>

<b>Revenue</b>	<b>Three Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
Retail sales	\$ 95	\$ 102	\$ (7)	(6.9)%
Transportation	4	4	—	0.0%
Resales and other	1	13	(12)	(92.3)%
<b>Total gas revenue</b>	<b>\$ 100</b>	<b>\$ 119</b>	<b>\$ (19)</b>	<b>(16.0)%</b>

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*Results of Operations — Generation*

	Three Months Ended June 30,		Favorable (Unfavorable)
	2005	2004	
<b>Operating revenues</b>	\$ 2,105	\$ 1,881	\$ 224
<b>Operating expenses</b>			
Purchased power	517	576	59
Fuel	428	390	(38)
Operating and maintenance	602	573	(29)
Depreciation and amortization	63	65	2
Taxes other than income	39	46	7
Total operating expenses	<u>1,649</u>	<u>1,650</u>	<u>1</u>
<b>Operating income</b>	<u>456</u>	<u>231</u>	<u>225</u>
<b>Other income and deductions</b>			
Interest expense	(29)	(27)	(2)
Equity in earnings of unconsolidated affiliates	4	—	4
Other, net	51	96	(45)
Total other income and deductions	<u>26</u>	<u>69</u>	<u>(43)</u>
<b>Income from continuing operations before income taxes and minority interest</b>	<u>482</u>	<u>300</u>	<u>182</u>
<b>Income taxes</b>	<u>185</u>	<u>114</u>	<u>(71)</u>
<b>Income from continuing operations before minority interest</b>	<u>297</u>	<u>186</u>	<u>111</u>
<b>Minority interest</b>	<u>—</u>	<u>1</u>	<u>(1)</u>
<b>Income from continuing operations</b>	<u>297</u>	<u>187</u>	<u>110</u>
<b>Discontinued operations</b>			
Loss from discontinued operations	—	(23)	23
Loss on disposal of discontinued operations	(2)	—	(2)
Income taxes	(1)	(14)	(13)
Loss from discontinued operations	<u>(1)</u>	<u>(9)</u>	<u>8</u>
<b>Net income</b>	<u>\$ 296</u>	<u>\$ 178</u>	<u>\$ 118</u>

*Operating Revenues.* For the three months ended June 30, 2005 and 2004, Generation's sales were as follows:

Revenue	Three Months Ended June 30,		Variance	% Change
	2005	2004		
Electric sales to affiliates	\$ 1,133	\$ 846	\$ 287	33.9%
Wholesale and retail electric sales	783	858	(75)	(8.7)%
Total energy sales revenue	<u>1,916</u>	<u>1,704</u>	<u>212</u>	<u>12.4%</u>
Retail gas sales	95	83	12	14.5%
Trading portfolio	3	(2)	5	n.m.
Other revenue(a)	91	96	(5)	(5.2)%
Total revenue	<u>\$ 2,105</u>	<u>\$ 1,881</u>	<u>\$ 224</u>	<u>11.9%</u>

(a) Includes sales related to tolling agreements, fossil fuel sales and decommissioning revenue from Energy Delivery.

n.m. not meaningful.

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Sales (in GWhs)	Three Months Ended June 30,		Variance	% Change
	2005	2004		
Electric sales to affiliates	28,582	26,133	2,449	9.4%
Wholesale and retail electric sales	18,410	24,976	(6,566)	(26.3)%
Total sales	46,992	51,109	(4,117)	(8.1)%

Trading volumes of 5,660 GWhs and 5,285 GWhs for the three months ended June 30, 2005 and 2004, respectively, are not included in the table above.

*Electric Sales to Affiliates.* The increase in revenue from sales to affiliates was primarily due to higher prices associated with Generation's PPA with ComEd. As a result of the Amended and Restated Power Purchase Agreement as of April 30, 2004 with ComEd, effective January 1, 2005, Generation began receiving higher prices from ComEd for its purchased power. The remaining increase was due to an increase in sales to Energy Delivery due to customers returning from alternative electric suppliers and increased volumes due to favorable weather conditions in the ComEd service territory.

*Wholesale and Retail Electric Sales.* The changes in Generation's wholesale and retail electric sales for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Sale of Boston Generating(a)	\$ (87)
Volume	(96)
Price	100
Other	8
Decrease in wholesale and retail electric sales	\$ (75)

(a) Sales of Boston Generating of \$2 million were included in other revenues for 2004.

Due to the sale of Boston Generating in May 2004, wholesale and retail sales decreased \$87 million. The remaining decrease in wholesale and retail sales was primarily due to lower volumes sold to the market during the second quarter of 2005, although the power was sold at overall higher prices. Generation had less power to sell into the market as a result of higher demand for power sold to affiliates, the expiration of its purchase power agreement with Midwest Generation in 2004 and lower total generation.

*Retail Gas Sales.* Retail gas sales increased \$12 million primarily due to higher gas prices in the overall market.

*Other Revenues.* The decrease in other revenues of \$5 million was primarily due to a decrease in sales from tolling and gas management agreements during the second quarter of 2005. This decrease was offset by revenue from Generation's operating agreement with a subsidiary of Tamuin International, Inc., formerly Sithe International, Inc. This revenue was substantially offset by a corresponding increase in Generation's operating and maintenance expense. See Note 3 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding acquisitions and dispositions.

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**Purchased Power and Fuel Expense.** Generation's supply sources are summarized below:

Supply Source (in GWhs)	Three Months Ended June 30,		Variance	% Change
	2005	2004		
Nuclear generation	34,685	34,254	431	1.3%
Purchases — non-trading portfolio	9,061	11,904	(2,843)	(23.9)%
Fossil and hydroelectric generation(a)	3,246	4,951	(1,705)	(34.4)%
Total supply	<u>46,992</u>	<u>51,109</u>	<u>(4,117)</u>	(8.1)%

(a) Fossil and hydroelectric supply mix changed as a result of decreased fossil fuel generation due to the sale of Boston Generating in May 2004.

The changes in Generation's purchased power and fuel expense for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Boston Generating	\$ (76)
Mark-to-market adjustments on economic hedges	44
Volume	(8)
Price	35
Other	(16)
Decrease in purchased power and fuel expense	<u>\$ (21)</u>

*Boston Generating.* The decrease in purchased power and fuel expense associated with Boston Generating is due to the sale of the business in May 2004.

*Economic Hedges.* Mark-to-market losses on hedging activities were \$22 million for the three months ended June 30, 2005 compared to gains of \$22 million for the same period of 2004. Approximately \$9 million of the mark-to-market gains on hedging activities for the three months ended June 30, 2005 are anticipated to reverse subsequent to 2005.

*Volume.* The decrease in purchased power expense attributable to volume was primarily due to the expiration of Generation's purchase power agreement with Midwest Generation.

*Price.* The increase reflects overall higher market energy prices due to higher natural gas and oil prices during the second quarter of 2005, which resulted in an increase in average purchase power costs of approximately \$9 per MWh for the period.

*Other.* Other decreases in purchased power and fuel expense were primarily due to \$21 million of lower transmission expense resulting from reduced inter-region transmission charges, primarily associated with ComEd's integration into PJM on May 1, 2004.

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Generation's average margin per MWh of electricity sold for the three months ended June 30, 2005 and 2004 was as follows:

(\$/MWh)	Three Months Ended June 30,		% Change
	2005	2004	
Average electric revenue			
Electric sales to affiliates(a)	\$ 39.64	\$ 32.37	22.4%
Wholesale and retail electric sales	42.53	34.35	23.8%
Total — excluding the trading portfolio	40.77	33.34	22.3%
Average electric supply cost(b) — excluding the trading portfolio	\$ 18.17	\$ 17.32	4.9%
Average margin — excluding the trading portfolio	\$ 22.60	\$ 16.02	41.1%

(a) The increase in \$/MWh is due to higher prices in 2005 associated with Generation's PPA with ComEd.

(b) Average supply cost includes purchased power and fuel costs associated with electric sales. Average electric supply cost does not include purchased power and fuel costs associated with retail gas sales.

**Operating and Maintenance Expense.** The changes in operating and maintenance expense for the three months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Boston Generating	\$ (29)
Tamuin International	11
Refueling outage cost	28
Accrual for estimated future asbestos-related bodily injury claims	43
Payroll, benefits and pension cost	(17)
Other	(7)
Increase in operating and maintenance expense	\$ 29

The increase in operating and maintenance expense was primarily due to the \$43 million liability recorded in June 2005 for estimated future asbestos-related bodily injury claims and operating and maintenance expense associated with Generation's operating agreement with a subsidiary of Tamuin International, Inc., formerly Sithe International, Inc. The increase in operating and maintenance expense associated with Tamuin International, Inc. was substantially offset by the corresponding increase in Generation's other revenues discussed above. For further discussion of estimated future asbestos-related bodily injury claims see Note 13 of the Combined Notes to Consolidated Financial Statements.

Nuclear fleet operating data and purchased power cost data for the three months ended June 30, 2005 and 2004 were as follows:

	Three Months Ended June 30,	
	2005	2004
Nuclear fleet capacity factor(a)	95.4%	96.1%
Nuclear fleet production cost per MWh(a)	\$ 11.93	\$ 10.88
Average purchased power cost for wholesale operations per MWh	\$ 57.06	\$ 48.39

(a) Excludes Salem, which is operated by Public Service Enterprise Group Incorporated (PSEG).

The lower nuclear fleet capacity factor number resulted from a higher number of planned refuel outage days in the three months ended June 30, 2005 as compared to the same period in 2004. The lower capacity factor and the costs associated with the planned refuel outages resulted in a higher production cost per MWh

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produced for the three months ended June 30, 2005 as compared to the same period in 2004. There was one planned refuel outage and eight other outages that began during the three months ended June 30, 2005 compared to no planned refuel outages and seven other outages that began during the same period in 2004.

In the three months ended June 30, 2005, one of the Quad Cities' units returned to Extended Power Uprate (EPU) generation levels after extensive testing and load verification on its new steam dryer was completed. During the same period in 2004 both Quad Cities' units operated at pre-EPU generation levels due to performance issues with their steam dryers. The steam dryer in the other Quad Cities' unit was also replaced in the three months ended June 30, 2005. That unit continues to operate at pre-Extended Power Uprate (EPU) generation levels pending completion of extensive testing and load verification in order to ensure safe and reliable operations at the EPU output levels.

**Taxes Other Than Income.** The decrease in taxes other than income for the three months ended June 30, 2005 as compared to the same period in 2004 was primarily due to the sale of Boston Generating in May 2004.

**Other, Net.** The decrease in other income for the three months ended June 30, 2005 as compared to the same period in the prior year was primarily due to the \$85 million gain (\$52 million, net of taxes) on the disposal of Boston Generating recorded in the second quarter of 2004, partially offset by gains realized in the second quarter of 2005 in the amount of \$36 million related to the decommissioning trust fund investments for the AmerGen plants, primarily associated with changes in Generation's investment strategy. Realized gains associated with the decommissioning trust fund investments for the former PECO and ComEd units were \$18 million in the second quarter of 2005, primarily as a result of the changes in Generation's investment strategy, however; as a result of the contractual construct, the gains on the investments associated with the former ComEd and PECO units are offset within other, net and have no impact on net income. Refer to Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a full discussion of the accounting for nuclear decommissioning and nuclear decommissioning trust fund investments.

**Effective Income Tax Rate.** The effective income tax rate from continuing operations was 38.4% for the three months ended June 30, 2005 compared to 38.0% for the same period in 2004. See Note 10 of the Combined Notes to the Consolidated Financial Statements for further discussion of the change in the effective income tax rate.

**Discontinued Operations.** On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. In addition, Generation has sold or wound down substantially all components of AllEnergy, a business within Exelon Energy. Accordingly, the results of operations and the gain on the sale of Sithe have been presented as discontinued operations for the three months ended June 30, 2005 within Generation's Consolidated Statements of Income. See Notes 2 and 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the presentation of Sithe and AllEnergy as discontinued operations and the sale of Sithe.

**Results of Operations — Exelon Corporation***Six Months Ended June 30, 2005 Compared To Six Months Ended June 30, 2004*

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Operating revenues	\$ 7,045	\$ 7,073	\$ (28)
Purchased power and fuel expense	2,331	2,548	217
Operating and maintenance expense	1,893	1,918	25
Depreciation and amortization	644	612	(32)
Operating income	1,828	1,624	204
Other income and deductions	(370)	(342)	(28)
Income from continuing operations before income taxes and minority interest	1,458	1,282	176
Income from continuing operations	1,023	900	123
Income from discontinued operations	12	1	11
Income before cumulative effect of a change in accounting principle	1,035	901	134
Net income	1,035	933	102
Diluted earnings per share	1.53	1.40	0.13

**Operating Revenues.** Operating revenues decreased for the six months ended June 30, 2005 as compared to the same period in 2004 due to decreased revenues from non-affiliates at Generation partially offset by increased revenues at Energy Delivery. The decrease in revenues from non-affiliates at Generation was primarily due to the impact of the sale of Boston Generating in 2004 and reduced volume, partially offset by higher prices. The increase in revenues at Energy Delivery was primarily due to an increase in the number of customers choosing ComEd or PECO as their electric supplier, favorable weather conditions and higher transmission revenues. See further analysis and discussion of operating revenues by segment below.

**Purchased Power and Fuel Expense.** Purchased power and fuel expense decreased during the six months ended June 30, 2005 as compared to the same period in 2004 primarily due to the sale of Boston Generating in May 2004, favorable mark-to-market adjustments related to non-trading activities and the expiration of the purchase power agreement with Midwest Generation, partially offset by higher market energy prices and increased costs for transmission and ancillary services from PJM. Purchased power represented 20% of Generation's total supply for the six months ended June 30, 2005 compared to 23% for the same period in 2004. See further analysis and discussion of purchased power and fuel expense by segment below.

**Operating and Maintenance Expense.** Operating and maintenance expense decreased for the six months ended June 30, 2005 as compared to the same period in 2004 primarily due to the sale of Boston Generating and decreased severance and benefit expense, partially offset by a reserve for the estimated future asbestos-related bodily injury claims that was recorded in the second quarter of 2005. See further discussion of operating and maintenance expenses by segment below.

**Depreciation and Amortization Expense.** The increase in depreciation and amortization expense for the six months ended June 30, 2005 as compared to the same period in 2004 was primarily due to additional plant placed in service, increased CTC amortization expense and increased amortization expense related to Generation's ARC asset. These increases were partially offset by reduced depreciation and amortization expense due to the sale of Boston Generating.

**Operating Income.** Exclusive of the changes in operating revenues, purchased power and fuel expense, operating and maintenance expense and depreciation and amortization expense discussed above, the increase in operating income for the six months ended June 30, 2005 as compared to the same period in 2004 was the



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result of decreased taxes other than income in 2005 as compared to 2004, primarily due to the sale of Boston Generating and reduced property tax expense.

**Other Income and Deductions.** The change in other income and deductions reflects increased interest expense on short-term debt at Exelon, reduced equity from the earnings of synthetic fuel investments, reduced interest expense at Energy Delivery due to debt retirements at ComEd in 2004 and increased realized gains related to the decommissioning trust fund investments for the AmerGen plants. In 2004, other income and deductions reflected the gain on sale of Boston Generating.

**Effective Income Tax Rate.** Exelon's effective income tax rate from continuing operations was 29.8% for the six months ended June 30, 2005 and 2004. See Note 10 of the Combined Notes to the Consolidated Financial Statements for further discussion of the change in the effective income tax rate.

**Discontinued Operations.** On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. In addition, Exelon has sold or wound down substantially all components of Enterprises and AllEnergy. Accordingly, the results of operations and any gain or loss on the sale of these entities have been presented as discontinued operations for the six months ended June 30, 2005 and 2004 within Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income. See Notes 2 and 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the presentation of Sithe, certain Enterprises businesses and AllEnergy as discontinued operations and the sale of Sithe. The results of Sithe and AllEnergy are further discussed in the Generation discussion below.

The income from discontinued operations increased by \$11 million from 2004 to 2005 primarily due to the gain on the sale of Sithe in the first quarter of 2005.

### **Results of Operations by Business Segment**

Exelon evaluates its performance on a business segment basis. The comparisons of operating results and other statistical information for the six months ended June 30, 2005 and 2004 set forth below reflect intercompany transactions, which are eliminated in Exelon's consolidated financial statements.

Exelon sold or wound down substantially all components of Enterprises in 2004 and 2003. As a result, as of January 1, 2005, Enterprises is no longer reported as a segment and is included in the "other" category within the results of operations by business segment tables below. Segment information presented below for 2004 has been adjusted to present it on a comparable basis with 2005. See Note 15 of the Combined Notes to Consolidated Financial Statements for further segment information.

#### *Net Income from Continuing Operations by Business Segment*

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Energy Delivery	\$ 416	\$ 619	\$ (203)
Generation	601	258	343
Other(a)	6	23	(17)
Total	<u>\$ 1,023</u>	<u>\$ 900</u>	<u>\$ 123</u>

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises, investments in synthetic fuel-producing facilities and intersegment eliminations.

[Table of Contents](#)*Net Income (Loss) by Business Segment*

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
Energy Delivery	\$ 416	\$ 619	\$ (203)
Generation	616	280	336
Other(a)	3	34	(31)
Total	<u>\$ 1,035</u>	<u>\$ 933</u>	<u>\$ 102</u>

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises, investments in synthetic fuel-producing facilities and intersegment eliminations.

*Results of Operations — Energy Delivery*

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 5,214	\$ 5,010	\$ 204
<b>Operating expenses</b>			
Purchased power and fuel expense	2,879	2,239	(640)
Operating and maintenance	657	704	47
Depreciation and amortization	471	455	(16)
Taxes other than income	266	269	3
Total operating expense	<u>4,273</u>	<u>3,667</u>	<u>(606)</u>
<b>Operating income</b>	<u>941</u>	<u>1,343</u>	<u>(402)</u>
<b>Other income and deductions</b>			
Interest expense	(293)	(355)	62
Distributions on preferred securities of subsidiaries	(2)	(2)	—
Equity in losses of unconsolidated affiliates	(16)	(22)	6
Other, net	22	22	—
Total other income and deductions	<u>(289)</u>	<u>(357)</u>	<u>68</u>
<b>Income before income taxes</b>	652	986	(334)
<b>Income taxes</b>	236	367	131
<b>Net income</b>	<u>\$ 416</u>	<u>\$ 619</u>	<u>\$ (203)</u>

**Net Income.** Energy Delivery's net income for the six months ended June 30, 2005 compared to the same period in 2004 decreased significantly as a result of higher purchased power prices effective January 1, 2005 at ComEd associated with its PPA with Generation, partially offset by higher revenues at ComEd due to favorable weather, lower interest expense at ComEd and PECO, and lower operating and maintenance expense at ComEd and PECO, primarily due to decreased severance and pension expense.

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**Operating Revenues.** The changes in Energy Delivery’s operating revenues for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd Electric</u>	<u>PECO Electric</u>	<u>Total Electric</u>	<u>PECO Gas</u>	<u>Total Increase (Decrease)</u>
Customer choice	\$ 40	\$ 48	\$ 88	\$ —	\$ 88
Weather	83	(17)	66	6	72
Rate changes and mix	(26)	22	(4)	23	19
Volume	(9)	14	5	(15)	(10)
Other	2	—	2	—	2
Retail revenue	90	67	157	14	171
PJM transmission	60	(2)	58	—	58
T&O/ SECA rates	(25)	1	(24)	—	(24)
Other	11	5	16	(17)	(1)
Wholesale and miscellaneous revenues	46	4	50	(17)	33
Increase (decrease) in operating revenues	<u>\$ 136</u>	<u>\$ 71</u>	<u>\$ 207</u>	<u>\$ (3)</u>	<u>\$ 204</u>

*Customer Choice.* For the six months ended June 30, 2005 and 2004, 27% and 28% of energy delivered to Energy Delivery’s retail customers was provided by alternative electric suppliers or under the ComEd PPO.

All ComEd and PECO customers have the choice to purchase energy from an alternative electric supplier. This choice generally does not impact the volume of deliveries, but affects revenue collected from customers related to supplied energy and generation service. In PECO’s case, operating income is not affected by customer choice since any increase or decrease in revenues is completely offset by any related increase or decrease in purchased power expense. As of June 30, 2005, no alternative electric supplier had approval from the ICC, and no electric utilities had chosen, to enter the ComEd residential market for the supply of electricity. In July 2005, one alternative supplier was approved to serve residential customers in Illinois.

	<u>ComEd Six Months Ended June 30,</u>		<u>PECO Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Retail customers purchasing energy from an alternative electric supplier:</b>				
Volume (GWhs)	9,651	10,457	1,222	2,267
Percentage of total retail deliveries	22%	24%	7%	12%
<b>Retail customers purchasing energy from an alternative electric supplier or the ComEd PPO:</b>				
Number of customers	22,300	21,500	71,200	292,100
Percentage of total retail customers	(a)%	(a)%	5%	19%
Volume (GWhs)	15,228	14,693	1,222	2,267
Percentage of total retail deliveries	35%	34%	7%	12%

(a) Less than one percent.

For ComEd, the increase in revenues was primarily from a decrease in non-residential customers in Illinois electing to purchase energy from alternative electric suppliers or the PPO. This decrease relates to the continued increase in the energy market price for electricity. The increase in electric retail revenue associated with customer choice at PECO primarily relates to a significant number of residential customers returning to PECO as their energy provider in December 2004. This action followed the assignment of approximately

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194,000 residential customers to alternative electric suppliers for a one-year term beginning in December 2003, as required by the PAPUC and PECO's final electric restructuring order.

*Weather.* The demand for electricity and gas is affected by weather conditions. With respect to the electric business, very warm weather in summer months and, with respect to the electric and gas businesses, very cold weather in other months are referred to as "favorable weather conditions" because these weather conditions result in increased sales of electricity and gas. Conversely, mild weather reduces demand. Energy Delivery's electric and gas revenues were positively affected by favorable weather conditions at ComEd in 2005 compared to the same period in 2004. In the ComEd service territory, cooling and heating degree days were 69% higher and 4% lower, respectively, than the prior year. In the PECO service territory, cooling and heating degree days were 21% lower and 2% higher, respectively, than the prior year.

*Rate Changes and Mix.* With respect to ComEd, the increased wholesale market price of electricity and other adjustments to the energy component of its CTC calculation decreased the collection of CTC by \$24 million in 2005 as compared to 2004. Also contributing to the decrease was lower average rates paid by residential and large commercial and industrial customers totaling \$7 million. The lower average residential rates relate to the volume discounts associated with the increased usage year over year due to favorable weather. This decrease was partially offset by increased wholesale market prices which increased energy revenue received under the ComEd PPO and by increased average rates paid by small commercial and industrial customers totaling \$5 million. As a result of increasing mitigation factors, changes in energy prices and the ability of certain customers to establish fixed, multi-year CTC rates, ComEd anticipates that CTC revenues will range from \$90 million to \$110 million annually in 2005 and 2006, compared to annual CTC revenues of \$169 million in 2004. Under current Illinois law, no CTCs will be collected after 2006.

The increase in PECO's electric revenues attributable to rate changes and mix resulted from changes in usage patterns in all customer classes.

The increase in PECO's gas revenues was due to increases in rates through PAPUC-approved changes to the purchased gas adjustment clause that became effective March 1, 2004, March 1, 2005 and June 1, 2005. While PECO's purchased gas cost rates were reduced slightly, effective December 1, 2004, the average purchased gas cost rate per million cubic feet in effect for the six months ended June 30, 2005 was 7% higher than the average rate for the same period in 2004.

*Volume.* The increase in ComEd's electric revenues from volume was primarily as a result of decreased sales in the residential and small commercial industrial customer classes, primarily offset by increases in large commercial and industrial customers. The increase in PECO's electric revenues was primarily as a result of higher delivery volume, exclusive of the effects of weather and customer choice, due to an increased number of customers and increased usage per customer. The decrease in PECO's gas revenues attributable to volume, exclusive of the effects of weather, was due to decreased customer usage.

*PJM Transmission.* ComEd's transmission revenues and purchased power expense each increased by \$60 million due to ComEd's May 1, 2004 entry into PJM Interconnection, LLC (PJM).

*T&O/ SECA Rates.* Revenues decreased \$25 million at ComEd as a result of the elimination of T&O rates in accordance with FERC orders that became effective December 1, 2004. Effective December 1, 2004, PJM became obligated to pay SECA collections to ComEd and PECO, and ComEd and PECO became obligated to pay SECA charges — see "Purchased Power and Fuel Expense" below. The elimination of T&O revenues and inclusion of SECA revenues had a minimal impact on PECO as T&O revenues recognized in the past were not material and SECA revenues currently being recognized also are not material. See Note 5 of the Combined Notes to Consolidated Financial Statements for more information on T&O/ SECA rates.

*Other Wholesale and Miscellaneous Revenues.* PECO's gas revenues decreased \$17 million due to decreased off-system sales.

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**Purchased Power and Fuel Expense.** The changes in Energy Delivery's purchased power and fuel expense for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd Electric</u>	<u>PECO Electric</u>	<u>Total Electric</u>	<u>PECO Gas</u>	<u>Total Increase (Decrease)</u>
Prices	\$ 446	\$ 19	\$ 465	\$ 23	\$ 488
Customer choice	29	48	77	—	77
PJM transmission	61	5	66	—	66
Weather	34	(7)	27	4	31
PJM administrative fees	5	—	5	—	5
T&O/ SECA rates	(17)	4	(13)	—	(13)
Volume	6	1	7	(11)	(4)
Other	7	—	7	(17)	(10)
Increase in purchased power and fuel expense	<u>\$ 571</u>	<u>\$ 70</u>	<u>\$ 641</u>	<u>\$ (1)</u>	<u>\$ 640</u>

*Prices.* ComEd's purchased power expense increased \$446 million due to higher prices associated with its PPA with Generation. As a result of the Amended and Restated Power Purchase Agreement as of April 30, 2004 with Generation, starting in January 1, 2005, ComEd began paying higher prices for its purchased power from Generation and ceased to procure its ancillary services from Generation. This agreement fixed the pricing for purchased power through December 31, 2006 based upon the current market prices as of April 30, 2004. In 2000, ComEd and Generation entered into a PPA that fixed the pricing for purchased power through December 31, 2004 based upon the then current market prices. PECO's purchased power expense increased due to a change in the mix of average pricing related to its PPA with Generation. Fuel expense for gas increased due to higher gas prices. See "Operating Revenues" above.

*Customer Choice.* The increase in purchased power expense from customer choice was primarily due to fewer ComEd non-residential customers electing to purchase energy from an alternative electric supplier and a significant number of residential customers returning to PECO as their energy provider in December 2004.

*PJM Transmission.* ComEd's transmission revenues and purchased power expense each increased by \$60 million due to its May 1, 2004 entry into PJM.

*Weather.* Energy Delivery's increase in purchased power and fuel expense from weather was primarily due to favorable weather conditions in ComEd's service territory.

*PJM Administrative Fees.* ComEd began paying PJM administrative fees upon its full integration into PJM on May 1, 2004. The increase reflects the impact of six months of expense in 2005 compared to two months of expense in 2004.

*T&O/ SECA Rates.* Prior to the FERC orders issued in November 2004, ComEd collected T&O rates for transmission service scheduled out of or across ComEd's transmission system. Rates collected as the transmission owner were recorded in operating revenues. After joining PJM on May 1, 2004, PJM allocated T&O collections to ComEd as a load-serving entity. The collections received as a load-serving entity were recorded as a decrease to purchased power expense.

Effective December 1, 2004, PJM became obligated to pay SECA collections to ComEd and PECO, and ComEd and PECO became obligated to pay SECA charges. During the six months ended June 30, 2005, ComEd recorded SECA collections net of SECA charges of \$17 million, and PECO recorded SECA charges of \$4 million. See Note 5 of the Combined Notes to Consolidated Financial Statements for more information on T&O / SECA rates.

*Volume.* The increase in ComEd's purchased power and fuel expense attributable to volume, exclusive of the effects of weather and customer choice, was due to increases in the number of customers and average usage per customer, generally in the commercial and industrial customer classes. The decrease in PECO's gas

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fuel expense from lower delivery volume, exclusive of the effects of weather, was due to decreased customer usage.

**Operating and Maintenance Expense.** The changes in operating and maintenance expense for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Severance-related expenses	\$ (14)	\$ (9)	\$ (23)
Pension expense(a)	(8)	(6)	(14)
Allowance for uncollectible accounts(b)	(4)	(8)	(12)
Employee fringe benefits(c)	(6)	(2)	(8)
Contractors(d)	16	5	21
Professional fees related to income tax refund claim(e)	(3)	6	3
Other	(15)	1	(14)
Decrease in operating and maintenance expense	<u>\$ (34)</u>	<u>\$ (13)</u>	<u>\$ (47)</u>

- (a) Pension expense in 2005 is expected to be lower than in 2004 due in large part to significant pension plan contributions made in the first quarter of 2005. See Note 9 of the Combined Notes to Consolidated Financial Statements for additional information.
- (b) The decrease at PECO is primarily due to the enforcement of stricter collection standards beginning in early 2005 as allowed by recent legislation in Pennsylvania.
- (c) Excludes severance-related expenses and pension expense. Reflects fewer employees compared to prior year and an adjustment in 2005 related to medical plan fees.
- (d) Increase was primarily due to increases in vegetation management services compared to the prior year at ComEd and PECO and consulting services at ComEd related to various regulatory proceedings. See Note 5 of the Combined Notes to Consolidated Financial Statements for additional information regarding the regulatory proceedings.
- (e) See Note 13 of the Combined Notes to Consolidated Financial Statements for additional information.

**Depreciation and Amortization Expense.** The changes in depreciation and amortization expense for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Recoverable transition costs/ CTC amortization	\$ (7)	\$ 19	\$ 12
Depreciation expense	8	1	9
Accelerated amortization of PECO billing system	—	6	6
Other amortization expense	(8)	(3)	(11)
Increase (decrease) in depreciation and amortization expense	<u>\$ (7)</u>	<u>\$ 23</u>	<u>\$ 16</u>

ComEd anticipates amortizing on an annual basis approximately \$43 million of transition costs in 2005 and 2006, which is consistent with the amount amortized for 2004. The quarterly amount of this amortization during the year is dependent on the projected operations margin by quarter, which can result in fluctuations compared to prior periods. ComEd expects to fully recover its remaining recoverable transition costs regulatory asset balance of \$72 million by the end of 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 additional amortization of the CTC is in accordance with PECO's original settlement under the Pennsylvania Competition Act.

The increase in depreciation expense is primarily due to capital additions at ComEd.

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In January 2005, as part of a broader Energy Delivery systems strategy associated with the pending merger with PSE&G, Exelon's Board of Directors approved the implementation of a new customer information and billing system at PECO. The approval of this new system resulted in the accelerated depreciation of PECO's current system, which is expected to result in additional annual depreciation expense in 2005 and 2006 of \$15 million and \$10 million, respectively, relative to 2004 levels. If additional system changes are approved, additional accelerated depreciation may be required.

The decrease in other amortization expense at ComEd was due to a \$10 million decrease resulting from completing the amortization of one of its software packages in 2004.

**Taxes Other Than Income.** The changes in taxes other than income for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Reduction in real estate tax accrual in 2005(a)	\$ —	\$ (6)	\$ (6)
Taxes on utility revenues(b)	3	5	8
Other	(3)	(2)	(5)
Decrease in taxes other than income	<u>\$ —</u>	<u>\$ (3)</u>	<u>\$ (3)</u>

- (a) Represents a \$6 million reduction of a real estate tax accrual in March 2005 following settlements between PECO and various taxing authorities related to prior year tax assessments. See Note 13 of the Combined Notes to the Financial Statements for additional information.
- (b) As these taxes are collected from customers and remitted to the taxing authorities and included in revenues and expenses, the increase in taxes expense was offset by a corresponding increase in revenues.

**Interest Expense.** The reduction in interest expense at ComEd and PECO of \$51 million and \$11 million, respectively, for the six months ended June 30, 2005 compared to the same period in 2004 was primarily due to long-term debt retirements and prepayments in 2004 at ComEd pursuant to Exelon's accelerated liability management plan and payments on long-term debt owed to ComEd Transitional Funding Trust and PETT.

**Equity in Losses of Unconsolidated Affiliates.** The decrease in equity in losses of unconsolidated affiliates was a result of a decrease in interest expense of the deconsolidated financing trusts of ComEd and PECO due to scheduled repayments of outstanding long-term debt.

**Other, Net.** The changes in other, net for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	<u>ComEd</u>	<u>PECO</u>	<u>Total Increase (Decrease)</u>
Interest income on long-term receivable from UII, LLC(a)	\$ (9)	\$ —	\$ (9)
Gain on disposition of assets and investment, net	2	1	3
Other	3	3	6
Increase (decrease) in other, net	<u>\$ (4)</u>	<u>\$ 4</u>	<u>\$ —</u>

- (a) The decrease in interest income on the long-term receivable from UII, LLC resulted from this receivable being repaid near the end of 2004.

**Income Taxes.** ComEd's effective income tax rate from continuing operations was 40% for the six months ended June 30, 2005 and June 30, 2004. See Note 10 of the Combined Notes to Consolidated Financial Statements for further details of the components of the effective income tax rates.

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PECO's effective income tax rate from continuing operations was approximately 33% for the six months ended June 30, 2005 and June 30, 2004. See Note 10 of the Combined Notes to Consolidated Financial Statements for further details of the components of the effective income tax rates.

### **Energy Delivery Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in gigawatthours (GWhs))(a)</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(b)</b>				
Residential	19,301	17,821	1,480	8.3%
Small commercial & industrial	13,673	14,080	(407)	(2.9)%
Large commercial & industrial	11,097	10,520	577	5.5%
Public authorities & electric railroads	1,483	1,678	(195)	(11.6)%
Total full service	45,554	44,099	1,455	3.3%
<b>PPO (ComEd only)</b>				
Small commercial & industrial	2,458	1,897	561	29.6%
Large commercial & industrial	3,119	2,339	780	33.3%
	5,577	4,236	1,341	31.7%
<b>Delivery only(c)</b>				
Residential	178	1,070	(892)	(83.4)%
Small commercial & industrial	3,875	3,935	(60)	(1.5)%
Large commercial & industrial	6,820	7,719	(899)	(11.6)%
	10,873	12,724	(1,851)	(14.5)%
Total PPO and delivery only	16,450	16,960	(510)	(3.0)%
<b>Total retail deliveries</b>	<b>62,004</b>	<b>61,059</b>	<b>945</b>	<b>1.5%</b>

(a) One GWh is the equivalent of one million kilowatthours (kWh).

(b) Full service reflects deliveries to customers taking generation service under tariffed rates.

(c) Delivery only service reflects customers electing to receive generation service from an alternative electric supplier.



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Electric Revenue	Six Months Ended June 30,		Variance	% Change
	2005	2004		
<b>Full service(a)</b>				
Residential	\$ 1,868	\$ 1,691	\$ 177	10.5%
Small commercial & industrial	1,170	1,161	9	0.8%
Large commercial & industrial	739	730	9	1.2%
Public authorities & electric railroads	105	122	(17)	(13.9)%
Total full service	<u>3,882</u>	<u>3,704</u>	<u>178</u>	4.8%
<b>PPO (ComEd only)(b)</b>				
Small commercial & industrial	165	124	41	33.1%
Large commercial & industrial	171	129	42	32.6%
	<u>336</u>	<u>253</u>	<u>83</u>	32.8%
<b>Delivery only(c)</b>				
Residential	13	80	(67)	(83.8)%
Small commercial & industrial	93	110	(17)	(15.5)%
Large commercial & industrial	89	111	(22)	(19.8)%
	<u>195</u>	<u>301</u>	<u>(106)</u>	(35.2)%
Total PPO and delivery only	<u>531</u>	<u>554</u>	<u>(23)</u>	(4.2)%
<b>Total electric retail revenues</b>	<u>4,413</u>	<u>4,258</u>	<u>155</u>	3.6%
Wholesale and miscellaneous revenue(d)	340	288	52	18.1%
<b>Total electric and other revenue</b>	<u>\$ 4,753</u>	<u>\$ 4,546</u>	<u>\$ 207</u>	4.6%

(a) Full service revenue reflects deliveries to customers taking electric service under tariffed rates, which include the cost of energy and the delivery cost of the transmission and the distribution of the energy. PECO's tariffed rates also include a CTC. See Note 5 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding CTC.

(b) Revenues from customers choosing ComEd's PPO include an energy charge at market rates, transmission and distribution charges and a CTC.

(c) Delivery only revenue reflects revenue under tariffed rates from customers electing to receive generation service from an alternative electric supplier, which rates include a distribution charge and a CTC. Prior to ComEd's full integration into PJM on May 1, 2004, ComEd's transmission charges received from alternative electric suppliers were included in wholesale and miscellaneous revenue.

(d) Wholesale and miscellaneous revenues include transmission revenue (including revenue from PJM), sales to municipalities and other wholesale energy sales.

[Table of Contents](#)**ComEd Electric Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in GWhs)</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	13,346	12,805	541	4.2%
Small commercial & industrial	10,211	10,710	(499)	(4.7)%
Large commercial & industrial	3,883	3,200	683	21.3%
Public authorities & electric railroads	1,052	1,225	(173)	(14.1)%
Total full service	<u>28,492</u>	<u>27,940</u>	<u>552</u>	2.0%
<b>PPO</b>				
Small commercial & industrial	2,458	1,897	561	29.6%
Large commercial & industrial	3,119	2,339	780	33.3%
	<u>5,577</u>	<u>4,236</u>	<u>1,341</u>	31.7%
<b>Delivery only(b)</b>				
Small commercial & industrial	3,163	3,078	85	2.8%
Large commercial & industrial	6,488	7,379	(891)	(12.1)%
	<u>9,651</u>	<u>10,457</u>	<u>(806)</u>	(7.7)%
Total PPO and delivery only	<u>15,228</u>	<u>14,693</u>	<u>535</u>	3.6%
<b>Total retail deliveries</b>	<u>43,720</u>	<u>42,633</u>	<u>1,087</u>	2.5%

(a) Full service reflects deliveries to customers taking electric service under tariffed rates.

(b) Delivery only service reflects customers electing to receive generation service from an alternative electric supplier.

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Electric Revenue	Six Months Ended June 30,		Variance	% Change
	2005	2004		
<b>Full service(a)</b>				
Residential	\$ 1,124	\$ 1,080	\$ 44	4.1%
Small commercial & industrial	784	787	(3)	(0.4)%
Large commercial & industrial	193	179	14	7.8%
Public authorities & electric railroads	65	82	(17)	(20.7)%
Total full service	2,166	2,128	38	1.8%
<b>PPO(b)</b>				
Small commercial & industrial	165	124	41	33.1%
Large commercial & industrial	171	129	42	32.6%
	336	253	83	32.8%
<b>Delivery only(c)</b>				
Small commercial & industrial	58	67	(9)	(13.4)%
Large commercial & industrial	80	102	(22)	(21.6)%
	138	169	(31)	(18.3)%
Total PPO and delivery only	474	422	52	12.3%
<b>Total electric retail revenues</b>	2,640	2,550	90	3.5%
Wholesale and miscellaneous revenue(d)	235	189	46	24.3%
<b>Total operating revenues</b>	\$ 2,875	\$ 2,739	\$ 136	5.0%

- (a) Full service 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.
- (b) Revenues from customers choosing the PPO include an energy charge at market rates, transmission and distribution charges, and a CTC.
- (c) Delivery only revenues reflect revenue under tariff rates from customers electing to receive generation service from an alternative electric supplier, which includes a distribution charge and a CTC. Prior to ComEd's full integration into PJM on May 1, 2004, ComEd's transmission charges received from alternative electric suppliers were included in wholesale and miscellaneous revenue.
- (d) Wholesale and miscellaneous revenues include transmission revenue (including revenue from PJM), sales to municipalities and other wholesale energy sales.

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**PECO Electric Operating Statistics and Revenue Detail**

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

<b>Retail Deliveries — (in GWhs)</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	5,955	5,016	939	18.7%
Small commercial & industrial	3,462	3,370	92	2.7%
Large commercial & industrial	7,214	7,320	(106)	(1.4)%
Public authorities & electric railroads	431	453	(22)	(4.9)%
<b>Total full service</b>	<b>17,062</b>	<b>16,159</b>	<b>903</b>	<b>5.6%</b>
<b>Delivery only(b)</b>				
Residential	178	1,070	(892)	(83.4)%
Small commercial & industrial	712	857	(145)	(16.9)%
Large commercial & industrial	332	340	(8)	(2.4)%
<b>Total delivery only</b>	<b>1,222</b>	<b>2,267</b>	<b>(1,045)</b>	<b>(46.1)%</b>
<b>Total retail deliveries</b>	<b>18,284</b>	<b>18,426</b>	<b>(142)</b>	<b>(0.8)%</b>

(a) Full service reflects deliveries to customers taking electric service under tariffed rates.

(b) Delivery only service reflects customers receiving electric generation service from an alternative electric supplier.

<b>Electric Revenue</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
<b>Full service(a)</b>				
Residential	\$ 744	\$ 611	\$ 133	21.8%
Small commercial & industrial	386	374	12	3.2%
Large commercial & industrial	546	551	(5)	(0.9)%
Public authorities & electric railroads	40	40	—	0.0%
<b>Total full service</b>	<b>1,716</b>	<b>1,576</b>	<b>140</b>	<b>8.9%</b>
<b>Delivery only(b)</b>				
Residential	13	80	(67)	(83.8)%
Small commercial & industrial	35	43	(8)	(18.6)%
Large commercial & industrial	9	9	—	0.0%
<b>Total delivery only</b>	<b>57</b>	<b>132</b>	<b>(75)</b>	<b>(56.8)%</b>
<b>Total electric retail revenues</b>	<b>1,773</b>	<b>1,708</b>	<b>65</b>	<b>3.8%</b>
Wholesale and miscellaneous revenue(c)	105	99	6	6.1%
<b>Total electric and other revenue</b>	<b>\$ 1,878</b>	<b>\$ 1,807</b>	<b>\$ 71</b>	<b>3.9%</b>

(a) Full service 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.

(b) Delivery only revenue reflects revenue from customers receiving generation service from an alternative electric supplier, which includes a distribution charge and a CTC.

(c) Wholesale and miscellaneous revenues include transmission revenue from PJM and other wholesale energy sales.

[Table of Contents](#)**Energy Delivery's and PECO's Gas Sales Statistics and Revenue Detail**

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

<b>Deliveries to customers (in million cubic feet (mmcf))</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
Retail sales	37,532	37,965	(433)	(1.1)%
Transportation	13,564	13,542	22	0.2%
<b>Total</b>	<b>51,096</b>	<b>51,507</b>	<b>(411)</b>	<b>(0.8)%</b>

<b>Revenue</b>	<b>Six Months Ended June 30,</b>		<b>Variance</b>	<b>% Change</b>
	<b>2005</b>	<b>2004</b>		
Retail sales	\$ 445	\$ 431	\$ 14	3.2%
Transportation	9	9	—	0.0%
Resales and other	7	24	(17)	(70.8)%
<b>Total gas revenue</b>	<b>\$ 461</b>	<b>\$ 464</b>	<b>\$ (3)</b>	<b>(0.6)%</b>

*Results of Operations — Generation*

	Six Months Ended June 30,		Favorable (Unfavorable)
	2005	2004	
<b>Operating revenues</b>	\$ 4,125	\$ 3,826	\$ 299
<b>Operating expenses</b>			
Purchased power	967	1,105	138
Fuel	786	958	172
Operating and maintenance	1,211	1,192	(19)
Depreciation and amortization	125	120	(5)
Taxes other than income	74	93	19
Total operating expenses	<u>3,163</u>	<u>3,468</u>	<u>305</u>
<b>Operating income</b>	<u>962</u>	<u>358</u>	<u>604</u>
<b>Other income and deductions</b>			
Interest expense	(58)	(53)	(5)
Equity in earnings (losses) of unconsolidated affiliates	4	(2)	6
Other, net	69	115	(46)
Total other income and deductions	<u>15</u>	<u>60</u>	<u>(45)</u>
<b>Income from continuing operations before income taxes</b>	<u>977</u>	<u>418</u>	<u>559</u>
<b>Income taxes</b>	<u>376</u>	<u>160</u>	<u>(216)</u>
<b>Income from continuing operations</b>	<u>601</u>	<u>258</u>	<u>343</u>
<b>Discontinued operations</b>			
Loss from discontinued operations	(1)	(24)	23
Gain on disposal of discontinued operations	19	—	19
Income taxes	3	(14)	(17)
Income (loss) from discontinued operations	<u>15</u>	<u>(10)</u>	<u>25</u>
<b>Income before cumulative effect of a change in accounting principle</b>	<u>616</u>	<u>248</u>	<u>368</u>
<b>Cumulative effect of a change in accounting principle (net of income taxes of \$22 million )</b>	<u>—</u>	<u>32</u>	<u>(32)</u>
<b>Net income</b>	<u>\$ 616</u>	<u>\$ 280</u>	<u>\$ 336</u>

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**Operating Revenues.** For the six months ended June 30, 2005 and 2004, Generation's sales were as follows:

Revenue	Six Months Ended June 30,		Variance	% Change
	2005	2004		
Electric sales to affiliates	\$ 2,251	\$ 1,706	\$ 545	31.9%
Wholesale and retail electric sales	1,443	1,742	(299)	(17.2)%
Total energy sales revenue	3,694	3,448	246	7.1%
Retail gas sales	284	252	32	12.7%
Trading portfolio	9	(2)	11	n.m.
Other revenue(a)	138	128	10	7.8%
Total revenue	\$ 4,125	\$ 3,826	\$ 299	7.8%

(a) Includes sales related to tolling agreements, fossil fuel sales, and decommissioning revenues from Energy Delivery.

n.m. not meaningful.

Sales (in GWhs)	Six Months Ended June 30,		Variance	% Change
	2005	2004		
Electric sales to affiliates	57,035	53,597	3,438	6.4%
Wholesale and retail electric sales	35,420	48,959	(13,539)	(27.7)%
Total sales	92,455	102,556	(10,101)	(9.8)%

Trading volumes of 11,411 GWhs and 10,437 GWhs for the six months ended June 30, 2005 and 2004, respectively, are not included in the table above.

*Electric Sales to Affiliates.* The increase in revenue from sales to affiliates was primarily due to higher prices associated with Generation's PPA with ComEd. As a result of the Amended and Restated Power Purchase Agreement as of April 30, 2004 with ComEd, effective January 1, 2005, Generation began receiving higher prices from ComEd for its purchased power. The remaining increase was due to an increase in sales to Energy Delivery due to customers returning from alternative electric suppliers and increased volumes due to favorable weather conditions in ComEd's service territory.

*Wholesale and Retail Electric Sales.* The changes in Generation's wholesale and retail electric sales for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Sale of Boston Generating(a)	\$ (239)
Volume	(226)
Price	158
Other	8
Decrease in wholesale and retail electric sales	\$ (299)

(a) Sales of Boston Generating of \$9 million were included in other revenues for 2004.

Due to the sale of Boston Generating in May 2004, wholesale and retail sales decreased \$239 million. The remaining decrease in wholesale and retail sales was primarily due to lower volumes sold to the market during the second quarter of 2005, although the power was sold at overall higher prices. Generation had less power to

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sell into the market as a result of higher demand for power sold to affiliates, the expiration of its purchase power agreement with Midwest Generation in 2004 and lower nuclear and fossil generation.

**Retail Gas Sales.** Retail gas sales increased primarily due to higher prices in the overall market.

**Other Revenues.** The increase in other revenues of \$10 million was primarily due to revenue from Generation's operating agreement with a subsidiary of Tamuin International, Inc., formerly Sithe International, Inc. This revenue was substantially offset by a corresponding increase in Generation's operating and maintenance expense.

**Purchased Power and Fuel Expense.** Generation's supply sources are summarized below:

Supply Source (in GWhs)	Six Months Ended June 30,		Variance	% Change
	2005	2004		
Nuclear generation	67,465	67,665	(200)	(0.3)%
Purchases — non-trading portfolio	18,607	23,595	(4,988)	(21.1)%
Fossil and hydroelectric generation(a)	6,383	11,296	(4,913)	(43.5)%
Total supply	<u>92,455</u>	<u>102,556</u>	<u>(10,101)</u>	(9.8)%

(a) Fossil and hydroelectric supply mix changed as a result of decreased fossil fuel generation due to the sale of Boston Generating in May 2004.

The changes in Generation's purchased power and fuel expense for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Boston Generating	\$ (226)
Mark-to-market adjustments on economic hedges	(58)
Volume	(83)
Price	91
Other	(34)
Decrease in purchased power and fuel expense	<u>\$ (310)</u>

**Boston Generating.** The decrease in purchased power and fuel expense associated with Boston Generating was due to the sale of the business in May 2004.

**Economic Hedges.** Mark-to-market gains on hedging activities were \$41 million for the six months ended June 30, 2005 compared to losses of \$17 million for the same period of 2004. Approximately \$9 million of the mark-to-market gains on hedging activities for the six months ended June 30, 2005 are anticipated to reverse subsequent to 2005.

**Volume.** Generation's decrease in purchased power expense from reduced volume was primarily due to the expiration of its purchase power agreement with Midwest Generation.

**Price.** The increase reflects overall higher market energy prices due to higher natural gas and oil prices during the first six months of 2005, which resulted in an increase in the average purchase power costs of approximately \$5 per MWh for the period.

**Other.** Other decreases in purchased power and fuel expense were primarily due to \$48 million of lower transmission expense resulting from reduced inter-region transmission charges, primarily associated with ComEd's integration into PJM during the second quarter of 2004.



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Generation's average margin per MWh of electricity sold for the six months ended June 30, 2005 and 2004 was as follows:

(\$/MWh)	Six Months Ended June 30,		% Change
	2005	2004	
Average electric revenue			
Electric sales to affiliates(a)	\$ 39.47	\$ 31.83	24.0%
Wholesale and retail electric sales	40.74	35.58	14.5%
Total — excluding the trading portfolio	39.95	33.62	18.8%
Average electric supply cost(b) — excluding the trading portfolio	\$ 16.04	\$ 17.75	(9.6)%
Average margin — excluding the trading portfolio	\$ 23.91	\$ 15.87	50.7%

(a) The increase in \$/MWh is due to the higher prices in 2005 associated with Generation's PPA with ComEd.

(b) Average supply cost includes purchased power and fuel costs associated with electric sales. Average electric supply cost does not include purchased power and fuel costs associated with retail gas sales.

**Operating and Maintenance Expense.** The changes in operating and maintenance expense for the six months ended June 30, 2005 compared to the same period in 2004 consisted of the following:

	Increase (Decrease)
Boston Generating	\$ (57)
Tamuin International	26
Accrual for estimated future asbestos-related bodily injury claims	43
Refueling outage cost	22
Payroll, benefits and pension	(18)
Other	3
Increase in operating and maintenance expense	\$ 19

The increase in operating and maintenance expense was primarily due to the \$43 million liability recorded in June 2005 for estimated future asbestos-related bodily injury claims and operating and maintenance expense associated with Generation's operating agreement with a subsidiary of Tamuin International, Inc., formerly Sithe International, Inc. The increase in operating and maintenance associated with Tamuin International, Inc. was substantially offset by the corresponding increase in Generation's other revenues discussed above. Operating and maintenance expense associated with Boston Generating in the first six months of 2004 was \$57 million. For further discussion of estimated future asbestos-related bodily injury claims see Note 13 of Combined Notes to Consolidated Financial Statements.

Nuclear fleet operating data and purchased power cost data for the six months ended June 30, 2005 and 2004 were as follows:

	Six Months Ended June 30,	
	2005	2004
Nuclear fleet capacity factor(a)	92.7%	93.3%
Nuclear fleet production cost per MWh(a)	\$ 13.24	\$ 12.54
Average purchased power cost for wholesale operations per MWh	\$ 51.97	\$ 46.83

(a) Excludes Salem, which is operated by Public Service Enterprise Group Incorporated (PSEG).

The lower nuclear fleet capacity factor resulted from a higher number of planned refuel and unplanned outage days in the six months ended June 30, 2005 as compared to the same period in 2004. The lower

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capacity factor and the costs associated with the planned refuel outages resulted in a higher production cost per MWh for the six months ended June 30, 2005 as compared to the same period in 2004. There were five planned refueling outages and fifteen other outages that began during the six months ended June 30, 2005 compared to five planned refueling outages and twelve other outages that began during the same period in 2004.

In the six months ended June 30, 2005, one of the Quad Cities' units returned to Extended Power Uprate (EPU) generation levels after extensive testing and load verification on its new steam dryer was completed. During the same period in 2004 both Quad Cities' units operated intermittently at EPU generation levels due to performance issues with their steam dryers. The steam dryer in the other Quad Cities' unit was also replaced in the six months ended June 30, 2005. That unit continues to operate at pre-Extended Power Uprate (EPU) generation levels pending completion of extensive testing and load verification in order to ensure safe and reliable operations at the EPU output levels.

**Depreciation and Amortization.** The increase in depreciation and amortization expense for the six months ended June 30, 2005 as compared to the same period in 2004 was primarily due to increased amortization expense related to Generation's ARC asset associated with decommissioning and the depreciation expense of recent capital additions, partially offset by a decrease in depreciation expense due to the sale of Boston Generating in May 2004.

**Taxes Other Than Income.** The decrease in taxes other than income for the six months ended June 30, 2005 compared to the same period in 2004 was primarily due to the reduction of the real estate tax reserve associated with the settlement of the Three Mile Island Nuclear Station real estate taxes and due to the sale of Boston Generating in May 2004.

**Other, Net.** The decrease in other income for the six months ended June 30, 2005 as compared to the same period in the prior year was primarily due to the \$85 million gain (\$52 million, net of taxes) on the disposal of Boston Generating recorded in 2004, partially offset by gains realized for the six months ended June 30, 2005 in the amount of \$39 million related to the decommissioning trust fund investments for the AmerGen plants, primarily associated with changes in Generation's investment strategy. Realized gains associated with the decommissioning trust fund investments for the former ComEd and PECO units were \$16 million in the six-months ended June 30, 2005, primarily as a result of the changes in Generation's investment strategy, however; as a result of the contractual construct, the gains on the investments associated with the former ComEd and PECO units are offset within other, net and have no impact on net income. Refer to Notes 14 and 16 of Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for a full discussion of the accounting for nuclear decommissioning and nuclear decommissioning trust fund investments.

**Effective Income Tax Rate.** The effective income tax rate from continuing operations was 38.5% for the six months ended June 30, 2005 compared to 38.3% for the same period in 2004. See Note 10 of the Combined Notes to the Consolidated Financial Statements for further discussion of the change in the effective income tax rate.

**Discontinued Operations.** On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. In addition, Generation has sold or wound down substantially all components of AllEnergy, a business within Exelon Energy. Accordingly, the results of operations and the gain on the sale of Sithe have been presented as discontinued operations for the six months ended June 30, 2005 within Generation's Consolidated Statements of Income. Generation accounted for Sithe as an equity method investment during the first quarter of 2004, and Generation's portion of Sithe's results from operations is included in the equity in losses of unconsolidated affiliates within Generation's Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2004. See Notes 2 and 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the presentation of Sithe and AllEnergy as discontinued operations and the sale of Sithe.

## **Liquidity and Capital Resources**

Exelon's businesses are capital intensive and require considerable capital resources. These capital resources are primarily provided by internally generated cash flows from operations. When necessary, Exelon obtains funds from external sources in the capital markets and through bank borrowings. Exelon's access to external financing on reasonable terms depends on Exelon and its subsidiaries' credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to the extent that Exelon no longer has access to the capital markets at reasonable terms, Exelon has access to revolving credit facilities with aggregate bank commitments of \$1.5 billion that it currently utilizes to support its commercial paper programs. See the "Credit Matters" section of "Liquidity and Capital Resources" for further discussion.

Exelon primarily uses its capital resources, including cash, to fund capital requirements, including construction expenditures, retire debt, pay common stock dividends, fund its pension obligations and invest in new and existing ventures. Exelon spends a significant amount of cash on construction projects that have a long-term return on investment. Additionally, ComEd and PECO operate in a rate-regulated environment in which the amount of new investment recovery may be limited and where such recovery takes place over an extended period of time. As a result of these factors, Exelon has historically operated with a working capital deficit. However, Exelon expects operating cash flows to be sufficient to meet operating and capital expenditure requirements. Future acquisitions that Exelon may undertake, other than the proposed merger with PSEG which will require the issuance of Exelon common stock in exchange for PSEG common stock, may require external debt financing or the issuance of additional Exelon common stock.

### ***Cash Flows from Operating Activities***

ComEd's and PECO's cash flows from operating activities primarily result from sales of electricity and gas to a stable and diverse base of retail customers at fixed prices and are weighted toward the third quarter of each fiscal year. ComEd's and PECO's future cash flows will be affected by the economy, weather, customer choice and future regulatory proceedings on their revenues and their ability to achieve operating cost reductions. See Note 5 of the Combined Notes to Consolidated Financial Statements for further discussion of regulatory proceedings. Generation's cash flows from operating activities primarily result from the sale of electric energy to wholesale customers, including ComEd and PECO. Generation's future cash flows from operating activities will be affected by future demand for and market prices of energy and its 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. Taking into account the factors noted above, Exelon also obtains cash from non-operating sources such as the proceeds from the debt issuance in 2005 to fund Exelon's \$2 billion pension contribution (see Note 7 of the Combined Notes to Consolidated Financial Statements). Operating cash flows after 2006 could be negatively affected by changes in the rate regulatory environments of ComEd and PECO, although any effects are not expected to hinder the ability to fund their business requirements. See "Business Outlook and the Challenges in Managing the Business" within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding the regulatory transition periods.

Additionally, Exelon, through 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. See Note 10 of the Combined Notes to the Consolidated Financial Statements for additional information regarding these tax positions.

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The following table provides a summary of the major items affecting Exelon's cash flows from operations:

	Six Months Ended, June 30,		Variance
	2005	2004	
Net income	\$ 1,035	\$ 933	\$ 102
Non-cash operating activities(a)	1,547	980	567
Income taxes	24	168	(144)
Changes in working capital and other noncurrent assets and liabilities(b)	(393)	1	(394)
Pension contributions and postretirement healthcare benefit payments, net	(1,927)	(175)	(1,752)
Net cash flows provided by operations	<u>\$ 286</u>	<u>\$ 1,907</u>	<u>\$ (1,621)</u>

- (a) Represents depreciation, amortization and accretion, deferred income taxes, cumulative effect of a change in accounting principle, impairment of investments and long-lived assets and other non-cash charges.
- (b) Changes in working capital and other noncurrent assets and liabilities exclude the changes in commercial paper, income taxes and the current portion of long-term debt.

The reduction of cash flows from operations during the current year is primarily the result of \$2 billion of discretionary contributions to Exelon's pension plans during the first quarter of 2005, which was initially funded through a term loan agreement, as further described in the "Cash Flows from Financing Activities" section below. Of the total contribution, ComEd, PECO and Generation contributed \$803 million, \$109 million and \$844 million, respectively. The ComEd and PECO contributions were fully funded by capital contributions from Exelon. The Generation contribution was primarily funded by capital contributions from Exelon and included \$2 million from internally generated funds. Exelon did not contribute to its pension plans in the second quarter of 2005 and does not anticipate making any additional contributions in the remainder of 2005.

Cash flows provided by (used in) operations for the six months ended June 30, 2005 and 2004 by registrant were as follows:

	Six Months Ended June 30,	
	2005	2004
Exelon	\$ 286	\$ 1,907
ComEd	(128)	602
PECO	301	509
Generation	380	616

Excluding the March 2005 discretionary pension contributions discussed above, changes in Exelon's, ComEd's, PECO's and Generation's cash flows from operations were generally consistent with changes in its results of operations, as adjusted by changes in working capital in the normal course of business.

In addition to the items mentioned in "Results of Operations" and the discretionary pension contributions discussed above, significant non-recurring operating cash flows for Exelon, ComEd, PECO and Generation for the six months ended June 30, 2005 and 2004 were as follows:

### **Exelon**

- In January 2005, Exelon received a \$102 million Federal income tax refund for capital losses generated in 2003 related to its investment in Sithe, which were carried back to prior periods.

[Table of Contents](#)**ComEd, PECO and Generation**

- There were no significant non-recurring operating cash flows during the six months ended June 30, 2005 and 2004.

**Cash Flows from Investing Activities**

Cash flows used in investing activities for the six months ended June 30, 2005 and 2004 were:

	Six Months Ended June 30,	
	2005	2004
Exelon	\$ (1,143)	\$ (697)
ComEd	(104)	(133)
PECO	(58)	(139)
Generation	(592)	(438)

Capital expenditures by registrant and business segment for the six months ended June 30, 2005 and 2004 were as follows:

	Six Months Ended June 30,		Projected 2005
	2005	2004	
ComEd	\$ 391	\$ 369	\$ 742
PECO	126	105	281
Energy Delivery	517	474	1,023
Generation	484	366	1,073
Other(a)	6	4	56
Total Exelon capital expenditures	\$ 1,007	\$ 844	\$ 2,152

(a) Other primarily consists of corporate operations.

Proposed capital expenditures and other investments for Exelon, ComEd, PECO and Generation are subject to periodic review and revision to reflect changes in economic conditions and other factors.

**ComEd and PECO.** Approximately 50% of the projected 2005 capital expenditures at both ComEd and PECO 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. Exelon is continuing to evaluate its total capital spending requirements. Exelon anticipates that ComEd and PECO's capital expenditures will be funded by internally generated funds, borrowings and the issuance of debt or preferred securities or capital contributions from Exelon.

**Generation.** Generation's capital expenditures for the six months ended June 30, 2005 reflect additions and upgrades to existing facilities (including material condition improvements during nuclear refueling outages) and nuclear fuel. Exelon anticipates that Generation's capital expenditures will be funded by internally generated funds, borrowings or capital contributions from Exelon.

Other significant investing activities for Exelon, ComEd, PECO and Generation for the six months ended June 30, 2005 and 2004 were as follows:

**Exelon**

- Exelon contributed \$56 million and \$16 million to its investments in synthetic fuel-producing facilities during the six months ended June 30, 2005 and 2004, respectively.

**ComEd**

- As a result of its prior contributions to the Exelon intercompany money pool, \$287 million and \$207 million were returned to ComEd during the six months ended June 30, 2005 and 2004, respectively.

**PECO**

- As a result of its prior contributions to the Exelon intercompany money pool, \$34 million was returned to PECO during the six months ended June 30, 2005, and \$35 million was contributed by PECO during the six months ended June 30, 2004.
- During the six months ended June 30, 2005, there was a net decrease in restricted cash that provided \$28 million of cash.

**Generation**

- During the six months ended June 30, 2005, Generation received approximately \$33 million from Generation's nuclear decommissioning trust funds for reimbursement of expenditures previously incurred for nuclear plant decommissioning activities related to the retired units.
- On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. Specifically, subsidiaries of Generation closed on the acquisition of Reservoir Capital Group's 50% interest in Sithe for cash proceeds of \$97 million and the sale of 100% of Sithe to Dynegy, for net cash proceeds of \$103 million. See Note 4 of the Combined Notes to Consolidated Financial Statements for further discussion of the sale of Sithe.
- On March 31, 2004, Generation consolidated the assets and liabilities of Sithe under the provisions of FIN 46-R, which resulted in an increase in cash of \$19 million. See Note 1 and Note 4 of the Combined Notes to Consolidated Financial Statements for further information regarding the FIN 46-R consolidation of Sithe.
- Generation received cash proceeds of \$42 million from the January 2004 sale of three gas turbines that were classified as assets held for sale at December 31, 2003.
- During the six months ended June 30, 2004, Generation provided \$29 million of restricted cash related to Sithe's operating activities and used \$11 million of restricted cash to support the operations of Boston Generating.

**Other**

- Cash proceeds of \$210 million were received during the six months ended June 30, 2004 from the sales of Exelon Thermal Holdings, Inc., certain businesses of Exelon Services, Inc. and Enterprises' investments in PECO Telcove and other equity method investments.
- Early settlement of an acquisition note receivable from the 2003 disposition of InfraSource, Inc. resulted in cash proceeds of \$30 million during the six months ended June 30, 2004.

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### *Cash Flows from Financing Activities*

Cash flows provided by (used in) financing activities for the six months ended June 30, 2005 were:

	Six Months Ended June 30,	
	2005	2004
Exelon	\$ 903	\$ (937)
ComEd	339	(476)
PECO	(268)	(317)
Generation	241	(141)

On March 7, 2005, Exelon entered into a \$2 billion term loan agreement. The loan proceeds were used to fund discretionary contributions of \$2 billion to Exelon's pension plans, including contributions of \$803 million, \$109 million and \$842 million by ComEd, PECO and Generation, respectively. To facilitate the contributions by ComEd, PECO and Generation, Exelon contributed the corresponding amounts to the capital of each company. On April 1, 2005, Exelon entered into a \$500 million term loan agreement that was subsequently fully borrowed to reduce this \$2 billion term loan. During the second quarter of 2005, \$200 million of this \$500 million term loan as well as the remaining \$1.5 billion balance on the \$2 billion term loan described above were repaid with the net proceeds received from the issuance of the long-term senior notes discussed below. The \$300 million outstanding balance under the term loan agreement bears interest at a variable rate determined, at Exelon's option, by either the Base Rate or the Eurodollar Rate (as defined in the term loan agreement) and is due in full on December 1, 2005.

On June 9, 2005, Exelon issued and sold \$1.7 billion of senior debt securities pursuant to its senior debt indenture, dated as of May 1, 2001, consisting of \$400 million of 4.45% senior notes due 2010, \$800 million of 4.90% senior notes due 2015 and \$500 million of 5.625% senior notes due 2035. The net proceeds from the sale of the notes were used to repay the \$1.5 billion in remaining principal due on the \$2 billion term loan agreement and \$200 million of the \$500 million term loan agreement referenced above. Exelon may redeem some or all of the notes at any time prior to maturity at a specified redemption price. The notes are unsecured and rank equally with the other senior unsecured indebtedness of Exelon. Additionally, Exelon settled interest rate swaps for a net payment of \$38 million and paid approximately \$12 million of fees in connection with the debt offering. See Note 7 of the Combined Notes to Consolidated Financial Statements for further discussion.

From time to time and as market conditions warrant, Exelon, ComEd, PECO and Generation may engage in long-term debt retirements via tender offers, open market repurchases or other viable options to strengthen their respective balance sheets.

Cash dividend payments and distributions for the six months ended June 30, 2005 and 2004 were as follows:

	Six Months Ended June 30,	
	2005	2004
Exelon	\$ 535	\$ 364
ComEd	245	207
PECO	233	182
Generation	319	109

Exelon's board of directors declared a quarterly dividend of \$0.40 per share on Exelon's common stock. The dividend is payable on September 10, 2005 to shareholders of record at the end of the day on August 15, 2005.

See "Dividends" section of ITEM 5 of Exelon's 2004 Annual Report on Form 10-K for a further discussion of Exelon's dividend policy.

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**Intercompany Money Pool (Generation).** Generation's net borrowings from the Exelon intercompany money pool decreased \$283 million and \$218 million during the six months ended June 30, 2005 and 2004, respectively.

### **Credit Matters**

**Exelon Credit Facility.** Exelon, ComEd, PECO and Generation meet their short-term liquidity requirements primarily through the issuance of commercial paper. At June 30, 2005, Exelon, ComEd, PECO and Generation participated with a group of banks in a \$1 billion unsecured revolving facility maturing on July 16, 2009, and a \$500 million unsecured revolving facility maturing on October 31, 2006. 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.

At June 30, 2005, Exelon, ComEd, PECO and Generation had the following sublimits and available capacity under the credit agreements and the indicated amounts of outstanding commercial paper:

<b>Borrower</b>	<b>Bank Sublimit(a)</b>	<b>Available Capacity(b)</b>	<b>Outstanding Commercial Paper</b>
Exelon Corporate	\$ 700	\$ 700	\$ 329
ComEd	50	23	—
PECO	300	300	—
Generation	450	388	—

(a) Sublimits under the credit agreements can change upon written notification to the bank group.

(b) Available capacity represents primarily the bank sublimit net of outstanding letters of credit. The amount of commercial paper outstanding does not reduce the available capacity under the credit agreements.

Interest rates on the advances under the credit agreements are based on either the London Interbank Offering Rate (LIBOR) 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 or prime. The maximum LIBOR adder would be 170 basis points. For the six months ended June 30, 2005, Exelon's average interest rate on notes payable was approximately 2.80%.

The credit agreements require Exelon, ComEd, PECO and Generation to maintain a minimum cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratios exclude revenues and interest expenses attributable to securitization debt, certain changes in working capital, distributions on preferred securities of subsidiaries and, in the case of Exelon and Generation, revenues from Exelon New England Holding Company, LLC (Exelon New England) and Sithe and interest on the debt of their project subsidiaries. The following table summarizes the minimum thresholds reflected in the credit agreements for the six-month period ended June 30, 2005:

	<b>Exelon</b>	<b>ComEd</b>	<b>PECO</b>	<b>Generation</b>
Credit agreement threshold	2.65 to 1	2.25 to 1	2.25 to 1	3.25 to 1

At June 30, 2005, each of Exelon, ComEd, PECO and Generation were in compliance with the foregoing thresholds.



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**Capital Structure.** At June 30, 2005, the capital structures of Exelon, ComEd, PECO and Generation consisted of the following:

	<u>Exelon Consolidated</u>	<u>ComEd</u>	<u>PECO(a)</u>	<u>Generation</u>
Long-term debt	35%	26%	19%	31%
Long-term debt to affiliates(b)	21	12	55	—
Common equity	41	62	24	—
Member's equity	—	—	—	69
Preferred securities	—	—	2	—
Notes payable	3	—	—	—
Minority interest	—	—	—	—

- (a) As of June 30, 2005, PECO's capital structure, excluding the deduction from shareholders' equity of the \$1.3 billion receivable from Exelon (which amount is deducted for GAAP purposes as reflected in the table, but is excluded from the percentages in this footnote), consisted of 37% common equity, 1% preferred securities and 62% long-term debt, including long-term debt to unconsolidated affiliates.
- (b) Includes \$5 billion, \$2 billion and \$3 billion owed to unconsolidated affiliates of Exelon, ComEd and PECO, respectively, that qualify as special purpose entities under FIN 46-R. These special purpose entities were created for the sole purpose of issuing debt obligations to securitize intangible transition property and CTCs of Energy Delivery or mandatorily redeemable preferred securities. See Note 1 of the Exelon's Notes to Consolidated Financial Statements within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for further information regarding FIN 46-R.

**Intercompany Money Pool.** Exelon operates an intercompany money pool to provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing. Participation in the money pool is subject to authorization by the corporate treasurer. ComEd and its subsidiary, Commonwealth Edison Company of Indiana, Inc. (ComEd of Indiana), PECO, Generation and BSC may participate in the money pool as lenders and borrowers, and Exelon and UII, LLC, a wholly owned subsidiary of Exelon, may participate as lenders. 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. Maximum amounts contributed to and borrowed from the money pool by participant during the six months ended June 30, 2005 are described in the following table in addition to the net contribution or borrowing as of June 30, 2005:

	<u>Maximum Contributed</u>	<u>Maximum Borrowed</u>	<u>June 30, 2005 Contributed (Borrowed)</u>
ComEd	\$ 517	\$ —	\$ 21
PECO	210	—	—
Generation	—	540	—
BSC	—	156	(21)
UII, LLC	2	—	—

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	For the Six Months Ended June 30, 2005	
	Interest Received	Interest Paid
ComEd	\$ 2	\$ —
PECO	1	—
Generation	—	2
BSC	—	1
UII, LLC	—	—

*Sithe Long-Term Debt.* Debt totaling approximately \$820 million was eliminated from the Consolidated Balance Sheets of Exelon and Generation as a result of the sale of Sithe on January 31, 2005. See Note 4 of the Combined Notes to Consolidated Financial Statements for further discussion regarding the sale of Sithe.

*Security Ratings.* Access to the capital markets by Exelon, ComEd, PECO and Generation, including the commercial paper market, and its financing costs in those markets depend on the securities ratings of the entity that is accessing the capital markets. The securities ratings of Exelon, ComEd, PECO or Generation have not changed from those set forth in Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K. None of Exelon's, ComEd's, PECO's or Generation's borrowings is subject to default or prepayment as a result of a downgrading of securities although such a downgrading could increase fees and interest charges under Exelon's credit agreements.

*Shelf Registration.* As of June 30, 2005, Exelon, ComEd and PECO have current effective shelf registration statements for the sale of \$300 million, \$555 million and \$550 million of securities, respectively. The ability of Exelon, ComEd or PECO to sell securities off its shelf registration statement or to access the private placement markets will depend on a number of factors at the time of the proposed sale, including other required regulatory approvals, the current financial condition of the company, its securities ratings and market conditions.

*Fund Transfer Restrictions.* Exelon has obtained an order from the SEC under the Public Utilities Holding Company Act of 1935 (PUHCA) authorizing, through April 15, 2007, financing transactions, including the issuance of common stock, preferred securities, equity-linked securities, long-term debt and short-term debt in an aggregate amount not to exceed \$8.0 billion above the amount outstanding for Exelon and Generation at December 31, 2003. Securities of \$1.2 billion above the amount outstanding at December 31, 2003 have been issued under the above-described order. Exelon is also authorized to issue guarantees, letters of credit, or otherwise provide credit support with respect to the obligations of its subsidiaries and non-affiliated third parties in the normal course of business of up to \$6.0 billion outstanding at any one time. At June 30, 2005, Exelon had provided \$1.5 billion of guarantees and letters of credit under the SEC order. See "Contractual Obligations and Off-Balance Sheet Arrangements" in this section for further discussion of guarantees. The SEC order requires Exelon to maintain a ratio of common equity to total capitalization (including securitization debt) of not less than 30%. At June 30, 2005, Exelon's common equity ratio was 41%. Exelon expects that it will maintain a common equity ratio of at least 30%.

Exelon is also limited by the SEC order to an aggregate investment of \$4.0 billion in exempt wholesale generators (EWGs) and foreign utility companies (FUCOs). At June 30, 2005, Exelon had invested \$1.4 billion in EWGs, leaving \$2.6 billion of investment authority under the order. In its order, the SEC reserved jurisdiction over an additional \$3.0 billion in investments in EWGs.

On July 1, 2005, Exelon obtained a new investment order from the SEC under PUHCA authorizing, through June 30, 2008, development activities, the formation of new intermediate subsidiaries for internal corporate structuring, internal corporate reorganizations, and the investment in certain non-U.S. energy-related subsidiaries. The new order replaced a prior SEC order that expired on June 30, 2005.

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Under PUHCA, Exelon, ComEd, PECO and Generation can pay dividends only from retained, undistributed or current earnings. A significant loss recorded at ComEd, PECO or Generation may limit the dividends that these companies can distribute to Exelon. At June 30, 2005, Exelon had retained earnings of \$3.9 billion, including ComEd's retained earnings of \$1.0 billion (all of which had been appropriated for future dividend payments), PECO's retained earnings of \$613 million and Generation's undistributed earnings of \$1.1 billion.

Exelon's, ComEd's, PECO's and Generation's additional fund transfer restrictions as of June 30, 2005 were materially unchanged from the discussion within Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K.

### ***Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations***

Contractual obligations represent cash obligations that are considered to be firm commitments and commercial commitments represent commitments triggered by future events. Exelon's, ComEd's, PECO's and Generation's contractual obligations and commercial commitments as of June 30, 2005 were materially unchanged, other than in the normal course of business, from the amounts set forth in the 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K except for the following:

#### ***Exelon***

- Interest payments of \$71 million, \$132 million, \$115 million and \$849 million for payments due in 2005, 2006-2007, 2008-2009 and 2010 and beyond, respectively were eliminated due to the sale of Sithe on January 31, 2005. See Note 4 of the Combined Notes to Consolidated Financial Statements for information regarding the sale of Generation's investment in Sithe.
- Letters of credit decreased \$108 million, primarily as a result of the sale of Sithe. See Note 4 of the Combined Notes to Consolidated Financial Statements for further discussion. Guarantees decreased \$174 million, primarily as a result of the wind-down of Enterprises' operations.

#### ***ComEd and PECO***

- *IRS Refund Claims.* ComEd and PECO have several pending tax refund claims seeking acceleration of certain tax deductions and additional tax credits. ComEd and PECO are unable to estimate the ultimate outcome of these refund claims and will account for any amounts received in the period the matters are settled with the IRS.

ComEd and PECO had entered into several agreements with a tax consultant related to the filing of these refund claims with the IRS. ComEd and PECO previously made refundable prepayments to the tax consultants of \$11 million and \$5 million, respectively. The fees for these agreements are contingent upon a successful outcome of the claims and are based upon a percentage of the refunds recovered from the IRS, if any. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of ComEd and PECO. A portion of ComEd's tax benefits, including any associated interest for periods prior to the merger among PECO, Unicom Corporation (Unicom), the former parent company of ComEd, and Exelon (PECO/ Unicom Merger) would be recorded as a reduction of goodwill pursuant to a reallocation of the PECO/ Unicom Merger purchase price. ComEd and PECO cannot predict the timing of the final resolution of these refund claims.

In 2004, the IRS granted preliminary approval for one of ComEd's refund claims and final approval was obtained in the first quarter of 2005. The investment tax credit refund and associated interest have been recorded in the financial statements. Approximately \$14 million of tax and interest benefit received in the second quarter of 2005 has been reflected in the financial statements of which \$12 million (\$9 million after-tax) was recorded to goodwill under the provisions of EITF Issue 93-7,

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“Uncertainties Related to Income Taxes in a Purchase Business Combination.” As a result, ComEd recorded consulting expenses of \$5 million (pre-tax) in 2004.

Based on recent negotiations with the IRS, PECO believes it will receive a refund related to one of its claims. As of June 30, 2005, PECO had not reflected the tax benefit associated with the refund claim pending final approval of the IRS. During 2005, PECO recorded total consulting expenses of \$6 million (pre-tax). The charge represents an estimate of the fee owed to the tax consultant which may be adjusted upward or downward depending on the final resolution of the matter with the IRS.

### **Generation**

- Interest payments of \$71 million, \$132 million, \$115 million and \$849 million for payments due in 2005, 2006-2007, 2008-2009 and 2010 and beyond, respectively were eliminated due to the sale of Sithe on January 31, 2005. See Note 4 of the Combined Notes to Consolidated Financial Statements for information regarding the sale of Generation’s investment in Sithe.
- Letters of credit decreased \$109 million and guarantees decreased \$40 million, both primarily as a result of the sale of Sithe. See Note 4 of the Combined Notes to Consolidated Financial Statements for further discussion.
- During the second quarter of 2005, in the normal course of business, Generation entered into long-term contracts for uranium enrichment services, increasing commitments in years beyond 2009 by approximately \$400 million.

**COMMONWEALTH EDISON COMPANY****General**

ComEd operates in a single business segment and its operations consist of the regulated retail sale of electricity and distribution and transmission services in northern Illinois.

**Executive Overview**

A discussion of items pertinent to ComEd's executive overview is set forth under "EXELON CORPORATION — Executive Overview" of this Form 10-Q.

**Results of Operations**

*Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004*

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 1,488	\$ 1,403	\$ 85
<b>Operating expenses</b>			
Purchased power	858	574	(284)
Operating and maintenance	202	223	21
Depreciation and amortization	101	103	2
Taxes other than income	73	72	(1)
Total operating expense	1,234	972	(262)
<b>Operating income</b>	254	431	(177)
<b>Other income and deductions</b>			
Interest expense	(77)	(96)	19
Equity in losses of unconsolidated affiliates	(4)	(6)	2
Other, net	7	7	—
Total other income and deductions	(74)	(95)	21
<b>Income before income taxes</b>	180	336	(156)
Income taxes	71	132	61
<b>Net income</b>	\$ 109	\$ 204	\$ (95)

A discussion of ComEd's results of operations for the three months ended June 30, 2005 compared to the three months ended June 30, 2004 is set forth under "Results of Operations — Energy Delivery" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.

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Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 2,875	\$ 2,739	\$ 136
<b>Operating expenses</b>			
Purchased power	1,679	1,108	(571)
Operating and maintenance	404	438	34
Depreciation and amortization	198	205	7
Taxes other than income	151	151	—
Total operating expense	2,432	1,902	(530)
<b>Operating income</b>	443	837	(394)
<b>Other income and deductions</b>			
Interest expense	(151)	(202)	51
Equity in losses of unconsolidated affiliates	(8)	(9)	1
Other, net	13	17	(4)
Total other income and deductions	(146)	(194)	48
<b>Income before income taxes</b>	297	643	(346)
Income taxes	118	255	137
<b>Net income</b>	\$ 179	\$ 388	\$ (209)

A discussion of ComEd's results of operations for the six months ended June 30, 2005 compared to the six months ended June 30, 2004 is set forth under "Results of Operations — Energy Delivery" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.

### **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 the capital markets at reasonable terms, ComEd has access to a revolving credit facility that ComEd currently utilizes to support its commercial paper program. See the "Credit Matters" section of "Liquidity and Capital Resources" for further discussion.

Capital resources are used primarily to fund ComEd's capital requirements, including construction, retirement of debt, the payment of dividends and contributions to Exelon's pension plans.

### **Cash Flows from Operating Activities**

A discussion of items pertinent to ComEd's cash flows from operating activities is set forth under "Cash Flows from Operating Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

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### ***Cash Flows from Investing Activities***

A discussion of items pertinent to ComEd's cash flows from investing activities is set forth under "Cash Flows from Investing Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Cash Flows from Financing Activities***

A discussion of items pertinent to ComEd's cash flows from financing activities is set forth under "Cash Flows from Financing Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Credit Matters***

A discussion of credit matters pertinent to ComEd is set forth under "Credit Matters" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations***

A discussion of ComEd's contractual obligations, commercial commitments and off-balance sheet obligations is set forth under "Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

**PECO ENERGY COMPANY****General**

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

**Executive Overview**

A discussion of items pertinent to PECO's executive overview is set forth under "EXELON CORPORATION — Executive Overview" of this Form 10-Q.

**Results of Operations**

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

	Three Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 1,044	\$ 1,032	\$ 12
<b>Operating expenses</b>			
Purchased power	437	402	(35)
Fuel	66	83	17
Operating and maintenance	119	132	13
Depreciation and amortization	137	125	(12)
Taxes other than income	60	60	—
Total operating expenses	819	802	(17)
<b>Operating income</b>	225	230	(5)
<b>Other income and deductions</b>			
Interest expense	(70)	(76)	6
Equity in losses of unconsolidated affiliates	(4)	(7)	3
Other, net	6	3	3
Total other income and deductions	(68)	(80)	12
<b>Income before income taxes</b>	157	150	7
<b>Income taxes</b>	47	50	3
<b>Net income</b>	110	100	10
Preferred stock dividends	1	1	—
<b>Net income on common stock</b>	\$ 109	\$ 99	\$ 10

A discussion of PECO's results of operations for the three months ended June 30, 2005 compared to the three months ended June 30, 2004 is set forth under "Results of Operations — Energy Delivery" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.



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Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

	Six Months Ended June 30,		Favorable (Unfavorable) Variance
	2005	2004	
<b>Operating revenues</b>	\$ 2,339	\$ 2,271	\$ 68
<b>Operating expenses</b>			
Purchased power	869	799	(70)
Fuel	331	332	1
Operating and maintenance	253	266	13
Depreciation and amortization	273	250	(23)
Taxes other than income	115	118	3
Total operating expenses	1,841	1,765	(76)
<b>Operating income</b>	498	506	(8)
<b>Other income and deductions</b>			
Interest expense	(142)	(153)	11
Equity in losses of unconsolidated affiliates	(8)	(13)	5
Other, net	9	5	4
Total other income and deductions	(141)	(161)	20
<b>Income before income taxes</b>	357	345	12
<b>Income taxes</b>	118	112	(6)
<b>Net income</b>	239	233	6
Preferred stock dividends	2	2	—
<b>Net income on common stock</b>	<u>\$ 237</u>	<u>\$ 231</u>	<u>\$ 6</u>

A discussion of PECO's results of operations for the six months ended June 30, 2005 compared to the six months ended June 30, 2004 is set forth under "Results of Operations — Energy Delivery" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.

### **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 the capital markets at reasonable terms, PECO has access to a revolving credit facility that PECO currently utilizes to support its commercial paper program. See the "Credit Matters" section of "Liquidity and Capital Resources" for further discussion.

Capital resources are used primarily to fund PECO's capital requirements, including construction, retirement of debt, the payment of dividends and contributions to Exelon's pension plans.

### **Cash Flows from Operating Activities**

A discussion of items pertinent to PECO's cash flows from operating activities is set forth under "Cash Flows from Operating Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

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### ***Cash Flows from Investing Activities***

A discussion of items pertinent to PECO's cash flows from investing activities is set forth under "Cash Flows from Investing Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Cash Flows from Financing Activities***

A discussion of items pertinent to PECO's cash flows from financing activities is set forth under "Cash Flows from Financing Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Credit Matters***

A discussion of credit matters pertinent to PECO is set forth under "Credit Matters" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

### ***Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations***

A discussion of PECO's contractual obligations, commercial commitments and off-balance sheet obligations is set forth under "Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

**EXELON GENERATION COMPANY, LLC**

***General***

Generation operates as a single segment and consists principally of its electric generating facilities and wholesale energy marketing operations, the competitive retail sales business of Exelon Energy Company and certain other generation projects.

***Executive Overview***

A discussion of items pertinent to Generation's executive overview is set forth under "EXELON CORPORATION — Executive Overview" of this Form 10-Q.

***Results of Operations***

***Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004***

A discussion of Generation's results of operations for the three months ended June 30, 2005 compared to the three months ended June 30, 2004 is set forth under "Results of Operations — Generation" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.

***Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004***

A discussion of Generation's results of operations for the six months ended June 30, 2005 compared to the six months ended June 30, 2004 is set forth under "Results of Operations — Generation" in "EXELON CORPORATION — Results of Operations" of this Form 10-Q.

**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 or capital contributions from Exelon. 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 the capital markets at reasonable terms, Generation has access to a revolving credit facility that Generation currently utilizes to support its commercial paper program. See the "Credit Matters" section of "Liquidity and Capital Resources" for further discussion.

Capital resources are used primarily to fund Generation's capital requirements, including construction, retirement of debt, the payment of distributions to Exelon, contributions to Exelon's pension plans and investments in new and existing ventures. Future acquisitions could require external financing or borrowings or capital contributions from Exelon.

***Cash Flows from Operating Activities***

A discussion of items pertinent to Generation's cash flows from operating activities is set forth under "Cash Flows from Operating Activities" in "EXELON CORPORATION — Liquidity and Capital Resources" of this Form 10-Q.

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### ***Cash Flows from Investing Activities***

A discussion of items pertinent to Generation’s cash flows from investing activities is set forth under “Cash Flows from Investing Activities” in “EXELON CORPORATION — Liquidity and Capital Resources” of this Form 10-Q.

### ***Cash Flows from Financing Activities***

A discussion of items pertinent to Generation’s cash flows from financing activities is set forth under “Cash Flows from Financing Activities” in “EXELON CORPORATION — Liquidity and Capital Resources” of this Form 10-Q.

### ***Credit Matters***

A discussion of credit matters pertinent to Generation is set forth under “Credit Matters” in “EXELON CORPORATION — Liquidity and Capital Resources” of this Form 10-Q.

### ***Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations***

A discussion of Generation’s contractual obligations, commercial commitments and off-balance sheet obligations is set forth under “Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations” in “EXELON CORPORATION — Liquidity and Capital Resources” of this Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Exelon, ComEd, PECO and Generation are exposed to market risks associated with credit and interest rates. Exelon and Generation are also exposed to market risks associated with commodity and equity prices. The inherent risk of 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 Risk Management Committee (RMC) sets forth risk management policies and objectives 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, corporate controller, vice president of corporate planning, vice president of strategy, vice president of audit services and officers from each of Exelon's business units. The RMC reports to the Exelon Board of Directors on the scope of the derivative and risk management activities.

#### **Commodity Price Risk (Exelon and Generation)**

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. Additionally, ComEd has exposure to commodity price risk in relation to CTC revenues collected from its customers.

In connection with the 2001 corporate restructuring, Generation entered into a PPA, as amended, with ComEd under which Generation has agreed to supply all of ComEd's load obligations through 2006. At times, ComEd's load obligations are greater than the capacity of Generation's owned generating units in the ComEd region. As such, Generation procures power through purchase power and lease agreements and has contracted for access to additional generation through bilateral long-term PPAs. In 2004, Generation retained 3,858 MWs of capacity under the terms of three then-existing PPAs with Midwest Generation, LLC (Midwest Generation). Generation's contract to purchase power from Midwest Generation expired at the end of 2004. In 2005 and 2006, Generation will be required to procure the necessary power for ComEd through market purchases and other means to the extent not provided by Generation's own generating facilities. As a result, Generation's exposure to market price movements in the ComEd region has increased in 2005 compared to prior years due to the expiration of the Midwest Generation contract.

#### **Generation**

**Normal Operations and Hedging Activities.** Electricity available from Generation's owned or contracted generation supply in excess of Generation's 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 anticipated exposures. The maximum length of time over which cash flows related to energy commodities are currently being cash-flow hedged is three years. Generation has an estimated 93% hedge ratio in 2005 for its energy marketing portfolio. This hedge ratio represents the percentage of its forecasted aggregate annual economic generation supply that is committed to firm sales, including sales to Energy Delivery's retail load. Energy Delivery'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, energy market option volatility and actual loads. During peak periods, Generation's amount hedged declines to meet its commitment to Energy Delivery. Market price risk exposure is the risk of a change in the value of unhedged positions. Absent any efforts to mitigate market price exposure, the estimated market price exposure for Generation's unhedged non-trading portfolio associated with a ten percent reduction in the annual average around-the-clock market price of electricity is approximately a \$20 million decrease in net income. This sensitivity assumes a 93% hedge ratio and that price changes occur evenly throughout the year and across all markets. The sensitivity also assumes a static portfolio. Generation

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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 Generation's 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. Generation expects this level of proprietary trading activity to continue in the future. Trading portfolio activity for the three and six months ended June 30, 2005 resulted in a gain of \$3 million and \$9 million, respectively (before income taxes), which represented an unrealized mark-to-market gain of \$4 million and realized loss of \$1 million for the three months ended June 30, 2005 and an unrealized mark-to-market gain of \$9 million for the six months ended June 30, 2005. Generation uses a 95% confidence interval, one day holding period, one-tailed statistical measure in calculating its Value-at-Risk (VaR). The daily VaR on proprietary trading activity averaged \$90,000 of exposure over the last 18 months. Because of the relative size of the proprietary trading portfolio in comparison to Generation's total gross margin from continuing operations for the six months ended June 30, 2005 of \$2,372 million, Generation has not segregated proprietary trading activity in the following tables. 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 proprietary trading activities.

Generation's energy contracts are accounted for under SFAS No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). Non-trading contracts qualify for the normal purchases and normal sales exemption to SFAS No. 133, which is discussed in the Critical Accounting Policies and Estimates section of Exelon's 2004 Annual Report on Form 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K. Energy contracts that do not qualify for the normal purchases and normal sales exception are recorded as assets or liabilities on the balance sheet at fair value. Changes in the fair value of qualifying hedge contracts are recorded in other comprehensive income (OCI), and gains and losses are recognized in earnings when the underlying transaction occurs. Changes in the derivatives recorded at fair value are recognized in earnings unless specific hedge accounting criteria are met and they are designated as cash-flow hedges, in which case those changes are recorded in 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 the hedge criteria under SFAS No. 133 or are not designated as such are recognized in current earnings.

The following detailed presentation of Generation's 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.

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The following table provides detail on changes in Generation's mark-to-market net liability balance sheet position from January 1, 2005 to June 30, 2005. It indicates the drivers behind changes in the balance sheet amounts. This table incorporates the mark-to-market activities that are immediately recorded in earnings, as well as the settlements from OCI to earnings and changes in fair value for the hedging activities that are recorded in accumulated OCI on the Consolidated Balance Sheets.

	<b>Total</b>
Total mark-to-market energy contract net liabilities at January 1, 2005	\$ (145)
Total change in fair value during 2005 of contracts recorded in earnings	34
Reclassification to realized at settlement of contracts recorded in earnings	16
Reclassification to realized at settlement from OCI	189
Effective portion of changes in fair value — recorded in OCI	(336)
Purchase/sale/disposal of existing contracts or portfolios subject to mark-to-market	(97)
Total mark-to-market energy contract net liabilities at June 30, 2005	<u>\$ (339)</u>

The following table details the balance sheet classification of the mark-to-market energy contract net assets (liabilities) recorded as of June 30, 2005 and December 31, 2004:

	<b>June 30, 2005</b>	<b>December 31, 2004</b>
Current assets	\$ 508	\$ 403
Noncurrent assets	330	373
Total mark-to-market energy contract assets	<u>838</u>	<u>776</u>
Current liabilities	(756)	(598)
Noncurrent liabilities	(421)	(323)
Total mark-to-market energy contract liabilities	<u>(1,177)</u>	<u>(921)</u>
Total mark-to-market energy contract net liabilities	<u>\$ (339)</u>	<u>\$ (145)</u>

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 mid-point 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 vary 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 June 30, 2005 that 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.

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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.

(In millions)	Maturities Within					2010 and Beyond	Total Fair Value
	2005	2006	2007	2008	2009		
<i>Normal Operations, qualifying cash-flow hedge contracts(a):</i>							
Actively quoted prices	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 2
Prices provided by other external sources	(181)	(151)	(37)	(1)	—	—	(370)
Total	<u>\$ (180)</u>	<u>\$ (150)</u>	<u>\$ (37)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (368)</u>
<i>Normal Operations, other derivative contracts(b):</i>							
Actively quoted prices	\$ 31	\$ 23	\$ (6)	\$ —	\$ —	\$ —	\$ 48
Prices provided by other external sources	(10)	(2)	6	—	—	—	(6)
Prices based on model or other valuation methods	(4)	(6)	(3)	—	—	—	(13)
Total	<u>\$ 17</u>	<u>\$ 15</u>	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29</u>

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

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

The table below provides details of effective cash-flow hedges under SFAS No. 133 included in the balance sheet as of June 30, 2005. The data in the table give an indication of the magnitude of SFAS No. 133 hedges Generation has in place; however, because under SFAS No. 133 not all hedges are recorded in OCI, the table does not provide an all-encompassing picture of Generation's derivatives. The table also includes a roll forward of accumulated OCI related to cash-flow hedges from January 1, 2005 to June 30, 2005, providing insight into the drivers of the changes (changes in the value of hedges and reclassification from accumulated OCI into earnings). Information related to energy merchant activities is presented separately from interest-rate hedging activities.

(In millions)	Total Cash-Flow Hedge OCI Activity, Net of Income Tax		
	Power Team Normal Operations and Hedging Activities	Interest-Rate and Other Hedges	Total Cash-Flow Hedges
Accumulated OCI derivative loss at January 1, 2005	\$ (137)	\$ (9)	\$ (146)
Changes in fair value	(204)	2	(202)
Reclassifications from OCI to net income	117	—	117
Accumulated OCI derivative loss at June 30, 2005	<u>\$ (224)</u>	<u>\$ (7)</u>	<u>\$ (231)</u>



**Credit Risk (Exelon and Generation)**

**Generation**

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 June 30, 2005. The tables further delineate that exposure by the credit rating of the counterparties and provide 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 tables below do not include sales to Generation's affiliates or exposure through Independent System Operators (ISOs) which are discussed below.

<u>Rating as of June 30, 2005(a)</u>	<u>Total Exposure Before Credit Collateral</u>	<u>Credit Collateral</u>	<u>Net Exposure</u>	<u>Number Of Counterparties Greater than 10% of Net Exposure</u>	<u>Net Exposure Of Counterparties Greater than 10% of Net Exposure</u>
Investment grade	\$ 162	\$ 35	\$ 127	2	\$ 42
Non-investment grade	17	12	5	—	—
No external ratings					
Internally rated — investment grade	16	4	12	—	—
Internally rated — non- investment grade	1	—	1	—	—
Total	<u>\$ 196</u>	<u>\$ 51</u>	<u>\$ 145</u>	<u>2</u>	<u>\$ 42</u>

(a) This table does not include accounts receivable exposure and forward credit exposure related to Exelon Energy.

<u>Rating as of June 30, 2005(a)</u>	<u>Maturity of Credit Risk Exposure</u>			<u>Total Exposure Before Credit Collateral</u>
	<u>Less than 2 Years</u>	<u>2-5 Years</u>	<u>Exposure Greater than 5 Years</u>	
Investment grade	\$ 157	\$ 4	\$ 1	\$ 162
Non-investment grade	17	—	—	17
No external ratings				
Internally rated — investment grade	16	—	—	16
Internally rated — non-investment grade	1	—	—	1
Total	<u>\$ 191</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 196</u>

(a) This table does not include accounts receivable exposure and forward credit exposure related to Exelon Energy.

*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 and its counterparties 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 the 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 that are administered by ISOs: PJM, ISO New England, New York ISO, California ISO, MISO, Southwest Power Pool, Inc. and 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.

### ***Exelon***

Exelon's consolidated balance sheets included a \$496 million net investment in direct financing leases as of June 30, 2005. The investment in direct financing leases represents future minimum lease payments due at the end of the thirty-year lives of the leases of \$1.5 billion, less unearned income of \$996 million. The future minimum lease payments are supported by collateral and credit enhancement measures including letters of credit, surety bonds and credit swaps issued by high credit quality financial institutions. Management regularly evaluates the credit worthiness of Exelon's counterparties to these direct financing leases.

## **Interest-Rate Risk (Exelon, ComEd, PECO and Generation)**

### ***Variable Rate Debt***

The Registrants use a combination of fixed-rate and variable-rate debt to reduce interest-rate exposure. The Registrants also use interest-rate swaps when deemed appropriate to adjust exposure based upon market conditions. Additionally, the Registrants use forward-starting interest-rate swaps and treasury rate locks to lock in interest-rate levels in anticipation of future financings. These strategies are employed to achieve a lower cost of capital. As of June 30, 2005, a hypothetical 10% increase in the interest rates associated with variable-rate debt would result in a \$0.6 million decrease in Exelon's pre-tax earnings. A hypothetical 10% increase in the interest rates associated with variable-rate debt would result in a decrease in pre-tax earnings of less than \$1 million at ComEd, PECO and Generation.

### ***Cash-Flow Hedges***

#### ***ComEd***

In the first six months of 2005, ComEd entered into five forward-starting interest-rate swaps in the aggregate notional amount of \$325 million to lock in interest-rate levels in anticipation of a future financing. These forward-starting interest-rate swaps, designated as cash-flow hedges, had an aggregate fair market value of \$(35) million based on the present value difference between the contract and market rates at June 30, 2005. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount ComEd would pay the counterparties.

The aggregate fair value of ComEd's interest-rate swaps designated as cash-flow hedges that would have resulted from a hypothetical 50 basis point decrease in the spot yield at June 30, 2005 is estimated to be

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\$65 million in the counterparties' favor. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount ComEd would pay the counterparties.

The aggregate fair value of ComEd's interest-rate swaps designated as cash-flow hedges that would have resulted from a hypothetical 50 basis point increase in the spot yield at June 30, 2005 is estimated to be \$8 million in the counterparties' favor. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount ComEd would pay the counterparties.

### *PECO and Generation*

At June 30, 2005, PECO and Generation did not have any interest-rate swaps designated as cash-flow hedges.

### **Fair-Value Hedges**

#### *ComEd*

At June 30, 2005, ComEd had interest-rate swaps designated as fair-value hedges in the aggregate notional amount of \$240 million. At June 30, 2005, these interest-rate swaps had an aggregate fair market value of \$9 million based on the present value difference between the contract and market rates at June 30, 2005. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount counterparties would pay ComEd.

The aggregate fair value of ComEd's interest-rate swaps designated as fair-value hedges that would have resulted from a hypothetical 50 basis point decrease in the spot yield at June 30, 2005 is estimated to be \$16 million in ComEd's favor. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount counterparties would pay ComEd.

The aggregate fair value of ComEd's interest-rate swaps designated as fair-value hedges that would have resulted from a hypothetical 50 basis point increase in the spot yield at June 30, 2005 is estimated to be \$2 million in ComEd's favor. If these derivative instruments had been terminated at June 30, 2005, this estimated fair value represents the amount counterparties would pay ComEd.

### *PECO and Generation*

At June 30, 2005, PECO and Generation did not have any interest-rate swaps designated as fair-value hedges.

## **Equity Price Risk (Exelon and Generation)**

Generation maintains trust funds, as required by the NRC, to fund certain costs of decommissioning Generation's nuclear plants. As of June 30, 2005, Generation's decommissioning trust funds are reflected at fair value on its Consolidated Balance Sheets. The mix of securities in the trust funds is designed to provide returns to be used to fund decommissioning and to compensate Generation 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 Generation's nuclear decommissioning trust fund investment policy. A hypothetical 10% increase in interest rates and decrease in equity prices would result in a \$340 million reduction in the fair value of the trust assets. See Defined Benefit Pension and Other Postretirement Welfare Benefits in the Critical Accounting Estimates section within Exelon's 2004 Annual Report on 10-K and Form 8-K filed on May 13, 2005 to recast information contained in Exelon's and Generation's 2004 Annual Report on Form 10-K for information regarding the pension and other postretirement benefit trust assets.

**Item 4. Controls and Procedures**

During the second quarter of 2005, each registrant's management, including its principal executive officer and principal financial officer, evaluated that registrant's disclosure controls and procedures related to the recording, processing, summarizing and reporting of information in that registrant's periodic reports that it files with the SEC. These disclosure controls and procedures have been designed by each registrant to ensure that (a) material information relating to that registrant, including its consolidated subsidiaries, is accumulated and made known to that registrant's management, including its principal executive officer and principal financial officer, by other employees of that registrant and its subsidiaries as appropriate to allow timely decisions regarding required disclosure, 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.

Accordingly, as of June 30, 2005, the principal executive officer and principal financial officer of each registrant concluded that such registrant's disclosure controls and procedures were effective to accomplish their objectives. Each registrant 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 II — OTHER INFORMATION**

**Item 1. Legal Proceedings**

***Exelon***

See "PJM Billing Dispute" within the litigation section of Note 13 of the Combined Notes to Consolidated Financial Statements for a discussion of legal proceeding developments.

***PECO and Generation***

See "Real Estate Tax Appeals" within the litigation section of Note 13 of the Combined Notes to Consolidated Financial Statements for a discussion of legal proceeding developments.

***Generation***

*Cromby Generating Station.* During the second quarter of 2005, Generation entered into a Consent Assessment of Civil Penalty with the Pennsylvania Department of Environmental Protection in the amount of \$602,250 based on SO<sub>2</sub> emissions in excess of the Clean Air Act Title V Permit limitations at the Cromby Generating Station during 2004. The excess was caused by a problem with the plant's continuous emissions monitoring software, resulting from an unauthorized and inadvertent modification by a third-party contractor. When the problem was discovered in 2004, it was immediately corrected and did not significantly affect compliance with annual Title IV SO<sub>2</sub> allowance surrender requirements. The procedures for the third-party contractor have been revised to prevent such occurrences in the future.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***(c) Exelon*

The attached table gives information on a monthly basis regarding purchases made by Exelon of its common stock in the quarter covered by this Report.

<u>Period</u>	<u>Total Number of Shares Purchased(a)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs(b)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
April 1 – April 30, 2005	8,462	45.88	—	(b)
May 1 – May 31, 2005	567	46.56	—	(b)
June 1 – June 30, 2005	2,441	48.36	—	(b)
Total	11,470	46.44	—	(b)

- (a) Shares other than those purchased as a part of a publicly announced plan primarily represent restricted shares surrendered by employees to satisfy tax obligations arising upon the vesting of restricted shares.
- (b) In April 2004, Exelon's Board of Directors approved a discretionary share repurchase program that allows Exelon to repurchase shares of its common stock on a periodic basis in the open market. The share repurchase program is intended to mitigate, in part, the dilutive effect of shares issued under Exelon's employee stock option plan and Exelon's Employee Stock Purchase Plan (ESPP). The aggregate shares of common stock repurchased pursuant to the program cannot exceed the economic benefit received after January 1, 2004 due to stock option exercises and share purchases pursuant to Exelon's ESPP. The economic benefit consists of direct cash proceeds from purchases of stock and tax benefits associated with exercises of stock options. The share repurchase program has no specified limit and no specified termination date. No purchases were made pursuant to this program during the quarter covered by this Report.

**Item 5. Other Information***(a) Exelon****Amendment of Employment Agreement***

On July 22, 2005, Exelon Corporation approved an amendment to its existing employment agreement with John W. Rowe, its Chairman, Chief Executive Officer and President. The purpose of the amendment was to reflect Mr. Rowe's commitment to remain at Exelon through March 2010 in order to oversee the implementation of the pending merger of Exelon with Public Service Enterprise Group Incorporated and the ensuing operational integration. In addition to reflecting that commitment, the amendment:

- modifies the severance provisions of the existing agreement to:
  - extend from March 16, 2006 (the "normal retirement date" specified in the existing agreement) to March 16, 2010, the expiration of Mr. Rowe's ability to terminate his employment and receive "special termination" benefits if Exelon fails to appoint him as Chairman of the Board (other than during E. James Ferland's term as Chairman), President and CEO;
  - limit any severance payment period with respect to a termination of Mr. Rowe's employment occurring prior to March 16, 2010 to the shorter of the applicable period specified in the existing agreement or the period remaining until March 16, 2010;
  - require Mr. Rowe to sign a waiver and release of claims in favor of Exelon as a condition to receiving severance benefits upon a termination of his employment; and
  - grant Exelon the ability to terminate Mr. Rowe's employment on or after March 16, 2010 without triggering severance benefits.
- modifies a limitation applicable to the supplemental executive retirement plan, or "SERP," benefit available to Mr. Rowe under the existing agreement upon a termination of his employment. That limitation provides that the SERP benefit is forfeited in the event of a termination of employment for

cause. As amended, the forfeiture will be limited, in the event of a termination for cause after the March 16, 2006 “normal retirement date” specified in the existing agreement, to the portion of the benefit that accrues after March 16, 2006.

- provides that any future award of restricted stock would, to the extent an applicable restriction has not lapsed, be forfeited upon his retirement prior March 16, 2006 or termination of employment for cause, and become vested upon his retirement on or after March 16, 2006 (unless otherwise provided in the grant instrument) or other termination of employment other than for cause.
- clarifies that upon a retirement or other termination of Mr. Rowe’s employment other than a termination for cause, any previously earned but non-vested performance shares will become vested (consistent with the current terms of Exelon’s performance share program under its long-term incentive plan) and he will receive a target award for the year in which the termination occurs.
- requires Mr. Rowe, upon his retirement or other termination of employment other than a termination for cause, to provide up to ten hours per week of transition services for six months and thereafter, until the third anniversary of his termination, at Exelon’s request, to provide consulting services, attend a reasonable number of civic, charitable and corporate events, and serve on civic and charitable boards as Exelon’s representative as mutually agreed.
- requires Exelon to provide office space, a personal secretary and reasonably-requested tax, financial and estate planning services to Mr. Rowe for three years following his retirement or termination of employment other than a termination for cause (or one year following his death).
- provides that if any payment to Mr. Rowe would be subject to a penalty under new section 409A of the Internal Revenue Code, then Exelon may postpone such payment for up to six months or Mr. Rowe may defer such payment if doing so would avoid the penalty, and otherwise Exelon and Mr. Rowe will negotiate in good faith to modify the amended agreement to comply with section 409A and provide approximately equivalent value.

The economic terms of Mr. Rowe’s existing agreement otherwise were unaffected by the amendment.

Additional information regarding Mr. Rowe’s existing employment agreement, including the supplemental executive retirement plan benefit, can be found under the heading “Employment Agreements” in Item 11, Executive Compensation of Exelon’s Form 10-K for the year ended December 31, 2004.

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### **Item 6. Exhibits**

- 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).
- 2-2 Agreement and Plan of Merger between Exelon Corporation and Public Service Enterprise Group Incorporated dated as of December 20, 2004 (File No. 1-16169, Form 8-K dated December 21, 2004, Exhibit 2.1).
- 3-1 Articles of Incorporation of Exelon Corporation (Registration Statement No. 333-37082, Form S-4, Exhibit 3-1).
- 3-2 Amendment to Articles of Incorporation for Exelon Corporation (File No. 1-16169, Form 10-Q for the quarter ended June 30, 2004, Exhibit 3-1).
- 3-3 Amended and Restated Bylaws of Exelon Corporation, adopted January 27, 2004 (File No. 1-16169, 2003 Form 10-K, Exhibit 3-2).
- 3-4 Amended and Restated Articles of Incorporation of PECO Energy Company (File No. 1-01401, 2000 Form 10-K, Exhibit 3-3).
- 3-5 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).
- 3-6 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).
- 3-7 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).
- 3-8 Certificate of Formation of Exelon Generation Company, LLC (Registration Statement No. 333-85496, Form S-4, Exhibit 3-1).
- 3-9 First Amended and Restated Operating Agreement of Exelon Generation Company, LLC executed as of January 1, 2001 (File No. 333-85496, 2003 Form 10-K, Exhibit 3-8).
- 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).
- 4-1-1 Supplemental Indentures to PECO Energy Company's First and Refunding Mortgage:

<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
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

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<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
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
April 15, 2004	0-16844, September 30, 2004 Form 10-Q	4-1-1
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).	
4-3-1	Supplemental Indentures to aforementioned Commonwealth Edison Mortgage.	

<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
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



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<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
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	1-1839, 2001 Form 10-K	4-4-1
June 1, 2002	1-1839, 2001 Form 10-K	4-4-1
October 7, 2002	1-1839, 2001 Form 10-K	4-4-1
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
February 15, 2005	1-16169, Form 10-Q for the quarter ended March 31, 2005.	4-3-1
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.	
<u>Dated as of</u>	<u>File Reference</u>	<u>Exhibit No.</u>
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 (File No. 333-85496, 2003 Form 10-K, Exhibit 4-6).	
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).	
4-10	Indenture dated May 1, 2001 between Exelon and J.P. Morgan Trust Company, National Association (formerly known as Chase Manhattan Trust Company, National Association), as trustee.	
4-11	Form of \$400,000,000 4.45% senior notes due 2010 dated June 9, 2005 issued by Exelon Corporation (File No. 1-16169, Exelon Corporation Form 8-K dated June 9, 2005, Exhibit 99.1).	
4-12	Form of \$800,000,000 4.90% senior notes due 2015 dated June 9, 2005 issued by Exelon Corporation (File No. 1-16169, Exelon Corporation Form 8-K dated June 9, 2005, Exhibit 99.2).	

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- 4-13 Form of \$500,000,000 5.625% senior notes due 2035 dated June 9, 2005 issued by Exelon Corporation (File No. 1-16169, Exelon Corporation Form 8-K dated June 9, 2005, Exhibit 99.3).
- 10-1 \$500 million term loan agreement dated April 1, 2005 among Exelon Corporation, lenders named within the agreement and Dresdner Bank AG, New York and Grand Cayman Branches, as Administrative Agent (File No. 1-16169, Exelon Corporation Form 8-K dated April 1, 2005, Exhibit 99).
- 10-2 Amended and Restated Employment Agreement by and between Exelon Corporation and John W. Rowe, dated as of July 22, 2005.

Certifications Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as to the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 filed by the following officers for the following companies:

- 31-1 — Filed by John W. Rowe for Exelon Corporation
- 31-2 — Filed by John F. Young for Exelon Corporation
- 31-3 — Filed by J. Barry Mitchell for Exelon Corporation
- 31-4 — Filed by John L. Skolds for Commonwealth Edison Company
- 31-5 — Filed by J. Barry Mitchell for Commonwealth Edison Company
- 31-6 — Filed by John L. Skolds for PECO Energy Company
- 31-7 — Filed by J. Barry Mitchell for PECO Energy Company
- 31-8 — Filed by John L. Skolds for Exelon Generation Company, LLC
- 31-9 — 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 Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 filed by the following officers for the following companies:

- 32-1 — Filed by John W. Rowe for Exelon Corporation
- 32-2 — Filed by John F. Young for Exelon Corporation
- 32-3 — Filed by J. Barry Mitchell for Exelon Corporation
- 32-4 — Filed by John L. Skolds for Commonwealth Edison Company
- 32-5 — Filed by J. Barry Mitchell for Commonwealth Edison Company
- 32-6 — Filed by John L. Skolds for PECO Energy Company
- 32-7 — Filed by J. Barry Mitchell for PECO Energy Company
- 32-8 — Filed by John L. Skolds for Exelon Generation Company, LLC
- 32-9 — Filed by J. Barry Mitchell for Exelon Generation Company, LLC

**SIGNATURES**

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

**EXELON CORPORATION**

/s/ JOHN W. ROWE

---

John W. Rowe  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ MATTHEW F. HILZINGER

---

Matthew F. Hilzinger  
Vice President and Corporate Controller  
(Principal Accounting Officer)

/s/ JOHN F. YOUNG

---

John F. Young  
Executive Vice President, Finance and Markets  
(Principal Financial Officer)

/s/ J. BARRY MITCHELL

---

J. Barry Mitchell  
Senior Vice President, Treasurer and  
Chief Financial Officer  
(Principal Financial Officer)

July 26, 2005

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

**COMMONWEALTH EDISON COMPANY**

/s/ JOHN L. SKOLDS

---

John L. Skolds  
President, Exelon Energy Delivery  
(Principal Executive Officer)

/s/ MATTHEW F. HILZINGER

---

Matthew F. Hilzinger  
Vice President and Corporate Controller, Exelon  
(Principal Accounting 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, ComEd

July 26, 2005

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

**PECO ENERGY COMPANY**

/s/ 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/ MATTHEW F. HILZINGER

---

Matthew F. Hilzinger  
Vice President and Corporate Controller, Exelon  
(Principal Accounting Officer)

/s/ DENIS P. O'BRIEN

---

Denis P. O'Brien  
President, PECO

July 26, 2005

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

**EXELON GENERATION COMPANY, LLC**

/s/ JOHN L. SKOLDS

---

John L. Skolds  
President  
(Principal Executive Officer)

/s/ J. BARRY MITCHELL

---

J. Barry Mitchell  
Senior Vice President, Treasurer and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ JON D. VEURINK

---

Jon D. Veurink  
Vice President and Controller  
(Principal Accounting Officer)

July 26, 2005

INDENTURE

by and between

EXELON CORPORATION

and

Chase Manhattan Trust Company, National Association

Dated as of May 1, 2001

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THIS INDENTURE, dated as of May 1, 2001, by and between EXELON CORPORATION, a Pennsylvania corporation (the "Issuer"), and CHASE MANHATTAN TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the Issuer has duly authorized the issue from time to time of its unsecured debentures, notes or other evidences of indebtedness to be issued in one or more series (the "Securities") up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Indenture to provide, among other things, for the authentication, delivery and administration of the Securities; and

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE, in consideration of the premises and the purchases of the Securities by the holders thereof, and intending to be legally bound hereby, the Issuer and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities and of the coupons, if any, appertaining thereto as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture that are defined in the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), or the definitions of which in the Securities Act of 1933, as amended (the "Securities Act"), are referred to in the Trust Indenture Act, including terms defined therein by reference to the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meaning assigned to such terms in the Trust Indenture Act and in the Securities Act as in effect from time to time. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are generally accepted at the time of any computation unless a different time shall be specified with respect to such series of Securities as provided for in Section 2.3. 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. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor provision.

"Authenticating Agent" shall have the meaning set forth in Section 6.15.

"Board of Directors" means either the Board of Directors of the Issuer or any committee of such Board duly authorized to act on its behalf.

"Board Resolution" means a copy of one or more resolutions, certified by the secretary or an assistant secretary of the Issuer to have been duly adopted or consented to by the Board of Directors and to be in full force and effect, and delivered to the Trustee.

"Business Day" means, with respect to any Security, a day that is not a day on which banking institutions in the city (or in any of the cities, if more than one) in which amounts are payable, as specified in the form of such



Security, or in which the Corporate Trust Office of the Trustee is located, are authorized or required by any applicable law or regulation to be closed.

“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 and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“Corporate Trust Office” means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, as of the date of this Indenture, located at 250 W. Huron Road, Suite 220, Cleveland, Ohio 44113.

“Covenant Defeasance” shall have the meaning set forth in Section 9.1(d).

“Depository” means, with respect to the Securities of any series issuable or issued in the form of one or more Registered Global Securities, the Person designated as Depository by the Issuer pursuant to Section 2.3 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Depository” shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, “Depository” as used with respect to the Securities of any such series shall mean the Depository with respect to the Registered Global Securities of that series.

“Dollar” or “\$” means the coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

“Event of Default” means any event or condition specified as such in Section 5.1.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Holder,” “Holder of Securities,” “Securityholder” or any other similar term means the person in whose name such Security is registered in the security register kept by the Issuer for that purpose in accordance with the terms hereof.

“Indenture” means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented or both, and shall include the forms and terms of particular series of Securities established as contemplated hereunder.

“IRS” means the Internal Revenue Service of the United States Department of the Treasury, or any successor entity.

“Issuer” means Exelon Corporation, a Pennsylvania corporation, and its successors and assigns.

“Issuer Order” means a written statement, request or order of the Issuer signed in its name by the chairman of the Board of Directors, the president, any vice president or the treasurer of the Issuer.

“Non-U.S. Person” means any person that is not a “U.S. person” as such term is defined in Rule 902 of the Securities Act.

“Officer’s Certificate” means a certificate signed by the chairman of the Board of Directors, the president or any vice president or the treasurer of the Issuer and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in Section 10.5.

“Opinion of Counsel” means an opinion in writing signed by legal counsel who may be an employee of the Issuer or other counsel satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in Section 10.5.

“Original Issue Date” of any Security (or portion thereof) means the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

“Original Issue Discount Security” means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 5.1.

“Outstanding” (except as otherwise provided in Section 7.4), when used with reference to Securities, means, subject to the provisions of Section 7.4, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys or U.S. Government Obligations (as provided for in Section 9.1) in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer for the Holders of such Securities (if the Issuer shall act as its own paying agent), PROVIDED, that if such Securities, or portions thereof, are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provisions satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities which shall have been paid or in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.9 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a person in whose hands such Security is a legal, valid and binding obligation of the Issuer). In determining whether the Holders of the requisite principal amount of Outstanding Securities of any or all series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 5.1.

“Periodic Offering” means an offering of Securities of a series from time to time, the specific terms of which Securities, including, without limitation, the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Issuer or its agents upon the issuance of such Securities.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Principal” whenever used with reference to the Securities or any Security or any portion thereof, shall be deemed to include “and premium, if any,” PROVIDED, HOWEVER, that such inclusion of premium, if any, shall under no circumstances result in the double counting of such premium for the purpose of any calculation required hereunder.

“Record date” shall have the meaning set forth in Section 2.7.

“Registered Global Security” means a Security evidencing all or a part of a series of Registered Securities, issued to the Depository for such series in accordance with Section 2.4, and bearing the legend prescribed in Section 2.4 and any other legend required by the Depository for such series.

“Registered Security” means any Security registered on the Security register of the Issuer.

“Responsible Officer” when used with respect to the Trustee means any officer of the Trustee assigned to administer corporate trust matters to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

“Security” or “Securities” (except as otherwise provided in Section 7.4) has the meaning stated in the first recital of this Indenture, or, as the case may be, Securities that have been authenticated and delivered under this Indenture.

“Securities Act” means the Securities Act of 1933, as amended.

“Subsidiary” means any corporation or other entity of which at least a majority of the outstanding stock having the voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time of determination directly or indirectly owned by the Issuer, or by one or more of its Subsidiaries, or by the Issuer and one or more of its Subsidiaries.

“Trustee” means the Person identified as “Trustee” in the first paragraph hereof and, subject to the provisions of Article VI, shall also include any successor trustee. “Trustee” shall also mean or include each Person who is then a trustee hereunder, and, if at any time there is more than one such Person, “Trustee” as used with respect to the Securities of any series shall mean the trustee with respect to the Securities of such series.

“U.S. Government Obligations” shall have the meaning set forth in Section 9.1(A).

“Yield to Maturity” means the yield to maturity on a series of securities, calculated at the time of issuance of such series, or, if applicable, at the most recent redetermination of interest on such series, and calculated in accordance with accepted financial practice.

## ARTICLE II

### SECURITIES

SECTION 2.1. Forms Generally. The Securities of each series shall be substantially in such form (not inconsistent with this Indenture) as shall be established by or pursuant to one or more Board Resolutions (as set forth in a Board Resolution or, to the extent established pursuant to but not set forth in a Board Resolution, an Officer’s Certificate detailing such establishment), in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, or with any rules of any securities exchange or to conform to general usage, all as may be determined by the officers executing such Securities, as evidenced by their execution of such Securities. The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities as evidenced by their execution of such Securities.

SECTION 2.2. Form Of Trustee’s Certificate Of Authentication. The Trustee’s certificate of authentication on all Securities shall be in substantially the following form:

“This is one of the Securities referred to in the within-mentioned Indenture.

By \_\_\_\_\_  
Authorized Signatory”

If at any time there shall be an Authenticating Agent appointed with respect to any series of Securities, then the Trustee’s Certificate of Authentication to be borne by the Securities of each such series shall be substantially as follows:

“This is one of the Securities referred to in the within-mentioned Indenture.

\_\_\_\_\_  
as Authenticating Agent

By \_\_\_\_\_  
Authorized Signatory”

SECTION 2.3. Amount Unlimited; Issuable In Series. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to one or more Board Resolutions (and to the extent established pursuant to but not set forth in a Board Resolution, in an Officer’s Certificate detailing such establishment), prior to the initial issuance of Securities of any series,

(1) the designation of the Securities of the series, which shall distinguish the Securities of the series from the Securities of all other series, and which may be part of a series of Securities previously issued;

(2) any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.8, 2.9, 2.11, 8.5 or 11.3);

(3) the date or dates on which the principal of the Securities of the series is payable which may range from nine months to 30 years for medium term debt securities and 30 years or more for long term debt securities;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, on which such interest shall be payable, the terms and conditions of any deferral of interest and the additional interest, if any, thereon, the right, if any, of the Issuer to extend the interest payment periods and the duration of the extensions and (in the case of Registered Securities) the date or dates on which a record shall be taken for the determination of Holders to whom interest is payable and/or the method by which such rate or rates or date or dates shall be determined;

(5) the place or places where and the manner in which, the principal of and any interest on Securities of the series shall be payable, if other than as provided in Section 3.2;

(6) the right, if any, of the Issuer to redeem Securities, in whole or in part, at its option and the period or periods within which, or the date or dates on which, the price or prices at which and any terms and conditions upon which Securities of the series may be so redeemed, pursuant to any sinking fund or otherwise;

(7) the obligation, if any, of the Issuer to redeem, purchase or repay Securities of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a Holder thereof, and the price or prices at which and the period or periods within which or the date or dates on which and any terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof;

(9) the percentage of the principal amount at which the Securities will be issued, and, if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof;

(10) whether the Securities of the series will be issuable as unregistered securities (with or without coupons), any restrictions applicable to the offer, sale or delivery of unregistered securities or the payment of interest thereon and, the terms upon which unregistered securities of any series may be exchanged for Registered Securities of such series and vice versa;

(11) whether and under what circumstances the Issuer will pay additional amounts on the Securities of the series held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether the Issuer will have the option to redeem the Securities of the series rather than pay such additional amounts;

(12) if the Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and terms of such certificates, documents or conditions;

(13) any trustees, depositories, authenticating or paying agents, transfer agents or registrars of any other agents with respect to the Securities of such series;

(14) any deletion from modification of or addition to the Events of Default or covenants with respect to the Securities of such series; and

(15) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical, except in the case of Registered Securities as to denomination and except as may otherwise be provided by or pursuant to the Board Resolution or Officer's Certificate referred to above. All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such Board Resolution or such Officer's Certificate.

**SECTION 2.4. Authentication And Delivery Of Securities.** The Issuer may deliver Securities of any series executed by the Issuer to the Trustee for authentication together with the applicable documents referred to below in this Section 2.4, and the Trustee shall thereupon authenticate and deliver such Securities to or upon the order of the Issuer (contained in the Issuer Order referred to below in this Section) or pursuant to such procedures acceptable to the Trustee and to such recipients as may be specified from time to time by an Issuer Order. The maturity date, original issue date, interest rate and any other terms of the Securities of such series shall be determined by or pursuant to such Issuer Order and procedures. If provided for in such procedures, such Issuer Order may authorize authentication and delivery pursuant to oral or electronic instructions from the Issuer or its duly authorized agent or agents, which instructions, if oral, shall be promptly confirmed in writing. In authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive (in the case of subparagraphs (2), (3) and (4) below only at or before the time of the first request of the Issuer to the Trustee to authenticate Securities of such series) and (subject to Section 6.1) shall be fully protected in relying upon, the following enumerated documents unless and until such documents have been superseded or revoked:

(1) an Issuer Order requesting such authentication and setting forth delivery instructions if the Securities are not to be delivered to the Issuer, PROVIDED that, with respect to Securities of a series subject to a Periodic Offering, (a) such Issuer Order may be delivered by the Issuer to the Trustee prior to the delivery to the Trustee of such Securities for authentication and delivery, (b) the Trustee shall authenticate and deliver Securities of such series for original issue from time to time, in an aggregate principal amount not exceeding the aggregate principal amount established for such series, pursuant to an Issuer Order or pursuant to procedures acceptable to the Trustee as may be specified from time to time by an Issuer Order, (c) the maturity date or dates, original issue date or dates, interest rate or rates and any other terms of Securities of such series shall be determined by an Issuer Order or pursuant to such procedures and (d) if provided for in such procedures, such Issuer Order may authorize authentication and

delivery pursuant to oral or electronic instructions from the Issuer or its duly authorized agent or agents, which instructions, if oral, shall be promptly confirmed in writing;

(2) any Board Resolution and/or Officer's Certificate referred to in Section 2.1 and 2.3 by or pursuant to which the forms and terms of the Securities were established;

(3) an Officer's Certificate setting forth the form or forms and terms of the Securities stating that the form or forms and terms of the Securities have been established pursuant to Sections 2.1 and 2.3 and comply with this Indenture, and covering such other matters as the Trustee may reasonably request; and

(4) At the option of the Issuer, either one or more Opinions of Counsel, or a letter addressed to the Trustee permitting it to rely on one or more Opinions of Counsel, substantially to the effect that:

(a) the form or forms of the Securities have been duly authorized and established in conformity with the provisions of this Indenture;

(b) in the case of an underwritten offering, the terms of the Securities have been duly authorized and established in conformity with the provisions of this Indenture, and, in the case of an offering that is not underwritten, certain terms of the Securities have been established pursuant to a Board Resolution or an Officer's Certificate in accordance with this Indenture, and when such other terms as are to be established pursuant to procedures set forth in an Issuer Order shall have been established, all such terms will have been duly authorized by the Issuer and will have been established in conformity with the provisions of this Indenture; and

(c) such Securities when executed by the Issuer and authenticated by the Trustee in accordance with the provisions of this Indenture and delivered to and duly paid for by the purchasers thereof, and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture, will be entitled to the benefits of this Indenture, and will be valid and binding obligations of the Issuer, enforceable in accordance with their respective terms except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, liquidation, moratorium, fraudulent transfer or similar laws affecting creditors' rights generally, (ii) rights of acceleration, if any, and (iii) the availability of equitable remedies may be limited by equitable principles of general applicability and such counsel need express no opinion with regard to the enforceability of Section 6.6.

In rendering such opinions, any counsel may qualify any opinions as to enforceability by stating that such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium, fraudulent transfer and other similar laws affecting the rights and remedies of creditors and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Such counsel may rely upon opinions of other counsel (copies of which shall be delivered to the Trustee) reasonably satisfactory to the Trustee, in which case the opinion shall state that such counsel believes he and the Trustee are entitled so to rely. Such counsel may also state that, insofar as such opinion involves factual matters, he has relied, to the extent he deems proper, upon certificates of officers of the Issuer and its Subsidiaries and certificates of public officials.

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section 2.4 if the Trustee, being advised by counsel, determines that such action may not lawfully be taken by the Issuer or if the Trustee in good faith by its board of directors or board of trustees, executive committee or a trust committee of directors or trustees shall determine that such action would expose the Trustee to personal liability to existing Holders or would affect the Trustee's own rights, duties or immunities under the Securities, this Indenture or otherwise.

If the Issuer shall establish pursuant to Section 2.3 that the Securities of a series are to be issued in the form of one or more Registered Global Securities, then the Issuer shall execute and the Trustee shall, in accordance with this Section and the Issuer Order with respect to such series, authenticate and deliver one or more Registered Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of

all of the Securities of such series issued and not yet canceled, (ii) shall be registered in the name of the Depository for such Registered Global Security or Securities or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or delivered or held pursuant to such Depository's instructions and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depository to the nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository."

Each Depository designated pursuant to Section 2.3 must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Exchange Act and any other applicable statute or regulation.

SECTION 2.5. Execution Of Securities. The Securities shall be signed on behalf of the Issuer by the chairman or vice chairman of its Board of Directors or its president, or any executive (senior or other), a vice president or its treasurer, under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Issuer who shall have signed any of the Securities shall cease to be such officer before the Security so signed shall be authenticated and delivered by the Trustee or disposed of by the Issuer, such Security nevertheless may be authenticated and delivered or disposed of as though the person who signed such Security had not ceased to be such officer of the Issuer; and any Security may be signed on behalf of the Issuer by such persons as, at the actual date of the execution of such Security shall be the proper officers of the Issuer, although at the date of the execution and delivery of this Indenture any such person was not such an officer.

SECTION 2.6. Certificate Of Authentication. Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee by the manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. The execution of such certificate by the Trustee upon any Security executed by the Issuer shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.7. Denomination And Date Of Securities; Payment Of Interest. Unless otherwise provided in Section 2.3, the Securities of each series shall be issuable as Registered Securities in denominations of \$1,000 and any integral multiple thereof. The Securities of each series shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plan as the officers of the Issuer executing the same may determine with the approval of the Trustee, as evidenced by the execution and authentication thereof.

Each Registered Security shall be dated the date of its authentication. The Securities of each series shall bear interest, if any, from the date, and such interest shall be payable on the dates, established as contemplated by Section 2.3.

The person in whose name any Registered Security of any series is registered at the close of business on any record date applicable to a particular series with respect to any interest payment date for such series shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Registered Security subsequent to the record date and prior to such interest payment date, except if and to the extent the Issuer shall default in the payment of the interest due on such interest payment date for such series, in which case such defaulted interest shall be paid to the persons in whose names Outstanding Registered Securities for such series are registered at the close of business on a subsequent record date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of Registered Securities not less than 15 days preceding such subsequent record date. The term "record date" as used with respect to any interest payment date (except a date for payment of defaulted interest) for the Securities of any series shall mean the date specified as such in the terms of the Registered

Securities of such series established as contemplated by Section 2.3, or, if no such date is so established, if such interest payment date is the first day of a calendar month, the fifteenth day of the preceding calendar month or, if such interest payment date is the fifteenth day of a calendar month, the first day of such calendar month, whether or not such record date is a Business Day.

**SECTION 2.8. Registration, Transfer And Exchange.** The Issuer will keep at each office or agency to be maintained for the purpose as provided in Section 3.2 for each series of Securities a register or registers in which, subject to such reasonable regulations as the Issuer may prescribe, it will provide for the registration of Registered Securities of such series and the registration of transfer of Registered Securities of such series. Such register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. At all reasonable times such register or registers shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Registered Security of any series at any such office or agency to be maintained for the purpose as provided in Section 3.2, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Registered Security or Registered Securities of the same series, maturity date, interest rate and original issue date in authorized denominations for a like aggregate principal amount.

At the option of the Holder thereof, Registered Securities of any series (other than a Registered Global Security, except as set forth below) may be exchanged for a Registered Security or Registered Securities of such series having authorized denominations and an equal aggregate principal amount, upon surrender of such Registered Securities to be exchanged at the agency of the Issuer that shall be maintained for such purpose in accordance with Section 3.2 and upon payment, if the Issuer shall so require, of the charges hereinafter provided. Whenever any Securities are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive. All Securities surrendered upon any exchange or transfer provided for in this Indenture shall be promptly cancelled and disposed of by the Trustee, and the Trustee shall deliver a certificate of disposition thereof to the Issuer.

All Registered Securities presented for registration of transfer, exchange, redemption or payment shall (if so required by the Issuer or the Trustee) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed, by the Holder or his attorney duly authorized in writing.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities. No service charge shall be made for any such transaction.

The Issuer shall not be required to exchange or register a transfer of (a) any Securities of any series for a period of 15 days preceding the first mailing of notice of redemption of Securities of such series to be redeemed or (b) any Securities selected, called or being called for redemption, in whole or in part, except, in the case of any Security to be redeemed in part, the portion thereof not so to be redeemed.

Notwithstanding any other provision of this Section 2.8, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Registered Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depository for such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository.

If at any time the Depository for any Registered Securities of a series represented by one or more Registered Global Securities notifies the Issuer that it is unwilling or unable to continue as Depository for such Registered Securities or if at any time the Depository for such Registered Securities shall no longer be eligible under Section 2.4, the Issuer shall appoint a successor Depository eligible under Section 2.4 with respect to such Registered Securities. If a successor Depository eligible under Section 2.4 for such Registered Securities is not appointed by the Issuer within 90 days after the Issuer receives such notice or becomes aware of such ineligibility,



the Issuer's election pursuant to Section 2.3 that such Registered Securities be represented by one or more Registered Global Securities shall no longer be effective and the Issuer will execute, and the Trustee, upon receipt of an Officer's Certificate for the authentication and delivery of definitive Securities of such series, will authenticate and deliver, Securities of such series in definitive registered form in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Registered Global Security or Securities representing such Registered Securities in exchange for such Registered Global Security or Securities.

The Issuer may at any time and in its sole discretion determine that the Registered Securities of any series issued in the form of one or more Registered Global Securities shall no longer be represented by a Registered Global Security or Securities. In such event the Issuer, will execute, and the Trustee, upon receipt of any Officer's Certificate for the authentication and delivery of definitive Securities of such series, will authenticate and deliver, Securities of such series in definitive registered form in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Registered Global Security or Securities representing such Registered Securities, in exchange for such Registered Global Security or Securities.

If specified by the Issuer pursuant to Section 2.3 with respect to Securities represented by a Registered Global Security, the Depository for such Registered Global Security may surrender such Registered Global Security in exchange in whole or in part for Securities of the same series in definitive registered form on such terms as are acceptable to the Issuer and such Depository. Thereupon, the Issuer shall execute, and the Trustee shall authenticate and deliver, without service charge:

(i) to the Person specified by such Depository a new Registered Security or Securities of the same series, of any authorized denominations as requested by such Person, in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Registered Global Security; and

(ii) to such Depository a new Registered Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Registered Global Security and the aggregate principal amount of Registered Securities authenticated and delivered pursuant to clause (i) above.

Upon the exchange of a Registered Global Security for Securities in definitive registered form in authorized denominations, such Registered Global Security shall be cancelled by the Trustee or an agent of the Issuer or the Trustee. Securities in definitive registered form issued in exchange for a Registered Global Security pursuant to this Section 2.8 shall be registered in such names and in such authorized denominations as the Depository for such Registered Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Issuer or the Trustee. The Trustee or such agent shall deliver such Securities to or as directed by the Persons in whose names such Securities are so registered.

All Securities issued upon any transfer or exchange of Securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

**SECTION 2.9. Mutilated, Defaced, Destroyed, Lost And Stolen Securities.** In case any temporary or definitive Security shall be mutilated, defaced, destroyed, lost or stolen, the Issuer in its discretion may execute and, upon the written request of any officer of the Issuer, the Trustee shall authenticate and deliver, a new Security of the same series, maturity date, interest rate and original issue date, bearing a number or other distinguishing symbol not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. In every case, the applicant for a substitute Security shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof, and in the case of mutilation or defacement shall surrender the Security to the Trustee or such agent.

Upon the issuance of any substitute Security, the Issuer 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) or its agent connected therewith. In case any Security which has matured or is about to mature or has been called for redemption in full shall become mutilated or defaced or be destroyed, lost or stolen, the Issuer may, instead of issuing a substitute Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Security), if the applicant for such payment shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as any of them may require to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Issuer and the Trustee and any agent of the Issuer or the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

Every substitute Security of any series issued pursuant to the provisions of this Section by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, 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 (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities of such series duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced or destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.10. Cancellation Of Securities; Destruction Thereof. All Securities surrendered for payment, redemption, registration of transfer or exchange, or for credit against any payment in respect of a sinking or analogous fund, if any, if surrendered to the Issuer or any agent of the Issuer or the Trustee or any agent of the Trustee, shall be delivered to the Trustee or its agent for cancellation or, if surrendered to the Trustee, shall be canceled by it; and no Securities shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee or its agent shall dispose of canceled Securities held by it and, upon written request therefore, shall deliver a certificate of disposition to the Issuer. If the Issuer or its agent shall acquire any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee or its agent for cancellation.

SECTION 2.11. Temporary Securities. Pending the preparation of definitive Securities for any series, the Issuer may execute and the Trustee shall authenticate and deliver temporary Securities for such series (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities of any series shall be issuable as Registered Securities without coupons of any authorized denomination, and substantially in the form of the definitive Securities of such series but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Issuer with the concurrence of the Trustee as evidenced by the execution and authentication thereof. Temporary Securities may contain such references to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay, the Issuer shall execute and shall furnish definitive Securities of such series and thereupon temporary Registered Securities of such series may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Issuer for that purpose pursuant to Section 3.2 and the Trustee shall authenticate and deliver in exchange for such temporary Securities of such series an equal aggregate principal amount of definitive Securities of the same series having authorized denominations. Until so exchanged, the temporary Securities of any series shall be entitled to the same benefits under this Indenture as definitive Securities of such series, unless otherwise established pursuant to Section 2.3.

## ARTICLE III

### COVENANTS OF THE ISSUER

SECTION 3.1. Payment Of Principal And Interest. The Issuer covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay or cause to be paid the principal of (and premium, if any), and interest on, each of the Securities of such series (together with any additional amounts payable pursuant to the terms of such Securities) at the place or places, at the respective time or times and in the manner provided in such Securities in this Indenture. The interest, if any, on Registered Securities (together with any additional amounts payable pursuant to the terms of such Securities) shall be payable only to or upon the written order of the Holders thereof and, at the option of the Issuer, may be paid by wire transfer or by mailing checks for such interest payable to or upon the written order of such Holders at their last addresses as they appear on the Securities register of the Issuer.

SECTION 3.2. Offices For Payments, Etc. So long as any Registered Securities (other than Global Registered Securities) are authorized for issuance pursuant to this Indenture or are outstanding hereunder, the Issuer will maintain in New York, an office or agency where the Registered Securities of each series may be presented for payment, where the Securities of each series may be presented for exchange as is provided in this Indenture and, if applicable, pursuant to Section 2.3 and where the Registered Securities of each series may be presented for registration of transfer as in this Indenture provided.

Notices and demands to or upon the Issuer in respect of the Securities of any series or this Indenture may be served on the Issuer at the corporate trust office of the Trustee.

The Issuer will give to the Trustee written notice of the location of each such office or agency and of any change of location thereof. In case the Issuer shall fail to maintain any agency required by this Section to be located in New York, or shall fail to give such notice of the location or for any change in the location of any of the above agencies, presentations and demands may be made and notices may be served at the Corporate Trust Office of the Trustee.

The Issuer may from time to time designate one or more additional offices or agencies where the Securities of a series may be presented for payment, where the Securities of that series may be presented for exchange as provided in this Indenture and pursuant to Section 2.3 and where the Registered Securities of that series may be presented for registration of transfer as in this Indenture provided, and the Issuer may from time to time rescind any such designation, as the Issuer may deem desirable or expedient; PROVIDED, that no such designation or rescission shall in any manner relieve the Issuer of its obligations to maintain the agencies provided for in this Section. The Issuer shall give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 3.3. Appointment To Fill A Vacancy In Office Of Trustee. The Issuer, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 6.10, a Trustee, so that there shall at all times be a Trustee with respect to each series of Securities hereunder.

SECTION 3.4. Paying Agents. Whenever the Issuer shall appoint a paying agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section:

(a) that it will hold all sums received by it as such agent for the payment of the principal of (and premium, if any) or interest on the Securities of such series (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities of such series) in trust for the benefit of the Holders of the Securities of such series or of the Trustee;

(b) that it will give the Trustee notice of any failure by the Issuer (or by any other obligor on the Securities of such series) to make any payment of the principal of (and premium, if any) or interest on the Securities of such series when the same shall be due and payable; and

(c) that it will pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of the failure referred to in the foregoing clause (b).

The Issuer will, on or prior to each due date of the principal of (and premium, if any) or interest on the Securities of such series, deposit with the paying agent a sum sufficient to pay such principal or interest so becoming due, and (unless such paying agent is the Trustee) the Issuer will promptly notify the Trustee of any failure to take such action.

If the Issuer shall act as its own paying agent with respect to the Securities of any series, it will, on or before each due date of the principal of (and premium, if any) or interest on the Securities of such series, set aside, segregate and hold in trust for the benefit of the Holders of the Securities of such series a sum sufficient to pay such principal (and premium, if any) or interest so becoming due. The Issuer will promptly notify the Trustee of any failure to take such action.

Anything in this Section to the contrary notwithstanding, but subject to Section 9.1, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any such series by the Issuer or any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 9.3 and 9.4.

**SECTION 3.5. Compliance Certificates.** The Issuer will furnish to the Trustee on or before January 31 in each year (beginning with January 31, 2002) a brief certificate (which need not comply with Section 10.5) from the principal executive, financial or accounting officer of the Issuer stating that in the course of the performance by the signer of his or her duties as an officer of the Issuer he or she would normally have knowledge of any default or non-compliance by the Issuer in the performance of any covenants or conditions contained in this Indenture, stating whether or not he or she has knowledge of any such default or non-compliance and, if so, describing each such default or non-compliance of which the signer has knowledge and the nature of such default or non-compliance.

**SECTION 3.6. Corporate Existence.** Except as provided in Section 3.8, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

**SECTION 3.7. Payment Of Taxes And Other Claims.** The Issuer will pay or discharge or cause to be paid or discharged, before the same shall become delinquent: (a) all taxes, assessments and governmental charges levied or imposed upon the Issuer or any Subsidiary or upon the income, profits or property of the Issuer or any Subsidiary; and (b) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a lien upon the property of the Issuer or any Subsidiary; PROVIDED, that the Issuer 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 3.8. The Issuer May Not Merge.** The Issuer may not consolidate with or merge with or into, or sell, convey, transfer or lease all or substantially all of its assets (either in one transaction or a series of transactions) to any Person unless:

(a) the Person formed by or surviving such consolidation or merger or to which such sale, conveyance, transfer or lease shall have been made (the "Successor") if other than the Issuer, (a) is organized and existing under the laws of the United States of America or any State thereof or the District of Columbia, and (b) shall expressly assume by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Issuer under the Securities and this Indenture;

(b) immediately prior to and after giving effect to such transaction (and treating any indebtedness which becomes an obligation of the Successor or any Subsidiary as a result of such transaction as having been incurred by such Successor or such Subsidiary at the time of such transaction), no Event of Default shall have occurred and be continuing; and

(c) the Issuer, delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, conveyance, transfer or lease and such supplemental indenture comply with this Indenture.

The Successor will be the successor to the Issuer, and will be substituted for, and may exercise every right and power and become the obligor on the Securities with the same effect as if the Successor had been named, as the Issuer herein but, in the case of a sale, conveyance, transfer or lease of all or substantially all of the assets of the Issuer, the predecessor Issuer will not be released from its obligation to pay the principal of, premium, if any, and interest on the Securities.

#### ARTICLE IV

##### SECURITYHOLDER LISTS AND REPORTS BY THE ISSUER AND THE TRUSTEE

SECTION 4.1. Issuer To Furnish Trustee Information As To Names And Addresses Of Securityholders. If and so long as the Trustee shall not be the Security registrar for the Securities of any series, the Issuer and any other obligor on the Securities will furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of the Registered Securities of such series pursuant to Section 312 of the Trust Indenture Act:

(a) semi-annually not more than 5 days after each record date for the payment of interest on such Registered Securities, as hereinabove specified, as of such record date and on dates to be determined pursuant to Section 2.3 for non-interest bearing Registered Securities in each year; and

(b) at such other times as the Trustee may reasonably request in writing, within thirty days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 4.2. Reports By The Issuer. The Issuer covenants to file with the Trustee, within 15 days after the Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports that the Issuer may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act or pursuant to Section 314 of the Trust Indenture Act.

Upon the written request and at the expense of and payable in advance by any Securityholder, the Trustee shall provide such reports, information or documents as have been provided to it under this Section 4.2. The Trustee shall not have any obligation to review any report, information or documents provided to the Trustee by the Issuer pursuant to this Section 4.2, nor shall the Trustee be deemed to have notice of any item contained therein or Event of Default which may be disclosed therein in any manner. The Trustee's sole responsibility with respect to such reports shall be to act as the depository for such report for the Securityholders and to make such reports available to the Securityholders in accordance with this Section 4.2. The Trustee shall have no duty to request copies of any such reports, information or documents which are required to be furnished to it hereunder.

SECTION 4.3. Reports By The Trustee.

(a) On or before the first July 15 which occurs not less than 60 days after the earliest date of issuance of any Securities and on or before July 15 in each year thereafter, so long as any Securities are Outstanding hereunder, the Trustee shall transmit by mail as provided below to the Securityholders of each series of outstanding Securities, as hereinafter in this Section provided, a brief report dated as of the preceding May 15 with respect to:

(i) its eligibility under Section 6.10 and its qualification under Section 6.9, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;

(ii) the character and amount of any advances (and if the Trustee elects to so state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities of such series, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than 0.5% of the principal of the Securities of such series outstanding on the date of such report;

(iii) the amount, interest rate and maturity date of all other indebtedness owing by the Issuer (or any other obligor on the Securities of such series) to the Trustee in its individual capacity on the date of such report, with a brief description of any property held as collateral security therefor, except any indebtedness based upon a creditor relationship;

(iv) the property and funds, if any, physically in the possession of the Trustee (as such) in respect of the Securities of such series on the date of such report;

(v) any additional issue of Securities of such series which the Trustee has not previously reported; and

(vi) any action taken by the Trustee in the performance of its duties under this Indenture which the Trustee has not previously reported and which in the Trustee's opinion materially affects the Securities of such series, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 5.11.

(b) The Trustee shall transmit to the Securityholders of each series, as provided in subsection (c) of this Section, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) in respect of the Securities of such series since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of this Indenture) for the reimbursement of which it claims or may claim a lien or charge prior to that of the Securities of such series on property or funds held or collected by it as Trustee and which it has not previously reported pursuant to this subsection (b), except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of Securities of such series outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section shall be transmitted by mail to all Holders of Securities of such series, as the names and addresses of such Holders appear upon the Securities register as of a date not more than 15 days prior to the mailing thereof.

(d) A copy of each such report shall, at the time of such transmission to Securityholders, be furnished to the Issuer and be filed by the Trustee with each stock exchange upon which the Securities of such series are listed and also with the Commission. The Issuer agrees to notify the Trustee when and as Securities of any series become listed on any national securities exchange.

## ARTICLE V

### REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 5.1. Event Of Default Defined, Acceleration Of Maturity; Waiver Of Default. “Event of Default” with respect to Securities of any series, wherever used herein, means any one of the following events which shall have occurred and be continuing (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):

(a) default in the payment of any installment of interest upon any of the Securities of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; provided that, a valid extension of an interest payment period by the Issuer in accordance with the terms of such Securities shall not constitute a failure to pay interest; or

(b) default in the payment of all or any part of the principal or premium (if any) on any of the Securities of such series as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise; or

(c) default in the payment of any sinking fund installment as and when the same shall become due and payable by the terms of the Securities of such series; or

(d) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer in the Securities of such series or contained in this Indenture (other than a covenant or agreement included in this Indenture solely for the benefit of a series of Securities other than such series) for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” hereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Trustee, or to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the Outstanding Securities of the series to which such covenant or agreement relates; or

(e) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer for any substantial part of its or their property or ordering the winding up or liquidation of its or their affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or for any substantial part of its or their property, or make any general assignment for the benefit of creditors; or

(g) any other Event of Default provided in the Board Resolution under which such series of Securities is issued or in the form of Security for such series.

If an Event of Default described in clause (a), (b) or (c) occurs and is continuing, then, and in each and every such case, except for any series of Securities the principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of each such affected series then Outstanding hereunder (each such series voting as a separate class) by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) of all Securities of such series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration, the same shall become immediately due and payable.

Except as otherwise provided in the terms of any series of Securities pursuant to Section 2.3, if an Event of Default described in clause (d) or (g) above with respect to all series of the Securities then Outstanding, occurs and is continuing, then, and in each and every such case, unless the Principal of all of the Securities shall have already

become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of all of the Securities then Outstanding hereunder (treated as one class) by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of any series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) of all of the Securities then Outstanding, and the interest accrued thereon, if any, to be due and payable immediately, and upon such declaration, the same shall become immediately due and payable.

If an Event of Default described in clause (e) or (f) above occurs and is continuing, then the principal amount of all the Securities then Outstanding, and the interest accrued thereon, if any, shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

If an Event of Default described in clause (d) or (g) occurs and is continuing, which Event of Default is with respect to less than all series of Securities then Outstanding, then, and in each and every such case, except for any series of Securities the principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of each such affected series then Outstanding hereunder (each such series voting as a separate class) by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) of all Securities of such series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration, the same shall become immediately due and payable.

The foregoing provisions are subject to the condition that if, at any time after the principal (or, if the Securities are Original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof) of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay

(a) all matured installments of interest upon all the Securities of such series (or all the Securities, as the case may be); and

(i) the principal of any and all Securities of such series (or of all the Securities, as the case may be) which shall have become due otherwise than by acceleration; and

(ii) interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series (or at the respective rates of interest or Yields to Maturity of all the Securities, as the case may be) to the date of such payment or deposit; and

(iii) all amounts payable to the Trustee pursuant to Section 6.6; and

(b) all Events of Default under the Indenture, other than the non-payment of the principal of Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein,

then and in every such case the Holders of a majority, or any applicable supermajority, in aggregate principal amount of all the Securities of such series voting as a separate class (or all the Securities, as the case may be, voting as a single class), then Outstanding, by written notice to the Issuer and to the Trustee, may waive all defaults with respect to such series (or with respect to all the Securities, as the case may be) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Securities shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the principal amount of such Original



Issue Discount Securities shall be deemed, for all purposes hereunder, to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Securities.

SECTION 5.2. Collection Of Indebtedness By Trustee; Trustee May Prove Debt. The Issuer covenants that (a) in case default shall be made in the payment of any installment of interest on any of the Securities of any series when such interest shall have become due and payable, and such default shall have continued for a period of 30 days, or (b) in case default shall be made in the payment of all or any part of the principal of any of the Securities of any series when the same shall have become due and payable, whether upon maturity of the Securities of such series or upon any redemption or by declaration or otherwise, then upon demand of the Trustee, the Issuer will pay to the Trustee for the benefit of the Holders of the Securities of such series the whole amount that then shall have become due and payable on all Securities of such series, for principal and interest, as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, and such other amount due the Trustee under Section 6.6 in respect of Securities of such series.

Until such demand is made by the Trustee, the Issuer may pay the principal of and interest on the Securities of any series to the registered Holders, whether or not the Securities of such series be overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon the Securities and collect in the manner provided by law out of the property of the Issuer or other obligor upon the Securities, wherever situated, all the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Securities under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest (or, if the Securities of any series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) owing and unpaid in respect of the Securities of any series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts payable to the Trustee under Section 6.6) and of the Securityholders allowed in any judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor; and

(b) unless prohibited by applicable law and regulations, to vote on behalf of the holder of the Securities of any series in any election of a receiver, assignee, trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings, custodian or other person performing similar functions in respect of any such proceedings; and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Securityholders and of the Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official

performing similar functions in respect of any such proceedings is hereby authorized by each of the Securityholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Securityholders, to pay to the Trustee its costs and expenses of collection and all other amounts due to it pursuant to Section 6.6.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding, except as aforesaid in clause (b).

All rights of action and of asserting claims under this Indenture, or under any of the Securities of any series may be enforced by the Trustee without the possession of any of the Securities of such series or the production thereof in any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be awarded to the Trustee for ratable distribution to the Holders of the Securities in respect of which such action was taken, after payment of all sums due to the Trustee under Section 6.6 in respect of such Securities.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Securities in respect of which such action was taken, and it shall not be necessary to make any Holders of such Securities parties to any such proceedings.

**SECTION 5.3. Application Of Proceeds.** Any moneys collected by the Trustee pursuant to this Article in respect of any series shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities in respect of which monies have been collected and stamping (or otherwise noting) thereon the payment, or issuing Securities of such series in reduced principal amounts in exchange for the presented Securities of like series if only partially paid, or upon surrender thereof if fully paid:

**FIRST:** To the payment of costs and expenses applicable to such series of Securities in respect of which monies have been collected, including all amounts due to the Trustee and each predecessor Trustee pursuant to Section 6.6 in respect to such series of Securities;

**SECOND:** In case the principal of the Securities of such series in respect of which moneys have been collected shall not have become and be then due and payable, to the payment of interest on the Securities of such series in default in the order of the maturity of the installments on such interest, with interest (to the extent that such interest has been collected by the Trustee and is permitted by applicable law) upon the overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

**THIRD:** In case the principal of the Securities of such series in respect of which moneys have been collected shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities of such series for principal and interest, with interest upon the overdue principal, and (to the extent that such interest has been collected by the Trustee and is permitted by applicable law) upon the overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities of such series, then to the payment of such principal and interest or Yield to Maturity, without preference or priority of principal over interest or Yield to Maturity, or of interest or Yield to Maturity over principal, or of any installment of interest over any other installment of interest or of any Security of such series over any other Security of such series, ratably to the aggregate of such principal and accrued and unpaid interest or Yield to Maturity; and

**FOURTH:** To the payment of the remainder, if any, to the Issuer or any other person lawfully entitled thereto.

SECTION 5.4. Suits For Enforcement. In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.5. Restoration Of Rights On Abandonment Of Proceedings. In case the Trustee or any Holder of any Security shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case the Issuer, the Trustee and the Holders of Securities shall be restored severally and respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

SECTION 5.6. Limitations On Suits By Securityholders. No Holder of any Security of any series shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture or such Security, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder or thereunder, unless (a) such Holder previously shall have given to the Trustee written notice of an Event of Default with respect to Securities of such series and of the continuance thereof, as hereinbefore provided, and (b) the Holders of not less than 25% in aggregate principal amount of the Securities of such series then Outstanding (treated as a single class) shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and (c) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding, and (d) no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 5.9; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security with every other taker and Holder and the Trustee, that no one or more Holders of Securities of any series shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture or any Security to affect, disturb or prejudice the rights of any other such taker or Holder of Securities or to obtain or seek to obtain priority over or preference to any other such taker or Holder or to enforce any right under this Indenture or any Security, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities of the applicable series. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 5.7. Unconditional Right Of Securityholders To Institute Certain Suits. Notwithstanding any other provision in this Indenture and any provision of any Security, the right of any Holder of any Security to receive payment of the principal of and interest on such Security on or after the respective due dates expressed in such Security or the applicable redemption dates provided for in such Security, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 5.8. Powers And Remedies Cumulative; Delay Or Omission Not Waiver Of Default. Except as provided in Section 5.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities 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.

No delay or omission of the Trustee or of any Holder of Securities to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Indenture, any Security or law to the Trustee or to the Holders of Securities may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or, subject to Section 5.6, by the Holders of Securities.

SECTION 5.9. Control By Holders Of Securities. The Holders of a majority in aggregate principal amount of the Securities of each series affected (with each such series voting as a separate class) at the time Outstanding 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 with respect to the Securities of such series by this Indenture; PROVIDED, that such Holders shall have offered to the Trustee such reasonable indemnity as it may require against costs, expenses and liabilities to be incurred therein or thereby, and PROVIDED FURTHER, that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture; and PROVIDED, FURTHER, that (subject to the provisions of Section 6.1) the Trustee shall have the right to decline to follow any such direction if (a) the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken; or (b) if the Trustee by its board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee shall determine in good faith that the action or proceedings so directed would involve the Trustee in personal liability; or (c) if the Trustee in good faith shall so determine that the actions or forbearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of the Securities of all affected series not joining in the giving of said direction, it being understood that (subject to Section 6.1) the Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Securityholders.

SECTION 5.10. Waiver Of Past Defaults. Prior to the declaration of acceleration of the maturity of the Securities of any series as provided in Section 5.1, the Holders of a majority in aggregate principal amount of the Securities of such series at the time Outstanding (voting as a single class) may on behalf of the Holders of all such Securities waive any past default or Event of Default described in Section 5.1 and its consequences, except (i) in the payment of the principal of or premium, if any, or interest if any, on or any additional amounts payable in respect of any security of that Series or (ii) a default in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Security affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of all such Securities shall be restored to their former positions and rights hereunder, respectively, and such default shall cease to exist and be deemed to have been cured and not to have occurred for purposes of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.11. Trustee To Give Notice Of Default, But May Withhold In Certain Circumstances. The Trustee shall, within 90 days after the occurrence of a default with respect to the Securities of any series, give notice of all defaults with respect to that series known to the Trustee to all Holders of Securities of such series in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, unless in each case such defaults shall have been cured before the mailing or publication of such notice (the term "default" for the purpose of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); PROVIDED, that, except in the case of default in the payment of the principal of or interest on any of the Securities of such series, or in the payment of any sinking fund installment on such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders of such series.

The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default hereunder, except Events of Default described in paragraphs (a), (b) and (c) of Section 5.1 hereof, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the Issuer or by the Holders of at least 10% of the aggregate principal amount of Securities (or the applicable series of Securities) then outstanding. In the absence of delivery of notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above.

SECTION 5.12. Waiver of Stay or Extension Laws. The Issuer 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 Issuer (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.

SECTION 5.13. Right Of Court To Require Filing Of Undertaking To Pay Costs. All parties to this Indenture agree, and each Holder of any Security by his or her acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, 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, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder or group of Securityholders of any series holding in the aggregate more than 10% in aggregate principal amount of the Securities of such series, or, in the case of any suit relating to or arising under clause (d) or (g) of Section 5.1 (if the suit relates to Securities of more than one but less than all series), 10% in aggregate principal amount of Securities then Outstanding and affected thereby, or in the case of any suit relating to or arising under clause (d) or (g) (if the suit under clause (d) or (g) relates to all the Securities then Outstanding) or (e) or (f) of Section 5.1, 10% in aggregate principal amount of all Securities then Outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of or interest on any Security on or after the due date expressed in such Security or any date fixed for redemption.

## ARTICLE VI

### CONCERNING THE TRUSTEE

SECTION 6.1. Duties And Responsibilities Of The Trustee; During Default; Prior To Default. Prior to the occurrence of an Event of Default with respect to the Securities of a particular series and after the curing or waiving of all Events of Default which may have occurred with respect to such series, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to such series of Securities. In case an Event of Default with respect to the Securities of a series has occurred and has not been cured or waived, the Trustee shall exercise with respect to such series of Securities such of the rights and powers vested in it by this Indenture with respect to such series of Securities, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Securities of any series and after the curing or waiving of all such Events of Default with respect to such series which may have occurred:

(i) the duties and obligations of the Trustee with respect to the Securities of any series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 5.9 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

The provisions of this Section 6.1 are in furtherance of and subject to Section 315 of the Trust Indenture Act.

SECTION 6.2. Certain Rights Of The Trustee. In furtherance of and subject to the Trust Indenture Act, and subject to Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security 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, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof is specifically prescribed herein or in the terms established in respect of any series); and any resolution of the Board of Directors shall be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Issuer;

(c) the Trustee may consult with counsel and any written advice or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, 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, consent, order, approval, appraisal, bond, debenture, note, coupon, security or other paper or document unless (i) requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected then Outstanding (treated as one class) or (ii) otherwise provided in the terms of any series of Securities pursuant to Section 2.3; PROVIDED, that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as

a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Issuer or, if paid by the Trustee or any predecessor trustee, shall be repaid by the Issuer upon demand; 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 not regularly in its employ and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

SECTION 6.3. Trustee Not Responsible For Recitals, Disposition Of Securities Or Application Of Proceeds Thereof. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation 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 Issuer of any of the Securities or of the proceeds thereof.

SECTION 6.4. Trustee And Agents May Hold Securities; Collections, Etc. The Trustee or any agent of the Issuer or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or such agent.

SECTION 6.5. Held By Trustee. Subject to the provisions of Section 9.4 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Issuer or the Trustee shall be under any liability for interest on any moneys received by it hereunder.

SECTION 6.6. Compensation And Indemnification Of Trustee And Its Prior Claim. The Issuer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Issuer covenants and agrees to pay or reimburse the Trustee and each predecessor trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Issuer also covenants to indemnify the Trustee and each predecessor trustee (and their respective directors, officers, agents and employees) for, and to hold them harmless against, any loss, liability, fine, penalty or expense (including out-of-pocket and incidental expenses and legal fees) incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including, in each case, the costs and expenses of defending itself against or investigating any claim of liability in the premises. The obligations of the Issuer under this Section to compensate and indemnify the Trustee and each predecessor trustee (and their respective directors, officers, agents and employees) and to pay or reimburse the Trustee and each predecessor trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee. Such additional indebtedness shall be a senior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities and the Securities are hereby subordinated to such senior claim.

SECTION 6.7. Right Of Trustee To Rely On Officer's Certificate, Etc. Subject to Sections 6.1 and 6.2, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or wilful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such certificate, in the absence of negligence or wilful misconduct on the

part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.8. Indentures Not Creating Potential Conflicting Interests For The Trustee. This Indenture is hereby specifically described for the purposes of Section 310(b)(1)(i) of the Trust Indenture Act with respect to series of Securities that are of an equal priority.

SECTION 6.9. Qualification Of Trustee; Conflicting Interests. The Trustee shall comply with Section 310(b) of the Trust Indenture Act.

SECTION 6.10. Persons Eligible For Appointment As Trustee. The Trustee for each series of Securities hereunder shall at all times be a corporation or banking association organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, having a combined capital and surplus of at least \$50,000,000, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal, state or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.11.

The provisions of this Section 6.10 are in furtherance of and subject to Section 310(a) of the Trust Indenture Act.

SECTION 6.11. Resignation And Removal; Appointment Of Successor Trustee.

(a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to one or more or all series of Securities by giving written notice of resignation to the Issuer and by mailing notice of such resignation to the Holders of then Outstanding Registered Securities of each series affected at their addresses as they shall appear on the registry books. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee or trustees with respect to the applicable series by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. If no successor trustee shall have been so appointed with respect to any series and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities of the applicable series for at least six months may, subject to the provisions of Section 5.12, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act with respect to any series of Securities after written request therefor by the Issuer or by any Securityholder who has been a bona fide Holder of a Security or Securities of such series for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.10 hereof and Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Issuer or by any Securityholder; or

(iii) the Trustee shall become incapable of acting with respect to any series of Securities, or shall be adjudged bankrupt or insolvent, or a receiver or liquidator of the Trustee or



of its property shall 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, the Issuer may remove the Trustee with respect to the applicable series of Securities and appoint a successor trustee for such series by written instrument, in duplicate, executed by order of the Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 315(e) of the Trust Indenture Act, any Securityholder who has been a bona fide Holder of a Security or Securities of such series 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 with respect to such series. Such court may thereupon, after such notice, if any, as it may deem proper and so prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Securities of each series at the time outstanding may at any time remove the Trustee with respect to Securities of such series and appoint a successor trustee with respect to the Securities of such series by delivering to the Trustee so removed, to the successor trustee so appointed and to the Issuer the evidence as of the action in that regard taken by the Securityholders as provided for in Section 7.1.

(d) Any resignation or removal of the Trustee with respect to any series and any appointment of a successor trustee with respect to such series pursuant to any of the provisions of this Section 6.11 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 6.12.

**SECTION 6.12. Acceptance Of Appointment By Successor Trustee.** Any successor trustee appointed as provided in Section 6.11 shall execute and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee with respect to all or any applicable series shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations with respect to such series of its predecessor hereunder, with like effect as if originally named as trustee for such series hereunder; but, nevertheless, on the written request of the Issuer or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall, subject to Section 9.4, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 6.6.

If a successor trustee is appointed with respect to the Securities of one or more (but not all) series, the Issuer, the predecessor trustee and each successor trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor trustee with respect to the Securities of any series as to which the predecessor trustee is not retiring shall continue to be vested in the predecessor trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such trustees as co-trustees of the same trust and that each such trustee shall be trustee of a trust or trusts under separate indentures.

No successor trustee with respect to any series of Securities shall accept appointment as provided in this Section 6.12 unless at the time of such acceptance such successor trustee shall be qualified under Section 310(b) of the Trust Indenture Act and eligible under the provisions of Section 6.10.

Upon acceptance of appointment by any successor trustee as provided in this Section 6.12, the Issuer shall give notice thereof to the Holders of Registered Securities of each series affected by mailing such notice to such Holders at their addresses as they shall appear on the registry books. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 6.11. If the Issuer fails to give such notice within ten days after

acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be given at the expense of the Issuer.

SECTION 6.13. Merger, Conversion, Consolidation Or Succession To Business Of Trustee. Any corporation, association or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation, association or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation, association or other entity succeeding to the corporate trust business of the Trustee, (including by sale or transfer of all or substantially all of its corporate trust assets) shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; PROVIDED, that such corporation, association or other entity shall be qualified under Section 310(b) of the Trust Indenture Act and eligible under the provisions of Section 6.10.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Securities of any series shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities of any series shall not have been authenticated, any such successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificate of authentication shall have the full force which under this Indenture or the Securities of such series it is provided that the certificate of authentication of the Trustee shall have; PROVIDED, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Securities of any series in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.14. Preferential Collection Of Claims Against The Issuer. The Trustee shall comply with Section 311(a) of the Trust Indenture Act, excluding any creditor relationship as provided in Section 311(b) of the Trust Indenture Act. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the Trust Indenture Act to the extent indicated therein.

SECTION 6.15. Appointment Of Authenticating Agent. As long as any Securities of a series remain Outstanding, the Trustee may, by an instrument in writing, appoint with the approval of the Issuer an authenticating agent (the "Authenticating Agent") which shall be authorized to act on behalf of the Trustee to authenticate Securities, including Securities issued upon exchange, registration of transfer, partial redemption or pursuant to Section 2.9. Securities of each such series authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Securities of any series by the Trustee or to the Trustee's Certificate of Authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent for such series and a Certificate of Authentication executed on behalf of the Trustee by such Authenticating Agent. Such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$45,000,000 (determined as provided in Section 6.10 with respect to the Trustee) and subject to supervision or examination by federal or state authority.

Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall continue to be the Authenticating Agent with respect to all series of Securities for which it served as Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent. Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign by giving written notice of resignation to the Trustee and to the Issuer.

Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.15 with respect to one or more series of Securities, the Trustee shall, upon receipt of an Issuer Order, appoint a successor

Authenticating Agent and the Issuer shall provide notice of such appointment to all Holders of Securities of such series in the manner and to the extent provided in Section 11.2. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent. The Issuer agrees to pay to the Authenticating Agent for such series from time to time reasonable compensation. The Authenticating Agent for the Securities of any series shall have no responsibility or liability for any action taken by it as such at the direction of the Trustee.

Sections 6.2, 6.3, 6.4, 6.6 and 7.3 shall be applicable to any Authenticating Agent.

## ARTICLE VII

### CONCERNING THE SECURITYHOLDERS

SECTION 7.1. Evidence Of Action Taken By Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by a specified percentage in principal amount of the Securityholders of any or all series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of Securityholders 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. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture, and subject to the provisions of Sections 6.1 and 6.2, conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Article.

Notwithstanding the foregoing, with respect to any Registered Global Security, nothing herein shall prevent the Issuer, the Trustee, or any agent of the Issuer or the Trustee, from giving effect to any request, demand, authorization, direction, notice, consent, waiver or other action provided in this Indenture to be given or taken by a Depository or impair, as between a Depository and such holders of beneficial interest, the operation of customary practices governing the exercise of the rights of the Depository (or its nominee) as Holder of any Security.

Without limiting the generality of this Section 7.1, unless otherwise provided in or pursuant to this Indenture, a Holder, including a Depository that is a Holder of a Registered Global Security, may make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders, and a Depository that is a Holder of a Registered Global Security may give its proxy or proxies to the Depository's participants or the beneficial owners of interests in any such Registered Global Security, as the case may be, through such Depository's standing instructions and customary practices.

The Trustee shall fix a record date for the purpose of determining the Persons who are beneficial owners of interests in any permanent Registered Global Security held by a Depository and who are entitled under the procedures of such Depository to make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders. If such a record date is fixed, the Holders on such record date or their duly appointed proxy or proxies, and only such persons, shall be entitled to make, give or take such request, demand, authorization, direction, notice consent, waiver or other action, whether or not such Holders remain Holders after such record date. No such request, demand, authorization, direction notice, consent, waiver or other action shall be valid or effective if made, given or taken more than 90 days after such record date.

SECTION 7.2. Proof Of Execution Of Instruments And Of Holding Of Securities. Subject to the provisions of Sections 6.1 and 6.2, the execution of any instrument by a Securityholder or his or her agent or proxy may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Registered Securities shall be proved by the Security register or by a certificate of the registrar thereof.

SECTION 7.3. Holders To Be Treated As Owners. The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the person in whose name any Security shall be registered upon the Security register for such series as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Indenture, interest on such Security and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

No holder of any beneficial interest in any Registered Global Security held on its behalf by a Depositary (or its nominee) shall have any rights under this Indenture with respect to such Registered Global Security or any Security represented thereby, and such Depositary may be treated by the Issuer, the Trustee, and any agent of the Issuer or the Trustee as the owner of such Registered Global Security or any Security represented thereby for all purposes whatsoever. None of the Issuer, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Registered Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 7.4. Securities Owned By Issuer Deemed Not Outstanding. In determining whether the Holders of the requisite aggregate principal amount of Outstanding Securities of any or all series have concurred in any request, demand, authorization, direction, notice, consent, waiver or other action by Securityholders under this Indenture, Securities which are owned by the Issuer or any other obligor on the Securities with respect to which such determination is being made or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities with respect to which such determination is being made shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such action only Securities which the Trustee knows are 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 Issuer or any other obligor upon the Securities or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Issuer shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Securities, if any, known by the Issuer to be owned or held by or for the account of any of the above-described persons; and, subject to the provisions of Sections 6.1 and 6.2, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

SECTION 7.5. Right Of Revocation Of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.1, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all the Securities affected by such action.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

SECTION 8.1. Supplemental Indentures Without Consent Of Securityholders. The Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to any applicable covenants herein and pursuant to the terms of the Securities as set forth in Section 2.3;

(b) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer and the Trustee shall consider to be for the protection of the Holders of Securities and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; PROVIDED, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities of such series to waive such an Event of Default; PROVIDED FURTHER, that any such addition, change or elimination (i) shall neither (A) apply to any Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision and (ii) shall become effective only when there is no such Security Outstanding.

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make any other provisions as the Issuer may deem necessary or desirable, PROVIDED, that no such action shall adversely affect the interests of the Holders of the Securities in any material respect as determined by the Trustee (which determination may be based on an Opinion of Counsel); and

(d) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 6.12.

The Trustee is hereby authorized to join with the Issuer in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee 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.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 8.2.

SECTION 8.2. Supplemental Indentures With Consent Of Securityholders.

(a) Except as set forth in paragraph (b) below, with the consent (evidenced as provided in Article VII) of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of all series of Securities affected by such supplemental indenture (voting as one class), the Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force and effect at the date of execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities of each such series.

(b) No such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof, or make the principal thereof (including any amount in respect of original issue discount), or interest thereon payable in any coin or currency other than that provided in the Securities or in accordance with the terms thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 5.1 or the amount thereof provable in bankruptcy pursuant to Section 5.2, or impair or affect the right of any Securityholder to institute suit for the payment thereof when due or, if the Securities provide therefor, any right of repayment at the option of the Securityholder, in each case without the consent of the Holder of each Security so affected, or (ii) reduce the aforesaid percentage of Securities of any series, the consent of the Holders of which is required for any such supplemental indenture, without the consent of the Holders of each Security so affected.

(c) A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Holders of Securities of such series, with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

(d) Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order) certified by the secretary or an assistant secretary of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders of the Securities as aforesaid and other documents, if any, required by Section 7.1, the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section 8.2, the Trustee shall give notice thereof to the Holders of then Outstanding Registered Securities of each series affected thereby, by mailing a notice thereof by first-class mail to such Holders at their addresses as they shall appear on the Security register, and such notice shall set forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

**SECTION 8.3. Effect Of Supplemental Indenture.** Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of

the Trustee, the Issuer and the Holders of Securities of each series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 8.4. Documents To Be Given To Trustee. The Trustee, subject to the provisions of Sections 6.1 and 6.2, shall be entitled to receive, and shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article VIII complies with the applicable provisions of this Indenture.

SECTION 8.5. Notation On Securities In Respect Of Supplemental Indentures. Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation in form approved by the Trustee for such series as to any matter provided for by such supplemental indenture or as to any action taken by Securityholders. If the Issuer or the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Issuer, authenticated by the Trustee and delivered in exchange for the Securities of such series then Outstanding.

## ARTICLE IX

### SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

#### SECTION 9.1. Satisfaction And Discharge Of Indenture.

(a) The following provisions shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution, Officer's Certificate or supplemental indenture provided pursuant to Section 2.3. If at any time (i) the Issuer shall have paid or caused to be paid the principal of and interest on all the Securities of any series Outstanding hereunder and (other than Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.9) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Securities of any series theretofore authenticated (other than any Securities of such series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.9) or (iii) in the case of any series of Securities where the exact amount of principal of and interest due on which can be determined at the time of making the deposit referred to in clause (b) below, (a) all the Securities of such series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (b) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee funds in trust the entire amount in (i) cash (other than moneys repaid by the Trustee or any paying agent to the Issuer in accordance with Section 9.4), (ii) direct obligations of the United States of America or obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, which are not callable or redeemable at the option of the issuer thereof ("U.S. Government Obligations"), maturing as to principal and interest at such times and in such amounts as will insure the availability of cash sufficient to pay at such maturity or upon such redemption, as the case may be, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (x) the principal and interest on all Securities of such series on each date that such principal or interest is due and payable and (y) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Securities of such Series pursuant to Section 2.8 and the Issuer's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities (iii) rights of holders of Securities

pursuant to Section 2.8 to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration), and remaining rights of the Holders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, including those under Section 6.6, (v) the rights of the Holders of Securities of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, and (vi) the obligations of the Issuer under Section 3.2) and the Trustee, on demand of the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture; PROVIDED, that the rights of Holders of the Securities to receive amounts in respect of principal of and interest on the Securities held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange upon which the Securities are listed. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Securities of such series.

(b) The following provisions shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution, Officer's Certificate or supplemental indenture provided pursuant to Section 2.3. In addition to discharge of the Indenture pursuant to the next preceding paragraph, in the case of any series of Securities the exact amounts of principal of and interest due on which can be determined at the time of making the deposit referred to in clause (a) below, the Issuer shall be deemed to have paid and discharged the entire indebtedness on all the Securities of such a series on the date of the deposit referred to in subparagraph (a) below, and the provisions of this Indenture with respect to the Securities of such series shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities of such series pursuant to Section 2.8 and the Issuer's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Holders of Securities to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor (but not upon acceleration), and remaining rights of the Holders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) the rights of the Holders of Securities of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them and (vi) the obligations of the Issuer under Section 3.2) and the Trustee, at the expense of the Issuer, shall at the Issuer's request, execute proper instruments acknowledging the same, if:

(i) with reference to this provision the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities of such series: (x) cash in an amount, or (y) U.S. Government Obligations, maturing as to principal and interest at such times and in such amounts as will insure the availability of cash or (z) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal and interest on all Securities of such series on each date that such principal or interest is due and payable and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series;

(ii) such deposit will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Issuer is a party or by which it is bound;

(iii) the Issuer has delivered to the Trustee an opinion of counsel from a nationally recognized law firm based on the fact that (x) the Issuer has received from, or there has been published by, the IRS a ruling or (y) since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to United States federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred;



(iv) the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to avoidance as a preferential transfer under Section 547(b) of the United States Bankruptcy Code (except with respect to any Holder that is an “insider” of the Issuer within the meaning of the United States Bankruptcy Code); and

(v) the Issuer has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this provision have been complied with.

(c) If the trustee or any paying agent is unable to apply any money in accordance with this Indenture by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting that application, then the Issuer’s obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Indenture, until such time as the Trustee or paying agent is permitted to apply all money in accordance with this Indenture; provided, however, that if the Issuer makes any payment of principal of (or premium, if any) or interest, if any, on any Security following the reinstatement of such obligations, the Issuer will be subrogated to the rights of the Holders to receive such payment from the money held by the Trustee or paying agent.

(d) The Issuer shall be released from its obligations under Sections 3.6 and 3.7 and unless otherwise provided for in the Board Resolution and/or Officer’s Certificate establishing such series of Securities, from all covenants and other obligations referred to in Section 2.3(14) or 2.3(15) with respect to such series of Securities, outstanding on and after the date the conditions set forth below are satisfied (hereinafter, “covenant defeasance”). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities of any series, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in such Section, whether directly or indirectly by reason of any reference elsewhere herein to such Section or by reason of any reference in such Section to any other provision herein or in any other document and such omission to comply shall not constitute an Event of Default under Section 5.1, but the remainder of this Indenture and such Securities shall be unaffected thereby. The following shall be the conditions to application of this subsection (d) of this Section 9.1, unless otherwise provided for in the Board Resolution and/or Officer’s Certificate establishing such series of Securities:

(i) The Issuer has irrevocably 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 benefit of the holders of the Securities of such series, (i) cash in an amount, or (ii) U.S. Government Obligations maturing as to principal and interest at such times and in such amounts as will insure the availability of cash or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal and interest on all Securities of such series and (B) any mandatory sinking fund payments on the day on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series;

(ii) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit;

(iii) Such covenant defeasance shall not cause the Trustee to have a conflicting interest as defined in Section 6.9 or for purposes of the Trust Indenture Act with respect to any securities of the Issuer;

(iv) Such covenant defeasance shall not result in a breach or violation of, or constitute a default under any agreement or instrument to which the Issuer is a party or by which it is bound;

(v) Such covenant defeasance shall not cause any Securities then listed on any registered national securities exchange under the Exchange Act to be delisted;

(vi) The Issuer shall have delivered to the Trustee an Officer's Certificate and an opinion of counsel from a nationally recognized law firm to the effect that the Holders of the Securities of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of such covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(vii) The Issuer has delivered to the Trustee an Opinion of Counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to avoidance as a preferential transfer under Section 547(b) of the United States Bankruptcy Code (except with respect to any Holder that is an "insider" of the Issuer within the meaning of the United States Bankruptcy Code); and

(viii) The Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the covenant defeasance contemplated by this provision have been complied with.

SECTION 9.2. Application By Trustee Of Funds Deposited For Payment Of Securities. Subject to Section 9.4, all moneys deposited with the Trustee (or other trustee) pursuant to Section 9.1 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Holders of the particular Securities of such series for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law.

SECTION 9.3. Repayment Of Moneys Held By Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to Securities of any series, all moneys then held by any paying agent under the provisions of this Indenture with respect to such series of Securities shall, upon demand of the Issuer, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 9.4. Return Of Moneys Held By Trustee And Paying Agent Unclaimed For Two Years. Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Security of any series and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee for such series or such paying agent, and the Holder of the Securities of such series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease; PROVIDED, that the Trustee or such paying agent, before being required to make any such repayment with respect to moneys deposited with it for any payment shall at the expense of the Issuer, mail by first-class mail to Holders of such Securities at their addresses as they shall appear on the Security register, notice that such moneys remain and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

SECTION 9.5. Indemnity For U.S. Government Of Obligations. The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 9.1 or the principal or interest received in respect of such obligations.

## ARTICLE X

### MISCELLANEOUS PROVISIONS

SECTION 10.1. Incorporators, Shareholders, Officers And Directors Of Issuer Exempt From Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future shareholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities by the Holders thereof and as part of the consideration for the issue of the Securities.

SECTION 10.2. Provisions Of Indenture For The Sole Benefit Of Parties And Holders Of Securities. Nothing in this Indenture, in the Securities, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties thereto and their successors and the Holders of the Securities any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of the Securities.

SECTION 10.3. Successors And Assigns Of Issuer Bound By Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 10.4. Notices And Demands On Issuer, Trustee And Holders Of Securities. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders of Securities to or on the Issuer may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Issuer is filed by the Issuer with the Trustee) to Exelon Corporation, 10 South Dearborn Street, 37<sup>th</sup> Floor, Post Office Box A-3005, Chicago, Illinois 60690-3005, Attention: Secretary. Any notice, direction, request or demand by the Issuer or any Holder of Securities to or upon the Trustee shall be deemed to have been sufficiently given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Trustee is filed by the Trustee with the Issuer) to, 250 W. Huron Road, Suite 220, Cleveland, Ohio 44113 Attention: Corporate Trust Department.

Where this Indenture provides for notice to Holders of Registered Securities, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class mail, postage prepaid, to each Holder entitled thereto, at his or her last address as it appears in the Security register.

In any case where notice to such 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 or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be reasonably satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 10.5. Officer's Certificates And Opinions Of Counsel; Statements To Be Contained Therein. Upon any application or demand by the Issuer to the Trustee to take any action under any of the provisions of this Indenture, the Issuer shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel

stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his or her certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information in the possession of the Issuer, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his or her certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the case may be, knows that the certificate or opinion of or representations with respect to the accounting matters upon which his or her certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent.

SECTION 10.6. Payments Due On Saturdays, Sundays And Holidays. If the date of maturity of interest on or principal of the Securities of any series or the date fixed for redemption or repayment of any such Security shall not be a Business Day, then payment of interest or principal 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 date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 10.7. Conflict Of Any Provision Of Indenture With Trust Indenture Act. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with duties imposed by, or with another provision (an "incorporated provision") included in this Indenture by operation of Sections 310 to 318, inclusive, of the Trust Indenture Act, such imposed duties or incorporated provision shall control.

SECTION 10.8. PENNSYLVANIA LAW TO GOVERN. THIS INDENTURE AND EACH SECURITY SHALL BE DEEMED TO BE A CONTRACT UNDER THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH COMMONWEALTH.

SECTION 10.9. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 10.10. Effect Of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

## ARTICLE XI

### REDEMPTION OF SECURITIES AND SINKING FUNDS

SECTION 11.1. Applicability Of Article. The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.3 for Securities of such series.

SECTION 11.2. Notice Of Redemption; Partial Redemptions. Notice of redemption to the Holders of Registered Securities of any series to be redeemed as a whole or in part at the option of the Issuer shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Holders of Securities of such series at their last addresses as they shall appear upon the registry books. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of such Security of such series.

The notice of redemption to each such Registered Holder shall specify the principal amount of each Security of such series held by such Registered Holder to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of such Securities, that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case, that interest accrued to the date fixed for redemption will be paid as specified in such notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security of a series is to be redeemed in part only, the notice of redemption to Registered Holders of Securities of the series shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Securities of any series to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

On or before the redemption date specified in the notice of redemption given as provided in this Section, the Issuer will deposit with the Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.4) an amount of money sufficient to redeem on the redemption date all the Securities of such series so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. The Issuer will deliver to the Trustee at least 70 days prior to the date fixed for redemption, or such shorter period as shall be acceptable to the Trustee, an Officer's Certificate stating the aggregate principal amount of Securities to be redeemed. In case of a redemption at the election of the Issuer prior to the expiration of any restriction on such redemption, the Issuer shall deliver to the Trustee, prior to the giving of any notice of redemption to Holders pursuant to this Section, an Officer's Certificate stating that such restriction has been complied with.

If less than all the Securities of a series are to be redeemed, the Trustee shall select, in such manner as it shall deemed appropriate and fair, in its sole discretion, Securities of such series to be redeemed in whole or in part. Securities may be redeemed in part in multiples equal to the minimum authorized denomination for Securities of such series or any multiple thereof. The Trustee shall promptly notify the Issuer in writing of the Securities of such series selected for redemption and, in the case of any Securities of such series 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 of any series shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 11.3. Payment Of Securities Called For Redemption. If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and

payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Issuer shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue, and, except as provided in Sections 6.5 and 9.4, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, said Securities or the specified portions thereof shall be paid and redeemed by the Issuer at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; PROVIDED, that payment of interest becoming due on or prior to the date fixed for redemption shall be payable to the Holder of such Registered Securities registered as such on the relevant record date, subject to the terms and provisions of Section 2.3 and 2.7 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate of interest or Yield to Maturity (in the case of an Original Issue Discount Security) borne by such Security.

Upon presentation of any Security redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to or on the order of the Holder thereof, at the expense of the Issuer, a new Security or Securities of such series, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

**SECTION 11.4. Exclusion Of Certain Securities From Eligibility For Selection For Redemption.** Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in an Officer's Certificate delivered to the Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by, either (a) the Issuer or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer.

**SECTION 11.5. Mandatory And Optional Sinking Funds.** The minimum amount of any sinking fund payment provided for by the terms of the Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of the Securities of any series is herein referred to as an "optional sinking fund payment." The date on which a sinking fund payment is to be made is herein referred to as the "sinking fund payment date."

In lieu of making all or any part of any mandatory sinking fund payment with respect to any series of Securities in cash, the Issuer may at its option (a) deliver to the Trustee Securities of such series theretofore purchased or otherwise acquired (except upon redemption pursuant to the mandatory sinking fund) by the Issuer or receive credit for Securities of such series (not previously so credited) theretofore purchased or otherwise acquired (except as aforesaid) by the Issuer and delivered to the Trustee for cancellation pursuant to Section 2.10, (b) receive credit for optional sinking fund payments (not previously so credited) made pursuant to this Section, or (c) receive credit for Securities of such series (not previously so credited) redeemed by the Issuer through any optional redemption provision contained in the terms of such series. Securities so delivered or credited shall be received or credited by the Trustee at the sinking fund redemption price specified in such Securities.

On or before the 60th day next preceding each sinking fund payment date for any series, the Issuer will deliver to the Trustee an Officer's Certificate (which need not contain the statements required by Section 10.5) (a) specifying the portion of the mandatory sinking fund payment to be satisfied by payment of cash and the portion to be satisfied by credit of Securities of such series and the basis for such credit, (b) stating that none of the Securities of such series has theretofore been so credited, (c) stating that no defaults in the payment of interest or Events of Default with respect to such series have occurred (which have not been waived or cured) and are continuing and (d) stating whether or not the Issuer intends to exercise its right to make an optional sinking fund payment with respect to such series and, if so, specifying the amount of such optional sinking fund payment which the Issuer intends to pay on or before the next succeeding sinking fund payment date. Any Securities of such series to be credited and required to be delivered to the Trustee in order for the Issuer to be entitled to credit therefor as aforesaid which have

not theretofore been delivered to the Trustee shall be delivered for cancellation pursuant to Section 2.10 to the Trustee with such Officer's Certificate (or reasonably promptly thereafter if acceptable to the Trustee). Such Officer's Certificate shall be irrevocable and upon its receipt by the Trustee, the Issuer shall become unconditionally obligated to make all the cash payments or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Issuer, on or before any such 60th day, to deliver such Officer's Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute, on and as of such date, the irrevocable election of the Issuer (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Issuer will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed \$50,000 or a lesser sum in Dollars if the Issuer shall so request with respect to the Securities of any particular series, such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. If such amount shall be \$50,000 or less and the Issuer makes no such request then it shall be carried over until a sum in excess of \$50,000 is available. The Trustee shall select, in the manner provided in Section 11.2, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as may be, and shall (if requested in writing by the Issuer) inform the Issuer of the serial numbers of the Securities of such series (or portions thereof) so selected. Securities shall be excluded from eligibility for redemption under this Section if they are identified by registration and certificate number in an Officer's Certificate delivered to the Trustee at least 60 days prior to the sinking fund payment date as being owned of record and beneficially by, and not pledged or hypothecated by, either (a) the Issuer or (b) an entity specifically identified in such Officer's Certificate as directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer. The Trustee, in the name and at the expense of the Issuer (or the Issuer, if it shall so request the Trustee in writing) shall cause notice of redemption of the Securities of such series to be given in substantially the manner provided in Section 11.2 (and with the effect provided in Section 11.3) for the redemption of Securities of such series in part at the option of the Issuer. The amount of any sinking fund payments not so applied or allocated to the redemption of Securities of such series shall be added to the next cash sinking fund payment for such series and, together with such payment, shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys held on the stated maturity date of the Securities of any particular series (or earlier, if such maturity is accelerated), which are not held for the payment or redemption of particular Securities of such series shall be applied, together with other moneys, if necessary, sufficient for the purpose, to the payment of the principal of, and interest on, the Securities of such series at maturity.

On or before each sinking fund payment date, the Issuer shall pay to the Trustee in cash or shall otherwise provide for the payment of all interest accrued to the date fixed for redemption on Securities to be redeemed on the next following sinking fund payment date.

The Trustee shall not redeem or cause to be redeemed any Securities of a series with sinking fund moneys or give any notice of redemption of Securities for such series by operation of the sinking fund during the continuance of a default in payment of interest on such Securities or of any Event of Default except that, where the giving of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Securities, provided that it shall have received from the Issuer a sum sufficient for such redemption. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur, and any moneys thereafter paid into the sinking fund, shall, during the continuance of such default or Event of Default be deemed to have been collected under Article V and held for the payment of all such Securities. In case such Event of Default shall have been waived as provided in Section 5.10 or the default cured on or before the 60th day preceding the sinking fund payment date in any year, such moneys shall thereafter be applied on the next succeeding sinking fund payment date in accordance with this Section to the redemption of such Securities.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and attested as of the date first written above.

EXELON CORPORATION

By: /s/ J. Barry Mitchell

\_\_\_\_\_  
Name: J. Barry Mitchell

Title: Vice President

Attest:

By: /s/ Todd D. Cutler

\_\_\_\_\_  
Todd D. Cutler

Chase Manhattan Trust Company, National Association  
as Trustee

By: /s/ D. Kovach

\_\_\_\_\_  
Name: D. Kovach

Title: Assistant Vice President



AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT

by and between

EXELON CORPORATION

and

JOHN W. ROWE

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THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), dated as of July 22, 2005, by and between Exelon Corporation ("Exelon" or the "Company") and John W. Rowe ("Executive"), amends and restates that certain Employment Agreement dated as of March 10, 1998 by and between Executive (on the one hand) and Unicom Corporation and Commonwealth Edison company (on the other), as amended and restated from time to time prior to the date hereof (the "Prior Agreement").

WHEREAS, Executive is currently serving as Chairman of the Board, President and Chief Executive Officer of Exelon and a member of the Company Board;

WHEREAS, Exelon and Executive desire to amend certain aspects of the Prior Agreement to better reflect his position as sole Chief Executive Officer of the Company and his current, as well as future, compensation and benefit arrangements with Exelon;

WHEREAS, the Prior Agreement contemplated a normal retirement date of March 16, 2006, but the Company has requested and Executive has agreed to continue his employment with, and to provide services to, Exelon until March 16, 2010;

WHEREAS, in order to continue to offer certain benefits Executive would have received had he retired in 2006 and to continue to provide additional protection to Executive in the event of a Change in Control, a Significant Acquisition or an Imminent Control Change (as such terms are defined herein), Exelon agrees to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement; and

WHEREAS, Executive is willing to continue to accept such employment and perform such services on the terms and conditions hereunder set forth; and

WHEREAS, the American Jobs Creation Act of 2004 imposes certain new restrictions on payment of deferred compensation with which, to the extent applicable, Exelon and Executive intend to conform this Agreement;

NOW, THEREFORE, in consideration of the mutual undertakings of the parties hereto, Exelon and Executive agree as follows:

#### ARTICLE I. DEFINITIONS

The terms set forth below have the following meanings (such meanings to be applicable to both the singular and plural forms):

1.1 "Accrued Base Salary" means that portion of Executive's Base Salary which is accrued but unpaid as of the Termination Date.

1.2 "Accrued Annual Incentive" means either:

(a) the amount of any Annual Incentive earned with respect to the calendar year ended prior to the Termination Date, but which is unpaid as of the Termination Date, if both (i) the amount of such Annual Incentive has been objectively determined solely by the application of a formula that does not provide the Company or any Company Affiliate

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any discretion to increase the amount of the Annual Incentive and (ii) neither the Company nor any Company Affiliate has applied any discretion it may have pursuant to the Annual Incentive Award Program in which Executive participates or otherwise to reduce the amount of such Annual Incentive, or

(b) if the conditions specified in clause (a) of this sentence have not been satisfied, the average of the Annual Incentives that were actually paid to Executive with respect to Executive's last three full calendar years of employment by the Company or any Company Affiliate.

1.3 "Affiliate" means, when used with reference to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the referent Person or such other Person, as the case may be. For the purposes of this definition, the term "control" when used with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

1.4 "Annual Incentive" — see Section 4.2.

1.5 "Base Salary" — see Section 4.1.

1.6 "Beneficiary" — see Section 10.4.

1.7 "Cause" means any of the following:

(a) Executive's conviction of a felony or of a misdemeanor involving moral turpitude, fraud or dishonesty,

(b) willful misconduct by Executive in the performance of his duties under this Agreement that was intended to personally benefit Executive, or

(c) material breach of this Agreement by Executive (other than as a result of incapacity due to physical or mental illness);

provided that, if a material breach of this Agreement involved an act, or a failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief that Executive's act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulation, such breach shall not constitute Cause if, within 30 days (10 days in the event of a breach of covenants contained in Article IX) after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable.

1.8 "Change Date" means the date on which a Change in Control first occurs during the Contract Term, other than a Change in Control occurring on the PSEG Merger Agreement Effective Date in connection with the consummation of the transactions contemplated by the PSEG Merger Agreement.

1.9 “Change in Control” means any one or more of the following (but not including a Change in Control occurring on the PSEG Merger Agreement Effective Date in connection with the consummation of the transactions contemplated by the PSEG Merger Agreement):

(a) the acquisition by any Person (including for purposes of this definition any “person” within the meaning of Section 13(d) (3) or 14(d) (2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of Common Stock (the “Outstanding Common Stock”) or (ii) the combined voting power of the then-outstanding Voting Securities of the Company (the “Outstanding Voting Securities”), but excluding (A) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (B) any acquisition by the Company, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (a “Company Plan”) or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (B), if any Person (other than the Company or any Company Plan) shall become the beneficial owner of 20% or more of the Outstanding Common Stock or 20% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities (other than pursuant to any dividend reinvestment plan or arrangement maintained by the Company) and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(b) individuals who, as of the date hereof, constitute the Company Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Incumbent Board; provided that any individual who becomes a director of the Company subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company as a result of an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Exchange Act) or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Company Board shall not be deemed a member of the Incumbent Board;

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of more than 50% of the operating assets of the Company (determined on a consolidated basis) other than in connection with a sale-leaseback or other arrangement resulting in the continued utilization of such assets (or the operating products of such assets) by the Company (such reorganization, merger, consolidation, sale or other disposition, a “Corporate Transaction”); excluding, however, a Corporate Transaction pursuant to which:

(i) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the

outstanding Voting Securities of such corporation, as the case may be, of the corporation resulting from such Corporate Transaction (including a corporation which as a result of such transaction owns the Company or all or substantially all of its assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be;

(ii) no Person (other than the Company; any Company Plan; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 20% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding Voting Securities of such corporation;

(iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; and

(iv) Executive shall be appointed or elected to positions in respect of the corporation resulting from such Corporate Transaction that are comparable to the positions held by Executive pursuant to Section 2.1 immediately prior to the Corporate Transaction; or

(d) approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all the assets of the Company by its Affiliates.

1.10 "CIC Termination" means (a) a Termination for Good Reason or a Termination Without Cause for which (in either case) the Termination Date occurs prior to March 16, 2010 and during the Post-Change Period, or the Post-Significant Acquisition Period, or (b) an Imminent Control Change Termination occurring prior to March 16, 2010.

1.11 "Code" means the Internal Revenue Code of 1986, as amended.

1.12 "Common Stock" means common stock, without par value, of the Company.

1.13 "Company" — see the recitals to this Agreement.

1.14 "Company Board" means the Board of Directors of the Company.

1.15 "Compensation Committee" means the Compensation Committee of the Company Board, or any successor committee thereto.

1.16 "Confidential Information" means any information not generally known in the relevant trade or industry, which was obtained from the Company or any Company Affiliate, or which was learned, discovered, developed, conceived, originated or prepared during or as a

result of the performance of any services by Executive on behalf of the Company or any Company Affiliate and which:

(a) relates to one or more of the following:

- (i) trade secrets of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof;
- (ii) existing or contemplated products, services, technology, designs, processes, formulae, algorithms, research or product developments of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof;
- (iii) business plans, sales or marketing methods, methods of doing business, customer lists, customer usages and/or requirements, supplier information of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof;

(b) the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof may reasonably have the right to protect by patent, copyright or by keeping it secret and confidential.

Confidential Information does not include any information that is or may become publicly known other than through the improper actions of Executive.

1.17 “Contract Term” — see Section 3.1.

1.18 “Disability” means a mental or physical condition which, in the opinion of the Company Board, renders Executive unable or incompetent to carry out the job responsibilities which such Executive held or the duties to which Executive was assigned at the time the disability was incurred, which has existed for at least three months and which in the opinion of a physician mutually agreed upon by the Company and Executive (provided that neither party shall unreasonably withhold or delay such agreement) is expected to be permanent or to last for an indefinite duration or a duration in excess of six months.

1.19 “Exchange Act” means the Securities Exchange Act of 1934.

1.20 “Executive” — see the recitals to this Agreement.

1.21 “Formula Annual Incentive” means, subject to § 8.1(a), the greater of (i) the Annual Incentive for the latest calendar year ended on or before the Termination Date, or (ii) the average of the Annual Incentives that were actually paid (or would have been paid in respect of the year preceding the Termination Date but for a termination of Executive’s employment after the end of such preceding year) to Executive with respect to Executive’s last three full calendar years of employment by the Company or any Affiliate of the Company. For purposes of clause (ii) of the preceding sentence, if Annual Incentives have been paid to Executive in respect of fewer than three years, such average shall be computed by reference to the Annual Incentives that were actually paid to Executive.

1.22 “Good Reason” means any material breach of this Agreement by the Company, including:

(a) a failure to provide the compensation and benefits required by this Agreement, including a reduction in the Base Salary of Executive below the Base Salary in effect during the immediately preceding year under this Agreement or, where applicable, the Prior Agreement, unless such reduction is commensurate with and part of a general salary reduction program applicable to all senior executives of the Company;

(b) a failure to appoint or elect Executive as Chief Executive Officer of the Company, Chairman of the Company Board and a member of the Company Board taking effect prior to March 16, 2010;

(c) causing or requiring Executive to report to any Person or group other than the Company Board;

(d) any material adverse change in the status, responsibilities or perquisites of Executive; or

(e) any public announcement by the Company Board that it is seeking a replacement for Executive, other than a replacement contemplated for the period following his Retirement, unless Executive has consented to such announcement;

provided, however, that an act or omission shall not constitute a material breach of this Agreement by the Company:

(i) unless Executive gives the Company 30 days’ prior notice of such act or omission and the Company fails to cure such act or omission within the 30-day period;

(ii) if Executive first acquired actual knowledge of such act or omission more than 12 months before Executive gives the Company such notice;

(iii) if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section; or

(iv) in the case of subsections (b), (c), (d) and (e), if Executive has incurred a Disability; and

provided further that notwithstanding anything contained in this Agreement to the contrary, as of the PSEG Merger Agreement Effective Date, Executive shall continue to serve as the President and sole Chief Executive Officer of the Company and E. James Ferland, the current CEO of PSEG, will be appointed as the Chairman of the Board of the Company, in each case as set forth in the Amended and Restated By-laws of the Company set forth as an Exhibit to the PSEG Merger Agreement, and such change in Executive’s position and Mr. Ferland’s appointment as Chairman of the Board of the Company shall not constitute “Good Reason” for the purposes of this Agreement, so long as Executive is reappointed to the office of Chairman of the Board of the Company as of the first to occur of (i) April 1, 2007 or (ii) the date that Mr. Ferland ceases to serve as Chairman of the Board of the Company.

1.23 “Imminent Control Change” means, as of any date on or after the date hereof and prior to a Change Date, the occurrence of any one or more of the following (but not including any of the transactions contemplated by the PSEG Merger Agreement):

- (a) the Board approves a specific agreement the consummation of which would constitute a Change in Control;
- (b) any SEC Person commences a “tender offer” (as such term is used in Section 14(d) of the Exchange Act) or exchange offer, which, if consummated, would result in a Change in Control; or
- (c) any SEC Person files with the United States Securities and Exchange Commission a preliminary or definitive proxy solicitation or election contest to elect or remove one or more members of the Board, which, if consummated or effected, would result in a Change in Control;

provided, however, that an Imminent Control Change will lapse and cease to qualify as an Imminent Control Change:

- (i) With respect to an Imminent Control Change described in clause (a) of this definition, the date such agreement is terminated, cancelled or expires without a Change Date occurring;
- (ii) With respect to an Imminent Control Change described in clause (b) of this definition, the date such tender offer or exchange offer is withdrawn or terminates without a Change Date occurring;
- (iii) With respect to an Imminent Control Change described in clause (c) of this definition, (1) the date the validity of such proxy solicitation or election contest expires under relevant state corporate law, or (2) the date such proxy solicitation or election contest culminates in a shareholder vote, in either case without a Change Date occurring; or
- (iv) The date a majority of the members of the Incumbent Board make a good faith determination that any event or condition described in clause (a), (b), or (c) of this definition no longer constitutes an Imminent Control Change, provided that such determination may not be made prior to the twelve (12) month anniversary of the occurrence of such event.

1.24 “Imminent Control Change Period” means the period commencing on the date of an Imminent Control Change, and ending on the first to occur thereafter of

- (a) a Change Date, provided
  - (i) such date occurs no later than the one-year anniversary of the Termination Date, and
  - (i) either the Imminent Control Change has not lapsed, or the Imminent Control Change in effect upon such Change Date is the last Imminent



Control Change in a series of Imminent Control Changes unbroken by any period of time between the lapse of an Imminent Control Change and the occurrence of a new Imminent Control Change;

- (b) the date an Imminent Control Changes lapses without the prior or concurrent occurrence of a new Imminent Control Change; or
- (c) the twelve-month anniversary of the Termination Date.

1.25 “Imminent Control Change Termination” means a Termination for Good Reason or a Termination Without Cause for which the Termination Date occurs during an Imminent Control Change Period, but only if the Imminent Control Change Period culminates in a Change Date, and only if the Termination of Employment would not be a Special Termination but for the fact that it occurred during an Imminent Control Change Period.

1.26 “including” means including without limitation.

1.27 “Key Employee” means any employee of the Company who is salary band E05 or above (“Group Level”) or any employee of any Affiliate of the Company who is at a level which is the equivalent of Group Level.

1.28 “LTIP” means the Company’s Long-Term Incentive Plan.

1.29 “Option” means an option to purchase shares of Common Stock pursuant to the terms and conditions of this Agreement and the LTIP (or any successor plan), or the Prior Agreement and the LTIP, and the Unicom Corporation Long-Term Incentive Plan, as applicable.

1.30 “Option Expiration Date” means, with respect to a specific Option, the expiration date of such Option as specified in the grant agreement or the plan (as applicable) relating thereto.

1.31 “Performance Shares” means any shares of Common Stock which are awarded to Executive pursuant to the Long Term Performance Share Award Program under the LTIP or are subject to performance-based vesting requirements.

1.32 “Person” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, entity or government (whether federal, state, county, municipal or otherwise).

1.33 “Post-Change Period” means the period commencing upon a Change in Control and ending 24 months thereafter.

1.34 “Post-Retirement Health Care Coverage” means the medical, dental and vision care coverage provided by the Company from time to time to its retired senior executives who retired on or after March 10, 1998.

1.35 “Post-Significant Acquisition Period” means the period commencing on the date of a Significant Acquisition that occurs during the Contract Term and prior to a Change Date,

and ending on the first to occur of (a) the end of the 18-month period commencing on the date of the Significant Acquisition, (b) the Change Date, or (c) the Termination Date.

1.36 “Practices” means practices, policies and programs.

1.37 “Prior Agreement” — see the recitals to this Agreement.

1.38 “Prorated Annual Incentive” means, in respect of the calendar year during which the Termination Date occurs, an amount equal to the product of the Formula Annual Incentive multiplied by a fraction, the numerator of which equals the number of days between January 1 of such calendar year and the Termination Date and the denominator of which equals 365.

1.39 “PSEG” means Public Service Enterprise Group Incorporated, a New Jersey corporation.

1.40 “PSEG Merger Agreement” means the Agreement and Plan of Merger dated as of December 20, 2004 between the Company and PSEG, including any amendments thereto.

1.41 “PSEG Merger Agreement Effective Date” means the “Effective Time of the Merger” as such term is defined in the PSEG Merger Agreement.

1.42 “Restricted Stock” means shares of Common Stock which are subject to time-lapsed vesting requirements.

1.43 “Retirement” means (a) a Termination of Employment initiated by Executive, other than a Termination for Good Reason or a Termination of Employment due to Disability or death, or (b) a Termination of Employment initiated by the Company, effective on or after March 16, 2010, other than for Cause or Disability.

1.44 “SEC Person” means any Person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than (a) the Company or an Affiliate, or (b) any employee benefit plan (or any related trust) or Company or any of its Affiliates.

1.45 “Section 409A Penalty” means any increase in tax or any other penalty pursuant to Section 409A of the Code.

1.46 “SERP Benefit” — see Section 6.2(a).

1.47 “Service Annuity System” means the Commonwealth Edison Company Service Annuity System, under the Exelon Corporation Retirement Program.

1.48 “Severance Period” means the period that commences on the Termination Date and ends the earlier of two years after the Termination Date or March 16, 2010; provided, however, that if the Executive’s Termination of Employment is a Special Termination, the Severance Period shall end the earlier of three years after the Termination Date or March 16, 2010.

1.49 “Significant Acquisition” means a Corporate Transaction (but not including any of the transactions contemplated by the PSEG Merger Agreement) affecting the headquarters for

the Company's corporate business operations that is consummated after the date hereof and prior to the Change Date, which Corporate Transaction is not a Change in Control, provided that as a result of such Corporate Transaction, all or substantially all of the individuals and entities who are the Beneficial Owners (as defined in Rule 13d-3 of the United States Securities and Exchange Commission under the Exchange Act), respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% but not more than 66-2/3% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be.

1.50 "Special Termination" means either a CIC Termination or a Termination for Good Reason pursuant to Section 1.22(b) (failure to appoint or elect).

1.51 "Supplemental Retirement Plan" means the Exelon Corporation Supplemental Management Retirement Plan.

1.52 "Taxes" means federal, state, local or other income, employment or other taxes.

1.53 "Termination Date" means the date as of which Executive's employment with the Company and all Affiliates thereof is terminated by the Company or by Executive for any reason.

1.54 "Termination for Good Reason" means a Termination of Employment initiated by Executive for Good Reason and taking effect prior to March 16, 2010.

1.55 "Termination of Employment" occurs on the first day on which Executive is for any reason no longer employed by the Company or any Affiliate thereof.

1.56 "Termination Without Cause" means any termination of Executive's employment initiated by the Company and all Affiliates thereof other than a Retirement, a Termination of Employment for Cause, or a Termination of Employment on account of Disability.

1.57 "Voting Securities" means, with respect to a corporation, the securities of such corporation entitled to vote generally in the election of the directors of such corporation.

## ARTICLE II. DUTIES

2.1 Duties. During the Contract Term, Executive shall be the Chief Executive Officer of the Company, Chairman of the Company Board and a member of the Company Board. It is contemplated that, in connection with each annual meeting of shareholders (or action by written consent in lieu thereof) of the Company during the Contract Term, the shareholders of the Company will elect Executive to the Company Board. During the Contract Term (excluding any

periods of vacation, sick leave or disability to which Executive is entitled), Executive (subject to Section 2.2) shall devote his full attention and time to the business and affairs of the Company and use his best efforts to perform his duties and responsibilities described herein. Notwithstanding anything contained in this Agreement to the contrary, as of the PSEG Merger Agreement Effective Date, Executive shall continue to serve as the President and sole Chief Executive Officer of the Company and E. James Ferland, the current CEO of PSEG, will be appointed as the Chairman of the Board of the Company, in each case as set forth in the Amended and Restated By-laws of the Company set forth as an Exhibit to the PSEG Merger Agreement, and Executive shall be reappointed to the office of Chairman of the Board of the Company as of the first to occur of (i) April 1, 2007 or (ii) the date that Mr. Ferland ceases to serve as Chairman of the Board of the Company

2.2 Other Activities. Executive may (a) serve on corporate, civic or charitable boards or committees, (b) fulfill speaking engagements or teach at educational institutions or (c) manage personal investments, in each case to the extent that such activities do not materially interfere with the performance of his duties under this Agreement.

### ARTICLE III. TERM OF AGREEMENT

3.1 Term. The term of this Agreement (the "Contract Term") began on the date hereof and shall continue in effect until the Termination Date.

### ARTICLE IV. COMPENSATION

4.1 Base Salary. The Company shall pay Executive in accordance with its normal payroll practices an annual salary (the "Base Salary") which shall be reviewed at least annually and may be adjusted at any time and from time to time as shall be determined by the Compensation Committee. Any increase in Base Salary shall not limit or reduce any other obligation to Executive under this Agreement.

4.2 Annual Incentive. During the Contract Term, Executive shall participate in the Exelon Corporation Annual Incentive Plan for Senior Executives, and any successor thereto, and shall be eligible to receive an annual incentive award ("Annual Incentive") in accordance with the terms and conditions thereof and on the same basis as other senior executives of the Company.

4.3 Long-Term Incentives. During the Contract Term, Executive shall participate in the Company's LTIP, and any successor thereto, including the Long Term Performance Share Award Program thereunder, in accordance with the terms and conditions thereof and on the same basis as other senior executives of the Company.

4.4 Deferred Stock and Additional Option.

(a) Deferred Stock. Executive has the right to receive on the Payment Date (as defined in Section 4.4(b)), shares of Common Stock ("Deferred Shares") equal to the sum of:

(i) 28,429.546 (the "Exelon 6/10/05 Deferred Shares"), plus

(ii) the aggregate number of shares of Common Stock that would be issued from time to time after June 10, 2005 if all dividends (other than dividends payable in Common Stock) payable in respect of the Exelon 6/10/05 Deferred Shares were reinvested in additional shares of Common Stock, based on the fair market value (as determined in accordance with the LTIP or any applicable successor plan) of Common Stock as of the applicable dividend payment date.

Such Deferred Shares shall be payable as provided in this Section 4.4; provided, however, that the aggregate number and kind of Deferred Shares shall from time to time be equitably adjusted to prevent any material dilution or enlargement of the aggregate value of the Deferred Shares that may otherwise occur by reason of a change in the number or kind of outstanding shares of Common Stock resulting from any recapitalization, reorganization, merger, consolidation, stock split, stock dividend or any similar change affecting such Common Stock (other than a dividend which is deemed to have been reinvested pursuant to clause (ii) of this Section 4.4(a)).

The number of Exelon 6/10/05 Deferred Shares represents the number of shares credited to the Executive immediately after payment of the June 10, 2005 dividend, based on an initial grant of 12,343.661 deferred shares of common stock of Unicom Corporation on March 31, 1999.

(b) Vesting and Payment. The Deferred Shares were 100% earned and vested prior to December 31, 2004. On or before the fifth business day following Executive's Termination Date (such day, the "Payment Date"), the Company shall deliver to Executive a number of shares of Common Stock equal to the number of Deferred Shares.

(c) Effect on SERP Benefit. Solely for purposes of determining the amount of Executive's SERP Benefit pursuant to Section 6.2, Executive's Annual Incentive with respect to each of 1998 and 1999 under the Prior Agreement shall be deemed to have been \$300,000 greater than the Annual Incentive actually paid to Executive in respect of such years.

#### ARTICLE V. OPTION GRANTS

5.1 Grants Prior to the date hereof. Pursuant to the terms of the Prior Agreement, Executive has been granted Options prior to the date hereof. Subject to the provisions of Article VII and Article VIII, such Options shall be exercisable according to their terms and the terms of the Unicom Corporation Long-Term Incentive Plan (for Options granted prior to October 20, 2000) or the LTIP (for Options granted on or after October 20, 2000) as applicable.

5.2 Future Grants. On and after the date hereof, during the Contract Term, the Compensation Committee shall in its discretion consider Executive for possible annual or other grants of Options under the LTIP on the same date or dates and on the same basis as other senior executives of the Company.

ARTICLE VI.  
OTHER BENEFITS

6.1 Savings and Other Plans. During the Contract Term, Executive shall be entitled to participate in all savings, deferred compensation and retirement plans which are or may hereafter become generally available to senior executives of the Company (subject to the eligibility requirements of such plans, except as such eligibility requirements are modified by the provisions of Article IV and this Article VI).

6.2 SERP Benefits.

(a) Upon Executive's Termination of Employment for any reason Executive (or, in the event of his Termination of Employment is caused by his death, his surviving spouse) shall thereafter receive a retirement benefit (the "SERP Benefit") determined pursuant to Section 6.2(b), subject to Section 6.2(c), Section 6.2(d), and Section 7.6.

(b) The SERP Benefit to be provided to Executive during any year shall equal an amount which, when added to all other retirement benefits provided to Executive by the Company and its Affiliates during such year (including payments under the Service Annuity System, the Supplemental Retirement Plan, any Social Security supplement paid by the Company or any of its affiliates until Executive attains age 65, any retirement benefit paid pursuant to Section 8.4, and any other similar sources) results in an aggregate annual retirement benefit equal to the annual retirement benefit that would have been payable under the Service Annuity System (including under the Supplemental Retirement Plan) as in effect on March 10, 1998, calculated as though Executive had:

- (i) retired at age 60 (or, if greater, his attained age upon his Termination of Employment), and
- (ii) accrued 20 years of service on March 16, 1998 and one additional year of service on each annual anniversary of March 16, 1998 occurring on or before the Termination Date;

provided, however, that in no event shall any SERP Benefit be payable during the Severance Period if either Section 7.3 or 8.3 is applicable.

(c) Certain Forfeiture Events. In the event Executive's Termination of Employment is by the Company for Cause occurring on or prior to March 16, 2006 or for which the Executive received a Notice of Consideration (as defined in Section 7.1(b)(i)) prior to March 16, 2006, his entire SERP Benefit shall be forfeited. In the event Executive's Termination of Employment is by the Company for Cause occurring after March 16, 2006 or for which Executive received the Notice of Consideration on or after March 16, 2006, only the portion of the SERP Benefit accrued after March 16, 2006 shall be forfeited.

(d) In the event of Executive's death prior to payment of the SERP Benefit, his spouse will immediately become entitled to a surviving spouse benefit, the value and form of which shall be determined in the same manner (but taking into account the additional service credited under this Agreement) as the surviving spouse benefit under the Service Annuity System.

6.3 Welfare Benefits. During the Contract Term, Executive (and his family) shall be eligible to participate in and shall receive benefits under all welfare benefit plans and Practices provided by the Company (including medical, prescription, dental, vision care, disability, salary continuance, employee life, group life, dependent life, accidental death and travel accident insurance plans and programs) generally available to senior executives of the Company; provided, however, that the Company shall provide at no cost to Executive an amount of term life insurance coverage that, when added to the coverage available at no cost to Executive under the Company's group or employee life plans or programs, equals three times his Base Salary.

6.4 Employee Benefits. During the Contract Term, Executive shall be entitled to employee benefits generally available to other senior executives of the Company, including financial planning and tax planning services.

6.5 Time Off. During each year of the Contract Term, Executive shall be entitled to 30 "paid time off" days in accordance with the vacation and sick-pay policy applicable to senior executives of the Company.

6.6 Expenses. During the Contract Term, Executive shall be entitled to receive prompt reimbursement for all of his reasonable employment-related expenses upon the Company's receipt of accounting in accordance with Practices applicable to senior executives of the Company.

6.7 Office; Support Staff. During the Contract Term, Executive shall be entitled to an office of a size and with furnishings and other appointments, and to personal secretarial and other assistance, as is appropriate to the positions held by Executive.

#### ARTICLE VII. TERMINATION BENEFITS

##### 7.1 Termination for Cause.

(a) If Executive's employment is terminated by the Company for Cause, then:

- (i) the Company shall within 10 days after the Termination Date pay Executive his Accrued Base Salary and Accrued Annual Incentive;
- (ii) all of Executive's Options (whether or not then exercisable) shall expire on the Termination Date;
- (iii) any Restricted Stock granted to Executive that has not vested on the date of the Notice of Consideration (as defined below) shall be forfeited as of the Termination Date;
- (iv) any Performance Shares granted to Executive that have not vested on the date of the Notice of Consideration shall be forfeited as of the Termination Date; and
- (v) Executive's SERP Benefit shall be treated as described in Section 6.2(c).

(b) The Company may not terminate Executive's employment for Cause unless:

(i) no fewer than 30 days prior to the Termination Date, the Company provides Executive with written notice of its intent to consider a termination of employment for Cause that states the proposed Termination Date and includes a detailed description of the specific reasons which form the basis for such consideration (the "Notice of Consideration");

(ii) during a period of not fewer than 15 days after the date Notice of Consideration is provided, Executive shall have the opportunity to appear before the Company Board, with legal representation if he so elects, to present arguments on his own behalf; and

(iii) following the presentation to the Company Board as provided in clause (ii) above, Executive shall be terminated for Cause only if (x) not less than 60% of the members of the Company Board (other than Executive if Executive is a member of the Company Board, or any other member of the Company Board alleged to be involved in the events that form the basis of the proposed termination for Cause) determines that the actions of Executive constituted Cause and that his employment should accordingly be terminated for Cause; and (y) the Company Board provides Executive with a written determination setting forth the basis of such termination of employment which shall be consistent with the reasons set forth in the Notice of Consideration.

(c) After providing Notice of Consideration to Executive, the Company Board may suspend Executive with pay pending a final determination pursuant to this Section.

7.2 Termination for Death or Disability. If Executive's employment terminates due to death or Disability:

(a) the Company shall pay to Executive, his Beneficiaries or his estate, as the case may be, immediately after the Termination Date an amount which is equal to the sum of his Accrued Base Salary, Accrued Annual Incentive and Prorated Annual Incentive;

(b) each of Executive's Options (including any Options not then exercisable) shall be fully exercisable and shall remain exercisable until the applicable Option Expiration Date;

(c) any Restricted Stock granted to Executive that has not yet vested on the Termination Date shall immediately upon the Termination Date become vested and no longer subject to restrictions;

(d) any Performance Shares granted to Executive that have not yet vested on the Termination Date shall immediately on the Termination Date become vested and no longer subject to restrictions, provided that the Performance Share award (if any) granted to Executive for the year in which the Termination Date occurs shall immediately become vested as if the target award for such year were met; and

(e) Executive's SERP Benefit shall be treated as described in Section 6.2.



7.3 Termination Without Cause or for Good Reason. Except as otherwise provided in Section 8.3, and subject to Section 7.8, in the event of a Termination Without Cause or a Termination for Good Reason:

(a) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive;

(b) Executive shall receive for the duration of the Severance Period,

(i) periodic payments in accordance with the Company's normal payroll practices at a monthly rate equal to 1/12 of the sum of Executive's Base Salary then in effect plus the Formula Annual Incentive, to be paid commencing on the second pay date that occurs after the Termination Date ("Commencement Date");

(ii) a continuation of the benefits described in Section 6.3 to which Executive and his family are entitled as of the Termination Date (or, if such benefits are not available, the economic equivalent thereof).

(c) each of Executive's Options that is exercisable on the Termination Date shall remain exercisable until the applicable Option Expiration Date;

(d) each of Executive's Options that has not yet become exercisable as of the Termination Date shall become exercisable during the Severance Period at such times and in such amounts (if any) as if Executive had remained employed by the Company throughout the Severance Period and, after becoming so exercisable, shall remain exercisable until the applicable Option Expiration Date;

(e) any of Executive's Options that remain unexercisable at the end of the Severance Period shall be forfeited;

(f) any Restricted Stock granted to Executive that is not yet vested on the Termination Date shall immediately upon the Termination Date become vested and no longer be subject to restrictions;

(g) any Performance Shares granted to Executive that are not yet vested on the Termination Date shall become vested and no longer subject to restrictions as follows: (x) the Performance Share award (if any) granted to Executive for the year in which the Termination Date occurs shall immediately become vested as if the target award for such year were met, and (y) the remaining outstanding Performance Shares shall immediately become vested; and

(h) Executive's SERP Benefit shall be treated as described in Section 6.2.

7.4 Termination Upon Retirement. If Executive's employment terminates due to Retirement:

(a) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive;

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(b) if the Termination Date is on or after March 16, 2006,

(i) each of Executive's Options that is exercisable as of or upon the Termination Date shall remain exercisable until the applicable Option Expiration Date;

(ii) each of Executive's Options that is not exercisable as of or upon the Termination Date shall become exercisable after Executive's Retirement at such times and in such amounts as if Executive had remained employed by the Company following his Retirement and, after becoming so exercisable, shall remain exercisable until the applicable Option Expiration Date;

(iii) any Restricted Stock granted to Executive that is not yet vested on the Termination Date shall immediately upon the Termination Date become vested and no longer be subject to restrictions; provided that with respect to Restricted Stock granted after the date of this Agreement, individual vesting conditions relating to retirement contained in the related grant agreement (or any amendment thereto) shall prevail.

(iv) any Performance Shares granted to Executive that are not yet vested on the Termination Date shall become vested and no longer subject to restrictions as follows: (x) the Performance Share award (if any) granted to Executive for the year in which the Termination Date occurs shall immediately become vested as if the target award for such year were met, and (y) the remaining outstanding Performance Shares shall immediately become vested; and

(c) if the Termination Date is prior to March 16, 2006,

(i) each of Executive's Options that is exercisable as of or upon the Termination Date shall remain exercisable until the later to occur of (i) the end of the period that is applicable under such circumstances pursuant to the form of grant agreement in general use for grants to senior executives at the time such Option was granted or (ii) 90 days after the Termination Date, but in no event after the applicable Option Expiration Date (such later date the "Extended Exercise Period");

(ii) each of Executive's Options that is not exercisable as of or upon the Termination Date shall continue to become exercisable during the Extended Exercise Period at such times and in such amounts as if Executive had remained employed by the Company following his Termination Date, and to the extent not exercisable (and exercised) at the end of the Extended Exercise Period, such Options shall expire;

(iii) any Restricted Stock granted to Executive that has not vested on the Termination Date shall be forfeited as of the Termination Date; and

(iv) any Performance Shares granted to Executive that have not vested on the Termination Date shall be forfeited as of the Termination Date; and

(d) Executive's SERP Benefit shall be treated as described in Section 6.2.

7.5 Post-Retirement Health Care Coverage. In the event of any Termination of Employment on account of death, Disability or Retirement, any Termination for Good Reason or Termination Without Cause, Executive and his spouse shall each be entitled to Post-Retirement Health Care Coverage for the remainder of their respective lives. Such coverage shall not duplicate any benefits that may then be available to Executive and his spouse under Section 6.3 and shall be secondary to any coverage provided by any other employer or Medicare.

7.6 Breach of Covenants; Exculpation. In the event of (a) a willful and material breach by Executive of any of the covenants contained in Article IX, or (b) a failure by Executive to cure (to the fullest extent curable) a non-willful breach of any of such covenants within 10 days after his receipt of a written notice thereof from the Company, the Company shall be entitled, after obtaining a final judicial determination (or, if the Company reasonably determines, based upon the advice of counsel, that it is more likely than not that each of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois will decline to adjudicate the issue, a final decree in an arbitration proceeding conducted in accordance with the rules of the American Arbitration Association, with such arbitration proceeding to be conducted in Chicago, Illinois before a panel of three arbitrators) to the effect that such action by the Company is appropriate and consistent with the requirements and procedures set forth in this Agreement, to take any or all of the following actions:

- (i) discontinue the SERP Benefit and any or all payments and benefits provided to Executive pursuant to Article VII and any other provision of this Agreement,
- (ii) terminate any Options then held by Executive, whether or not then exercisable, and
- (iii) require Executive to:
  - (w) repay to the Company all amounts previously received by Executive pursuant to any provision of Article VII on or after the first date on which the Executive breached any of the covenants contained in Article IX (the "Breach Date"),
  - (x) repay to the Company all amounts previously received by Executive pursuant to the SERP Benefit at any time on or after the Termination Date,
  - (y) pay to the Company an amount equal to the aggregate "spread" on all Options exercised on or after the Breach Date, and
  - (z) repay to the Company any other amount that it paid to Executive on or after the Breach Date which Executive would not have been entitled to receive if the Company had terminated the employment of Executive for Cause as of the Breach Date;

provided, however, that (I) no benefits shall be discontinued or terminated nor shall Executive have any monetary liability to the Company for any breach of the covenants contained in Article IX for any act or failure to act, including without limitation simple negligence or an error in judgment, if such act or failure to act was done in good faith, with a reasonable belief that the act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulations, and was not done primarily to benefit Executive and (II) no action may be brought under this Section 7.6 more than three years after the Termination Date. For purposes of clause (iii) (y) of the preceding sentence, “spread” in respect of any Option shall mean the product of the number of shares as to which such Option has been exercised on or after the Breach Date multiplied by the difference between the closing price of the Common Stock on the exercise date (or if the Common Stock did not trade on the New York Stock Exchange on the exercise date, the most recent date on which the Common Stock did so trade) and the exercise price of the Option.

7.7 Post-Termination Office and Secretarial Services, Consulting Services. Executive agrees to provide transition services and to provide advice and counsel to his successor (collectively, “Transition Services”) for a period of six months (“Transition Period”) following Executive’s Termination of Employment for any reason other than Cause, death or disability. The Transition Services shall be provided at the request of the Company at times and places mutually convenient to the Company and Executive. No more than 10 hours of Transition Services per week shall be requested of (or provided by) Executive.

For the period following the conclusion of the Transition Period and ending on the third anniversary of the Termination Date (“Post-Transition Period”), Executive agrees to provide consulting services to the Company and to attend a reasonable number of civic, charitable and corporate events as a representative of the Company, at times and places mutually agreed by the Executive and the Company, and to serve on civic and charitable boards as mutually agreed by the Company and Executive in his capacity as former Chief Executive Officer and Chairman of the Board of the Company. During the Transition Period and the Post-Transition Period, the Company shall provide Executive an office and a personal secretary reasonably acceptable to Executive, with such office to be of a size and with furnishings and other appointments as are suitable for a retired former Chief Executive Officer of a major public company and to be located in a Class A office building in downtown Chicago or at such other location as is acceptable to Executive. The provision of such office and personal secretary shall be without charge to Executive, provided that Executive shall be responsible for taxes, if any, attributable to the provision of such office and personal secretary.

7.8 The Company shall have no obligation to Executive under Section 7.3 or Section 8.3 unless Executive executes and returns to the Company within forty-five days after the Termination Date a waiver and release agreement in the form attached hereto as Exhibit A.

7.9 Other Employment; Other Plans. Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any provision of this Agreement. The amounts payable hereunder shall not be reduced by any payments received by Executive from any other employer; provided, however, that any continued welfare benefits provided for by Section 6.3 shall not duplicate any benefits that are provided to Executive and his family by such other employer and shall be secondary to any coverage provided by such other employer. The provisions of this Article VII or Article VIII

will not limit the entitlement of Executive to any other benefits available to Executive under any benefit plan or Practice that is maintained by the Company, Unicom Corporation or any Company Affiliate in which Executive participates.

7.10 Other Post-Termination Benefits. For the period commencing with Executive's Termination of Employment for any reason other than for Cause and ending on the first to occur of (i) the third anniversary of the Termination Date or (ii) twelve months following Executive's death, the Company shall provide Executive tax, financial and estate planning services as reasonably requested by Executive.

ARTICLE VIII.  
EFFECTS OF CERTAIN CONTROL CHANGES AND SPECIAL TERMINATIONS

8.1 Effect on Certain Defined Terms.

(a) For purposes of a Special Termination, the term "Formula Annual Incentive" shall mean the greater of (i) that amount determined pursuant to Section 1.21 or (ii) Executive's target Annual Incentive determined as of the Termination Date.

(b) For purposes of a CIC Termination, the term "Good Reason," in addition to the meaning specified in Section 1.22 and subject to the proviso at the end of Section 1.22 shall also mean:

- (i) a determination by Executive, made in good faith at any time during the Post-Change Period, Post-Significant Acquisition Period or Imminent Control Change Period, as applicable, that, as a result of a Change in Control, Significant Acquisition, or Imminent Control Change he is substantially unable to perform, or that there has been a material reduction in, any of his duties, functions, responsibilities or authority;
- (ii) the failure for any reason of any successor to the Company to assume this Agreement in writing as required by Section 8.2;
- (iii) a relocation of the principal offices of the Company at any time during the Post-Change Period, Post-Significant Acquisition Period, or Imminent Control Change Period more than 50 miles from the location of such offices immediately before the Change Date, the date on which the Post-Significant Acquisition Period begins or the date of the Imminent Control Change; or
- (iv) during any 12-month period commencing on the Change Date, the date of the Significant Acquisition, or date of the Imminent Control Change, as applicable, an increase of at least 20% in the amount of time that Executive is required to devote to business-related travel outside of the metropolitan Chicago, Illinois area relative to the amount of time that Executive devoted to such business travel during the 12-month period immediately prior to the Change Date, the date of the Significant Acquisition, or date of the Imminent Control Change,

as applicable, but only to the extent that such increase is attributable to requirements imposed upon Executive by the Company.

8.2 Successor(s). Before the consummation of any Change in Control, the Company shall obtain from each Person that becomes a successor of the Company by reason of the Change in Control the unconditional written agreement of such Person to assume this Agreement and to perform all of the obligations of the Company hereunder.

8.3 Special Terminations.

(a) In the event of a Special Termination, and subject to Section 7.8, the provisions of Section 7.3 shall be inapplicable and, in lieu thereof:

- (i) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Formula Annual Incentive;
- (ii) Executive shall receive a lump sum equal to the lesser of three (3.0) or the number of years (including fractions thereof) in the Severance Period, times the sum of (x) his Base Salary in effect under this Agreement or, where applicable, the Prior Agreement during the calendar year preceding the Termination Date and (y) his Formula Annual Incentive determined as of the Termination Date;
- (iii) Executive and his family shall receive for the duration of the Severance Period, a continuation of the benefits described in Section 6.3 to which Executive and his family are entitled as of the Termination Date (or, if such benefits are not available, the economic equivalent thereof) and, upon the expiration of the Severance Period, Executive and his spouse shall be entitled to Post-Retirement Health Care Coverage in accordance with the provisions of Section 7.5;
- (iv) Company shall, at its expense, engage a professional outplacement organization which shall provide individual outplacement services to Executive for a period of up to twelve months;
- (v) each of Executive's Options that is exercisable as of or upon the Termination Date shall remain exercisable until the applicable Option Expiration Date;
- (vi) each of Executive's Options that is not fully exercisable as of or upon the Termination Date shall immediately become fully exercisable and shall thereafter remain exercisable until the applicable Option Expiration Date;
- (vii) all forfeiture conditions which as of the Termination Date are applicable to any deferred stock unit, restricted stock or restricted share units awarded to Executive by the Company pursuant to the LTIP, a successor plan, or otherwise at any time during the Contract Term or by Unicom Corporation pursuant to the Unicom Corporation Long-Term Incentive Plan or otherwise at

any time during the contract term under the Prior Agreement, shall lapse immediately;

(viii) any Performance Shares granted to Executive that are not yet vested on the Termination Date shall become vested and no longer subject to restrictions as follows: (x) the Performance Share award (if any) granted to Executive for the year in which the Termination Date occurs shall immediately become vested as if the target award for such year were met, and (y) the remaining outstanding Performance Shares shall immediately become vested; and

(ix) If all or any portion of any of Executive's awards (other than Performance Shares) under any other bonus or incentive arrangement under the LTIP or the Unicom Corporation Long-Term Incentive Plan shall for any reason be unvested as of the Termination Date, the Company shall pay Executive a benefit equal to the increase in the benefit that Executive would have received if the unvested portion of such benefit had become fully vested as of the Termination Date.

(b) Subject to the balance of this paragraph, amounts and benefits to be paid or provided under Section 8.3(a) shall be paid or provided (or, if applicable, commence to be provided) promptly after the Termination Date, except that, in the event of an Imminent Control Change Termination, the Formula Annual Incentive, and amounts and benefits to be paid or provided under Section 8.3(a) (ii) and (iii) shall be paid or provided (or, if applicable, commence to be provided) promptly after the Change Date. In the event of a Termination Without Cause or a Termination for Good Reason (in either event other than a Special Termination) for which the Termination Date occurs during the Imminent Control Change Period (whether or not the Imminent Control Change Period culminates in a Change Date) ("Pre-Change Termination"), then, prior to the Change Date, Executive's Options, deferred stock units, restricted stock, restricted share units or performance share awards ("Equity Awards") will not expire or be forfeited (unless any such Options would have expired had Executive remained an employee of the Company), will not continue to vest, and will continue to be exercisable only to the extent provided in the applicable grant agreement or plan. If the Imminent Control Change Period lapses without a Change Date, Executive's Equity Awards and any unvested performance share awards will thereupon expire or be forfeited unless (i) and to the extent that any applicable grant agreement or plan provides otherwise, in which case such agreement or plan shall control, or (ii) such Options were vested on the Termination Date, in which case such Options may be exercised during the 30-day period following the lapse of the Imminent Control Change Period; provided that in no case shall any such Options remain exercisable after the date on which such Options would have expired had Executive remained in the employment of the Company.

(c) Notwithstanding the foregoing, in the event of a Pre-Change Termination, (i) the definition of "Good Reason" in Section 8.1(b) shall apply, (ii) Company shall provide, during the Imminent Control Change Period, the benefits described in Section 6.3 to which Executive and his family are entitled as of the Termination Date (or, if such benefits are not available, the economic equivalent thereof), and if the Imminent Control Change Period lapses without a Change Date such coverage shall thereupon cease, subject to any applicable continued coverage rights; (iii) Company shall, at its expense, engage a professional outplacement organization which shall provide individual outplacement services to Executive for a period of up to twelve

months commencing on the Termination Date; and (iv) the Company's obligations to Executive upon the Change Date under this Section 8.3 shall be reduced by any amounts or benefits paid, payable or provided pursuant to this Agreement or otherwise on account of Executive's Termination of Employment.

8.4 Enhanced Retirement Benefit in the Event of a Special Termination.

(a) In the event of a Special Termination, the aggregate amount of Executive's annual retirement benefit pursuant to Section 6.2(a) shall be computed on the basis of the assumptions set forth in such Section 6.2(b), together with the additional assumptions (to the extent applicable) that Executive had

(x) attained as of the Termination Date an age that exceeds the age determined pursuant to clause (i) of Section 6.2(b) by the lesser of three (3.0) years or the number of years (including fractions thereof) in the Severance Period,

(y) accrued a number of years of service that exceeds the number of years of service determined pursuant to clause (ii) of Section 6.2(b) by the lesser of three (3.0) years or the number of years (including fractions thereof) in the Severance Period, and

(z) received the lump-sum severance benefit specified in Section 8.3(b) in equal monthly installments during the Severance Period.

(b) For purposes of applying the adjustments necessary to give effect to the form in which Executive will receive his SERP Benefit pursuant to Section 6.2, the term "Service Annuity System" shall refer to Service Annuity System as in effect on the last date preceding the Post-Change Period, if any, if the amount of the SERP Benefit (in the form in which Executive elects to receive it) would otherwise be reduced by application of the adjustments provided for under the Service Annuity System as in effect as of the Termination Date.

8.5 Gross-Up for Certain Taxes.

(a) If it is determined by the Company's independent auditors that any monetary or other benefit received or deemed received by Executive from the Company or any Affiliate thereof pursuant to this Agreement or otherwise, whether or not in connection with a Change in Control (such monetary or other benefits collectively, the "Potential Parachute Payments"), is or will become subject to any excise tax under Section 4999 of the Code or any similar tax under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then the Company shall, subject to Sections 8.10 and 8.11, within five business days after such determination, pay Executive an amount (the "Gross-Up Payment") equal to the product of:

(i) the amount of such Excise Taxes multiplied by

(ii) the Gross-Up Multiple (as defined in Section 8.8).

The Gross-Up Payment is intended to compensate Executive for all Excise Taxes payable by Executive with respect to Potential Parachute Payments and all Taxes or Excise Taxes payable



by Executive with respect to the Gross-Up Payment. The tax (and interest) imposed under Section 409A of the Code shall not be “any similar tax” for purposes of this Agreement.

(b) The determination of the Company’s independent auditors described in Section 8.5(a), including the detailed calculations of the amounts of the Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto, shall be set forth in a written certificate of such auditors (the “Company Certificate”) delivered to Executive. Executive or the Company may at any time request the preparation and delivery to Executive of a Company Certificate. The Company shall cause the Company Certificate to be delivered to Executive as soon as reasonably possible after such request.

#### 8.6 Determination by Executive.

(a) If (i) the Company shall fail to deliver a Company Certificate to Executive within 30 days after its receipt of his written request therefor, or (ii) at any time after Executive’s receipt of a Company Certificate, Executive disputes either (x) the amount of the Gross-Up Payment set forth therein or (y) the determination set forth therein to the effect that no Gross-Up Payment is due (whether by reason of Section 8.11 or otherwise), then Executive may elect to require the Company to pay a Gross-Up Payment in the amount determined by Executive as set forth in an Executive Counsel Opinion (as defined in Section 8.9). Any such demand by Executive shall be made by delivery to the Company of a written notice which specifies the Gross-Up Payment determined by Executive (together with the detailed calculations of the amounts of Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto) and an Executive Counsel Opinion regarding such Gross-Up Payment (such written notice and opinion collectively, the “Executive’s Determination”). Within 30 days after delivery of an Executive’s Determination to the Company, the Company shall either (i) pay Executive the Gross-Up Payment set forth in the Executive’s Determination (less the portion thereof, if any, previously paid to Executive by the Company) or (ii) deliver to Executive a Company Certificate and a Company Counsel Opinion (as defined in Section 8.9), and pay Executive the Gross-Up Payment specified in such Company Certificate. If for any reason the Company fails to comply with the preceding sentence, the Gross-Up Payment specified in the Executive’s Determination shall be controlling for all purposes.

(b) If Executive does not request a Company Certificate, and the Company does not deliver a Company Certificate to Executive, then (i) the Company shall, for purposes of Section 8.11, be deemed to have determined that no Gross-Up Payment is due and (ii) Executive shall not pay any Excise Taxes in respect of Potential Parachute Payments except in accordance with Sections 8.10(a) or (d).

8.7 Additional Gross-Up Amounts. If for any reason (whether pursuant to subsequently enacted provisions of the Code, final regulations or published rulings of the IRS, a final judgment of a court of competent jurisdiction, a determination of the Company’s independent auditors set forth in a Company Certificate or, subject to the last two sentences of Section 8.6(a), an Executive’s Determination) it is later determined that the amount of Excise Taxes payable by Executive is greater than the amount determined by the Company or Executive pursuant to Section 8.5 or 8.6, as applicable, then the Company shall, subject to Sections 8.10 and 8.11, pay Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the product of:

(a) the sum of (1) such additional Excise Taxes and (2) any interest, penalties, expenses or other costs incurred by Executive as a result of having taken a position in accordance with a determination made pursuant to Section 8.5 or 8.6, as applicable, multiplied by

(b) the Gross-Up Multiple.

8.8 Gross-Up Multiple. The Gross-Up Multiple shall equal a fraction, the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the lesser of (i) the sum, expressed as a decimal fraction, of the effective after-tax marginal rates of all Taxes and any Excise Taxes applicable to the Gross-Up Payment or (ii) 0.80, it being intended that the Gross-Up Multiple shall in no event exceed five (5.0). (If different rates of tax are applicable to various portions of a Gross-Up Payment, the weighted average of such rates shall be used.)

8.9 Opinion of Counsel. “Executive Counsel Opinion” means an opinion of nationally-recognized executive compensation counsel to the effect (i) that the amount of the Gross-Up Payment determined by Executive pursuant to Section 8.6 is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) if the Company has previously delivered a Company Certificate to Executive, that there is no reasonable basis or no substantial authority for the calculation of the Gross-Up Payment set forth in the Company Certificate. “Company Counsel Opinion” means an opinion of nationally-recognized executive compensation counsel to the effect that (i) the amount of the Gross-Up Payment set forth in the Company Certificate is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) for purposes of Section 6662 of the Code, Executive has substantial authority to report on his federal income tax return the amount of Excise Taxes set forth in the Company Certificate.

8.10 Amount Increased or Contested.

(a) Executive shall notify the Company in writing (an “Executive’s Notice”) of any claim by the IRS or other taxing authority (an “IRS Claim”) that, if successful, would require the payment by Executive of Excise Taxes in respect of Potential Parachute Payments in an amount in excess of the amount of such Excise Taxes determined in accordance with Section 8.5 or 8.6, as applicable. Such Executive’s Notice shall include the nature and amount of such IRS Claim, the date on which such IRS Claim is due to be paid (the “IRS Claim Deadline”), and a copy of all notices and other documents or correspondence received by Executive in respect of such IRS Claim. Executive shall give his Executive’s Notice as soon as practicable, but no later than the earlier of (i) 10 business days after Executive first obtains actual knowledge of such IRS Claim or (ii) five business days before the IRS Claim Deadline; provided, however, that Executive’s failure to give such notice shall affect the Company’s obligations under this Article only to the extent that the Company is actually prejudiced by such failure. If at least one business day before the IRS Claim Deadline the Company shall:

(1) deliver to Executive a Company Certificate to the effect that the IRS Claim has been reviewed by the Company’s independent auditors and, notwithstanding the IRS Claim, the amount of Excise Taxes, interest and penalties payable by Executive is either zero or an amount less than the amount specified in the IRS Claim,

(2) pay to Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the positive difference between (x) the product of the amount of Excise Taxes, interest and penalties specified in the Company Certificate, if any, multiplied by the Gross-Up Multiple, and (y) the portion of such product, if any, previously paid to Executive by the Company, and

(3) direct Executive pursuant to Section 8.10(d) to contest the balance of the IRS Claim,

then Executive shall pay only the amount, if any, of Excise Taxes, interest and penalties specified in the Company Certificate. In no event shall Executive pay an IRS Claim earlier than 30 days after having given an Executive's Notice to the Company (or, if sooner, the IRS Claim Deadline).

(b) At any time after the payment by Executive of any amount of Excise Taxes or related interest or penalties in respect of Potential Parachute Payments (whether or not such amount was based upon a Company Certificate, an Executive's Determination or an IRS Claim), the Company may in its discretion require Executive to pursue a claim for a refund (a "Refund Claim") of all or any portion of such Excise Taxes, interest or penalties as the Company may specify by written notice to Executive.

(c) If the Company notifies Executive in writing that the Company desires Executive to contest an IRS Claim or to pursue a Refund Claim, Executive shall:

(i) give the Company all information that it reasonably requests in writing from time to time relating to such IRS Claim or Refund Claim, as applicable,

(ii) take such action in connection with such IRS Claim or Refund Claim (as applicable) as the Company reasonably requests in writing from time to time, including accepting legal representation with respect thereto by an attorney selected by the Company, subject to the approval of Executive (which approval shall not be unreasonably withheld or delayed),

(iii) cooperate with the Company in good faith to contest such IRS claim or pursue such Refund Claim, as applicable,

(iv) permit the Company to participate in any proceedings relating to such IRS Claim or Refund Claim, as applicable, and

(v) contest such IRS Claim or prosecute such Refund Claim (as applicable) to a determination before any administrative tribunal, in court of initial jurisdiction and in one or more appellate courts, as the Company may from time to time determine in its discretion.

The Company shall control all proceedings in connection with such IRS Claim or Refund Claim (as applicable) and in its discretion may cause Executive to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the IRS or other taxing authority in respect of such IRS Claim or Refund Claim (as applicable);

provided that (i) any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive relating to the IRS Claim is limited solely to such IRS Claim, (ii) the Company's control of the IRS Claim or Refund Claim (as applicable) shall be limited to issues with respect to which a Gross-Up Payment would be payable, and (iii) Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(d) The Company may at any time in its discretion direct Executive to (i) contest the IRS Claim in any lawful manner or (ii) pay the amount specified in an IRS Claim and pursue a Refund Claim; provided, however, that if the Company directs Executive to pay an IRS Claim and pursue a Refund Claim, the Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes, and any related interest or penalties imposed with respect to such advance.

(e) The Company shall pay directly all legal, accounting and other costs and expenses (including additional interest and penalties) incurred by the Company or Executive in connection with any IRS Claim or Refund Claim, as applicable, and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes and related interest and penalties imposed on Executive as a result of such payment of costs and expenses.

8.11 Limitation on Gross-Up Payments.

(a) Notwithstanding any other provision of this Article VIII, if the aggregate After-Tax Amount (as defined below) of the Potential Parachute Payments and Gross-Up Payment that, but for this Section 8.11, would be payable to Executive, does not exceed 110% of the After-Tax Floor Amount (as defined below), then no Gross-Up Payment shall be made to Executive and the aggregate amount of Potential Parachute Payments payable to Executive shall be reduced (but not below the Floor Amount) to the largest amount which would both (i) not cause any Excise Taxes to be payable by Executive and (ii) not cause any Potential Parachute Payments to become nondeductible by the Company by reason of Section 280G of the Code (or any successor provision). For purposes of the preceding sentence, Executive shall be deemed to be subject to the highest effective after-tax marginal rate of Taxes.

(b) For purposes of this Section:

(i) "After-Tax Amount" means the portion of a specified amount that would remain after payment of all Taxes and Excise Taxes paid or payable by Executive in respect of such specified amount;

(ii) "Floor Amount" means the greatest pre-tax amount of Potential Parachute Payments that could be paid to Executive without causing him to become liable for any Excise Taxes in connection therewith; and

(iii) "After-Tax Floor Amount" means the After-Tax Amount of the Floor Amount.

8.12 Refunds. If, after the receipt by Executive of any payment or advance of Excise Taxes by the Company pursuant to this Article, Executive receives any refund with respect to

such Excise Taxes, Executive shall (subject to the Company's complying with any applicable requirements of Section 8.10) promptly pay the Company the amount of such refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 8.10, a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such determination within 30 days after the Company receives written notice of such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Any contest of a denial of refund shall be controlled by Section 8.10.

ARTICLE IX.  
RESTRICTIVE COVENANTS

9.1 Confidential Information.

(a) Executive acknowledges that it is the policy of the Company and its Affiliates to maintain as secret and confidential all Confidential Information, and that Confidential Information has been and will be developed at substantial cost and effort to the Company and its Affiliates. Executive acknowledges that he will have access to Confidential Information with respect to the Company and its Affiliates which information is a valuable and unique asset of the Company and its Affiliates and that disclosure of such Confidential Information would cause irreparable damage to the business and operations of the Company and its Affiliates.

(b) Executive acknowledges that the Confidential Information is, as between the Company and its Affiliates and Executive, the exclusive property of the Company and its Affiliates.

(c) Both during Executive's employment by the Company (whether during or after the Contract Term) and at any time after the Termination Date, Executive:

(i) shall not, directly or indirectly, divulge, furnish or make accessible to any Person any Confidential Information (except (x) to the extent Executive reasonably and in good faith believes that such actions are related to, and required by, Executive's performance of his duties under this Agreement, or (y) as may be compelled by applicable law or administrative regulation; provided that Executive, to the extent not prohibited from doing so by applicable law or administrative regulation, shall give the Company written notice of the information to be so disclosed pursuant to clause (y) of this sentence as far in advance of its disclosure as is practicable, shall cooperate with the Company in its efforts to protect the information from disclosure, and shall limit its disclosure of such information to the minimum disclosure required by law or administrative regulation unless the Company agrees in writing to a greater level of disclosure);

(ii) shall not use for his own benefit in any manner, any Confidential Information;

(iii) shall not cause any such Confidential Information to become publicly known; and

(iv) shall take all reasonable steps to safeguard such Confidential Information and to protect it against disclosure, misuse, loss and theft.

(d) For purposes of this Agreement, Confidential Information represents trade secrets subject to protection under the Uniform Trade Secrets Act, as adopted by the State of Illinois, or to any comparable protection afforded by applicable laws.

9.2 Non-Competition.

(a) During the period beginning on March 10, 1998 and ending two years after the Termination Date, Executive shall not, directly or indirectly, in any capacity, engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business (as defined in Section 9.2(c)).

(b) During the period beginning on March 10, 1998 and ending two years after the Termination Date, Executive shall not at any time make any financial investment, whether in the form of equity or debt, or own any interest, directly or indirectly, in any Competitive Business. Nothing in this subsection shall, however, restrict Executive from making an investment in any Competitive Business if such investment does not (i) represent more than 1% of market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions of any Competitive Business, and (iii) create a conflict of interest between Executive's duties under this Agreement and his interest in such investment. In addition, nothing in this subsection shall restrict Executive's ability to retain any interest (including any interest in common stock held on March 10, 1998 or subsequently acquired upon exercise of options or similar rights held on March 10, 1998 or upon the conversion of convertible securities held on March 10, 1998) in New England Electric System or any of its successors received by Executive as a result of his former employment relationship with such entity.

(c) "Competitive Business" means as of any date (including during the two-year period commencing on the Termination Date) any Person (and any branch, office or operation thereof) which engages in, or proposes to engage in (i) the production, transmission, distribution, marketing or sale of electricity or (ii) any other business engaged in by the Company or its Affiliates prior to the Termination Date which represents for any calendar year during the Contract Term, or is projected by the Company (as reflected in a business plan adopted by the Company or any Affiliate thereof before the Termination Date) to yield during any year during the first three-fiscal year period commencing on or after the Termination Date, more than 5% of the gross revenue of the Company, and which is located (i) anywhere in the United States, or (ii) anywhere outside of the United States where the Company or any Affiliate thereof is then engaged in, or proposes to engage in, any of such activities.

9.3 Non-Solicitation. During the period beginning on the date hereof and ending two years after the Termination Date, Executive shall not, directly or indirectly:

(a) other than in connection with the performance of his duties as an officer of the Company, encourage any Key Employee to terminate his or her employment;

(b) employ, engage as a consultant or adviser, or solicit the employment or engagement as a consultant or adviser of, any Key Employee (other than by the Company or its Affiliates), or cause any Person to do any of the foregoing;

(c) establish a business with, or encourage others to establish a business with, any Key Employee; or

(d) interfere with the relationship of the Company or any of its Affiliates with, or endeavor to entice away from, the Company or any of its Affiliates any Person who or which at any time during the period commencing one year prior to March 16, 1998 was a material customer or material supplier of, or maintained a material business relationship with, the Company or any of its Affiliates.

9.4 Reasonableness of Restrictive Covenants.

(a) Executive acknowledges that the covenants contained in Sections 9.1, 9.2 and 9.3 are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect the Company's legitimate interests in its Confidential Information and in its relationships with employees, customers and suppliers. Executive further acknowledges such covenants are essential elements of this Agreement and that, but for such covenants, the Company would not have entered into this Agreement.

(b) The Company and Executive have each consulted with their respective legal counsel and have been advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained in Sections 9.1, 9.2 and 9.3 will not deprive him of the ability to earn a livelihood or to support his dependents.

9.5 Right to Injunction; Survival of Undertakings.

(a) In recognition of the confidential nature of the Confidential Information, and in recognition of the necessity of the limited restrictions imposed by Sections 9.1, 9.2 and 9.3, the parties agree that it would be impossible to measure solely in money the damages which the Company would suffer if Executive were to breach any of his obligations under such Sections. Executive acknowledges that any breach of any provision of such Sections would irreparably injure the Company. Accordingly, Executive agrees that if he breaches any of the provisions of such Sections, the Company shall be entitled, in addition to any other remedies to which the Company may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of such provisions, and Executive hereby waives any right to assert any claim or defense that the Company has an adequate remedy at law for any such breach.

(b) If a court determines that any of the covenants included in this Article IX is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to reduce the duration or scope of such provision, as the case may be, so as to cause such covenant to be thereafter enforceable.

(c) All of the provisions of this Article IX shall survive any Termination of Employment without regard to (i) the reasons for such termination or (ii) the expiration of the Contract Term.

9.6 Non-Disparagement. During the two-year period commencing on the Termination Date, Executive shall not (a) make any written or oral statement that brings the Company or any of its Affiliates or the employees, officers or agents of the Company or any of its Affiliates into disrepute, or tarnishes any of their images or reputations or (b) publish, comment upon or disseminate any statements suggesting or accusing the Company or any of its Affiliates or any agents, employees or officers of the Company or any of its Affiliates of any misconduct or unlawful behavior. This Section shall not be deemed to be breached by testimony of Executive given in any judicial or governmental proceeding which Executive reasonably believes to be truthful at the time given or by any other action of Executive which he reasonably believes is taken in accordance with the requirements of applicable law or administrative regulation.

ARTICLE X.  
MISCELLANEOUS

10.1 Required Withholding. The Company may deduct or withhold from payments or other benefits otherwise payable to Executive pursuant to the provisions of this Agreement any amounts that are required by applicable law.

10.2 Remedies. In the event of any Termination of Employment or any breach of this Agreement by the Company, Executive's exclusive remedies shall be as specified in Article VII (or Article VIII, if applicable) or to enforce any other undertaking of the Company expressly provided in this Agreement; provided that nothing herein shall guarantee Executive continued employment for any specific period nor deny Executive the right to seek a final judicial determination (or, if Executive reasonably determines, based upon the advice of counsel, that it is more likely than not that each of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois will decline to adjudicate the issue, a final decree in an arbitration proceeding conducted in accordance with the rules of the American Arbitration Association, with such arbitration proceeding to be conducted in Chicago, Illinois before a panel of three arbitrators) that any Termination of Employment purportedly made for Cause was, in fact, made not in good faith or was made without adherence to the requirements or procedures set forth in this Agreement. If Executive obtains such a final judicial or arbitral determination, as applicable, the Termination of Employment shall be treated as a Termination Without Cause for all purposes of this Agreement.

10.3 Assignment; Successors. This Agreement shall be binding upon and inure to the benefit of Executive and his Beneficiaries and estate and the Company (as the surviving entity in the Merger and as successor to Unicom Corporation at the Merger Date) and its successors.

10.4 Beneficiary. If Executive dies prior to receiving all of the amounts payable hereunder pursuant to Article IV, VI (except as may otherwise expressly be provided in such Article or in the plans referenced therein), VII or VIII, such amounts shall be paid in a lump-sum payment to the beneficiary ("Beneficiary") designated by Executive in writing to the Company during his lifetime, which Executive may change from time to time by new designation filed in like manner without the consent of any Beneficiary; or if no such Beneficiary is designated, to his estate.

10.5 Nonalienation of Benefits. Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or



involuntary, prior to actually being received by Executive, and any such attempt to dispose of any right to benefits payable hereunder shall be void.

10.6 Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Agreement not declared to be unlawful or invalid. Any paragraph or part of a paragraph so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such paragraph or part of a paragraph to the fullest extent possible while remaining lawful and valid.

10.7 Amendment; Waiver. This Agreement shall not be amended or modified except by a written agreement between the Company and Executive. A waiver of any term, covenant or condition contained in this Agreement shall not result in a waiver of any other term, covenant or condition, and any waiver of any default shall not result in a waiver of any later default.

10.8 Notices. All notices hereunder shall be in writing, delivered by hand, nationally-recognized courier service that guarantees overnight delivery or by certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to the Company: Exelon Corporation  
Attn: General Counsel  
37th Floor  
One First National Plaza  
Chicago, Illinois 60690

If to the Executive: John W. Rowe  
Unit 3306  
950 North Michigan Avenue  
Chicago, Illinois 60611

With copy to: Robert W. Kleinman, Esq.  
Piper Rudnick LLP  
203 North LaSalle Street  
Chicago, Illinois 60601

Either party may from time to time designate a new address in accordance with this Section. Notices shall be effective when received by the addressee.

10.9 Publicity. Until this Agreement has been filed as an exhibit to a filing by the Company with the Securities and Exchange Commission, neither Executive nor the Company shall issue or cause the publication of any press release or other public announcement with respect to this Agreement, nor disclose the contents hereof to any third party, without obtaining in each case the consent of the other parties hereto, which consent shall not be withheld or delayed where such release, announcement or disclosure shall be required by applicable law or administrative regulation.

10.10 Communications. Nothing in this Agreement, including Sections 9.1, 9.6 or 10.9, shall be construed to prohibit Executive from communicating with, including testifying in any administrative proceeding before, the Nuclear Regulatory Commission or the United States

Department of Labor, or from otherwise addressing issues related to nuclear safety with any party or taking any other action protected under Section 211 of the Energy Reorganization Act.

10.11 Legal Expenses. The Company shall pay to Executive all reasonable legal fees and expenses incurred by Executive in disputing in good faith any termination of his employment hereunder or in seeking in good faith to obtain or enforce any benefit or right under this Agreement, provided that Executive shall have a reasonable basis for his position.

10.12 Articles and Sections. Except where otherwise indicated by the context, any reference to an "Article" or "Section" shall be to an Article or Section of this Agreement.

10.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

10.14 Effectiveness; Entire Agreement. This Agreement shall be binding immediately upon its execution and shall become effective immediately without further action of the Company or Executive. This Agreement forms the entire agreement between the parties hereto with respect to its subject matter, and shall supersede all prior agreements, promises and representations of the parties regarding employment or severance, whether in writing or otherwise, including but not limited to the Prior Agreement.

10.15 Applicable Law; Avoidance of Section 409A Penalty. This Agreement shall be interpreted and construed in accordance with the laws of the State of Illinois, without regard to its choice of law principles, and the applicable provisions of the Code. Notwithstanding any other provision of this Agreement, in the event that the payment of any amount or benefit on the date specified in this Agreement for the payment of such amount or benefit ("Scheduled Payment Date") would result in the imposition of any Section 409A Penalty, the following provisions shall apply:

(a) If the Scheduled Payment Date is less than six (6) months after the Termination Date, payment of such amount or benefit shall be made (or commence if to be made in installments or annuity form) on the "Deferred Payment Date" which shall be six (6) months after Executive's "separation from service" as defined for purposes of Section 409A of the Code in IRS or Treasury rulings or regulations, if such payment can be made on the Deferred Payment Date without a Section 409A Penalty.

(b) If payment of such amount or benefit on the Deferred Payment Date (or Scheduled Payment Date, if later) would result in the imposition of a Section 409A Penalty, then Executive may make a written deferral election with the Company which complies with Section 409A(a)(4)(C) of the Code ("Deferral Election") specifying a payment date ("Elected Payment Date") when payment can be made without a Section 409A Penalty. If Executive makes a valid Deferral Election, payment shall be made (or commence if to be made in installments or annuity form) on the Elected Payment Date.

(c) In the event that (i) such amount or benefit cannot be provided to Executive on the Scheduled Payment Date or the Deferred Payment Date without a Section 409A Penalty and (ii) Executive does not timely make a Deferral Election, then the Company and Executive shall negotiate in good faith to amend this Agreement (x) in a way that

would permit the payment of the amount or benefit to be made without a Section 409A Penalty or with a significantly reduced Section 409A Penalty, or (y) to provide an alternative amount or benefit of approximately equivalent after-tax economic value if such alternative amount or benefit can be provided without a Section 409A Penalty or with a significantly reduced Section 409A Penalty. If such negotiations do not result in agreement between the parties prior to the Deferred Payment Date (or Scheduled Payment Date, if later), such amount or benefit shall be paid (or commence if to be made in installments or annuity form) on the later of the Deferred Payment Date or the Scheduled Payment Date.

(d) Executive and the Company agree to cooperate to amend the Agreement from time to time as appropriate to avoid the imposition of any Section 409A Penalty.

(e) In no event shall the Company be required to provide a tax gross-up payment to Executive with respect to any Section 409A Penalty.

10.16 Survival. All of Executive's rights hereunder, including his rights to compensation and benefits prior to the Termination Date, his right to severance and other benefits subject to the terms and conditions of Article VII and VIII after the Termination Date, and his obligations under Article IX hereof, shall survive a Termination of Employment and the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

EXELON CORPORATION

By: \_\_\_\_\_  
Chairman of the Compensation Committee  
of the Board of Directors

EXECUTIVE:

\_\_\_\_\_  
John W. Rowe

**WAIVER AND RELEASE AGREEMENT****UNDER****AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

Pursuant to Section 7.8 of that certain Amended and Restated Employment Agreement dated as of \_\_\_\_, 2005, (the "Employment Agreement"), this Waiver and Release ("Agreement") is made as of the \_\_\_\_ day of \_\_\_\_, \_\_\_\_, by and among Exelon Corporation, a Pennsylvania corporation, together with all successors thereto (the "Company"), and John W. Rowe ("Executive").

In consideration for Executive's receiving benefits and severance pay under the Employment Agreement, and in consideration of the representations, covenants, and mutual promises set forth in this Agreement, the parties agree as follows:

1. Releases by Executive.

(a) Subject to the Company's execution of this Agreement, Executive, on behalf of himself and anyone claiming through him, hereby agrees not to sue the Company or any of its divisions, subsidiaries, or other affiliated entities (whether or not such entities are wholly owned), or the predecessors, successors or assigns of any of them (hereinafter referred to as the "*Company Entity Released Parties*"), and agrees to release and discharge, fully, finally and forever, the Company Entity Released Parties from any and all claims, causes of action, lawsuits, liabilities, debts, accounts, covenants, contracts, controversies, agreements, promises, sums of money, damages, judgments and demands of any nature whatsoever, in law or in equity, both known and unknown, asserted or not asserted, foreseen or unforeseen, which Executive ever had or may presently have against any of the Company Entity Released Parties arising from the beginning of time up to and including the effective date of this Agreement, including, without limitation, all matters in any way related to Executive's employment by the Company or his service as an officer or director of the Company, the terms and conditions thereof, any failure to promote Executive or the termination or cessation of Executive's employment with the Company or his service as an officer or director of the Company, and including, without limitation, any and all claims arising under the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Older Workers' Benefit Protection Act, the Family and Medical Leave Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act of 1974, the Illinois Human Rights Act, the Chicago or Cook County Human Rights Ordinance, the Pennsylvania Human Relations Act, the Philadelphia Fair Practices Ordinance or any other federal, state, local or foreign statute, regulation, ordinance or order, or pursuant to any common law doctrine; *provided, however*, that nothing contained in this Section 10.1(a) shall apply to, or release the Company or any of the other Company Entity Released Parties from, (A) any obligation of the Company or any of the other Company Entity Released Parties contained in Article VII or VIII (as applicable) of the Employment Agreement or (B) any vested or accrued benefit pursuant to any employee benefit plan of the Company or any of the other Company Entity Released Parties (such obligations and

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benefits collectively, the “*Unreleased Claims*”). Executive agrees that he has no present or future right to employment with the Company or any of the other Company Entity Released Parties and that he will not apply for or otherwise seek employment with any of them.

(b) Executive, on behalf of himself and anyone claiming through him, hereby agrees not to sue any of the past, present or future directors, officers, administrators, trustees, fiduciaries, employees, agents, attorneys or shareholders of any of the Company Entity Released Parties (hereinafter referred to as the “*Company Individual Released Parties*”; the Company Entity Released Parties and the Company Individual Released Parties are sometimes collectively referred to as the “*Company Released Parties*” ) with respect to Executive’s employment by the Company or his service as an officer or director of the Company, the terms and conditions thereof, any failure to promote Executive or the termination or cessation of Executive’s employment with the Company or his service as an officer or director of the Company, and agrees to release and discharge, fully, finally and forever, the Company Individual Released Parties from any and all claims, causes of action, lawsuits, liabilities, debts, accounts, covenants, contracts, controversies, agreements, promises, sums of money, damages, judgments and demands of any nature whatsoever, in law or in equity, both known and unknown, asserted or not asserted, foreseen or unforeseen, which Executive ever had or may presently have against any of the Company Individual Released Parties arising from the beginning of time up to and including the effective date of this Agreement, but only to the extent such claims, causes of action, lawsuits, liabilities, debts, accounts, covenants, contracts, controversies, agreements, promises, sums of money, damages, judgments and demands are related to Executive’s employment by the Company or his service as an officer or director of the Company, the terms and conditions thereof, any failure to promote Executive or the termination or cessation of Executive’s employment with the Company or his service as an officer or director of the Company, including, without limitation, claims relating thereto arising under the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Older Workers’ Benefit Protection Act, the Family and Medical Leave Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act of 1974, the Illinois Human Rights Act, the Chicago or Cook County Human Rights Ordinance, the Pennsylvania Human Relations Act or the Philadelphia Fair Practices Ordinance; *provided, however*, that nothing contained in this Section 10.1(b) shall apply to, or release the Company Individual Released Parties from, any of the Unreleased Claims.

(c) The consideration offered herein is accepted by Executive as being in full accord, satisfaction, compromise and settlement of any and all claims or potential claims of Executive released herein (the “*Released Claims*”).

## 2. Release by the Company.

The Company, the Company’s divisions, subsidiaries, and other affiliated entities (whether or not such entities are wholly owned), and the predecessors, successors and assigns of any of them, on behalf of themselves and anyone claiming through them (the “*Company Releasing Parties*”), hereby agree not to sue the Executive, his spouse, personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees or legatees, or the Beneficiary (as hereinafter defined) (hereinafter referred to as the “*Executive Released Parties*”) based upon facts that are known on the date of this Agreement by any director or executive officer (as defined in Rule 3b-7 under the Securities ) Exchange Act of 1934)of the Company as of the date

of this Agreement (“*Known Facts*”), and agree to release and discharge, fully, finally and forever, the Executive Released Parties from any and all claims, causes of action, lawsuits, liabilities, debts, accounts, covenants, contracts, controversies, agreements, promises, sums of money, damages, judgments and demands of any nature whatsoever, in law or in equity, both known and unknown, asserted or not asserted, foreseen or unforeseen, which the Company Releasing Parties ever had or may presently have against any of the Executive Released Parties arising from the beginning of time up to and including the effective date of this Agreement, including, without limitation, all matters in any way related to Executive’s employment by the Company or his service as an officer or director of the Company or the terms and conditions thereof, but only to the extent such claims, causes of action, lawsuits, liabilities, debts, accounts, covenants, contracts, controversies, agreements, promises, sums of money, damages, judgments and demands are based upon Known Facts; *provided, however*, that nothing contained in this Agreement shall apply to, or release the Executive Released Parties from, any obligation of Executive contained in Article IX of the Employment Agreement.

3. Nothing in this Agreement shall be construed to prohibit the parties from communicating with, including testifying in any administrative proceeding before, the Nuclear Regulatory Commission, the United States Department of Labor, the Securities Exchange Commission or from otherwise addressing issues related to nuclear safety with any party or taking any other action protected under Section 211 of the Energy Reorganization Act and no such communication or action shall constitute a breach of Section 9.6 of the Employment Agreement or any provision of this Agreement; *provided, however*, that if the Executive is entitled under Section 211 of the Energy Reorganization Act to pursue a claim, complaint or charge seeking damages, costs or fees, the Executive agrees that the consideration provided to the Executive pursuant to this Agreement shall be fully inclusive of all such damages, costs and fees that could have been awarded to the Executive, that such consideration is being paid in full and that the Executive under no circumstances shall be entitled to compensation of any kind from the Company or any of the other Company Released Parties not expressly provided for pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth below.

EXECUTIVE:

\_\_\_\_\_  
John W. Rowe

Date:

EXELON CORPORATION

By: \_\_\_\_\_

Date:

**CERTIFICATION EXHIBITS**

**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 quarterly report on Form 10-Q 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 officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) 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 officers 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: July 26, 2005

/s/ John W. Rowe

Chairman and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES  
AND EXCHANGE ACT OF 1934**

I, John F. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) 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 officers 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: July 26, 2005

/s/ John F. Young

Executive Vice President, Finance and Markets  
(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, J. Barry Mitchell, certify that:

1. I have reviewed this report on Form 10-Q 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 officers 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) 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 officers 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: July 26, 2005

/s/ J. Barry Mitchell

Senior Vice President, Treasurer and Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 31-4**

**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 quarterly report on Form 10-Q 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: July 26, 2005

/s/ John L. Skolds  
\_\_\_\_\_  
President, Exelon Energy Delivery  
(Principal Executive Officer)

Exhibit 31-5

**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 quarterly report on Form 10-Q 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 officers 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 officers 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: July 26, 2005

/s/ J. Barry Mitchell  
Senior Vice President, Treasurer and Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 31-6**

**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 quarterly report on Form 10-Q 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: July 26, 2005

/s/ John L. Skolds  
\_\_\_\_\_  
President, Exelon Energy Delivery  
(Principal Executive Officer)

**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 quarterly report on Form 10-Q 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: July 26, 2005

/s/ J. Barry Mitchell

Senior Vice President, Treasurer and Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 31-8**

**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 quarterly report on Form 10-Q 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: July 26, 2005

/s/ John L. Skolds

President

(Principal Executive Officer)

**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 quarterly report on Form 10-Q 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: July 26, 2005

/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 Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended June 30, 2005, 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: July 26, 2005

/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 Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ John F. Young

John F. Young

Executive Vice President, Finance and  
Markets

**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 Quarterly Report on Form 10-Q of Exelon Corporation for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ J. Barry Mitchell

J. Barry Mitchell

Senior Vice President, Treasurer and  
Chief Financial Officer

**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 Quarterly Report on Form 10-Q of Commonwealth Edison Company for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ John L. Skolds

John L. Skolds

President

Exelon Energy Delivery

**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 Quarterly Report on Form 10-Q of Commonwealth Edison Company for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ J. Barry Mitchell

J. Barry Mitchell  
Senior Vice President, Treasurer and  
Chief Financial Officer

**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 Quarterly Report on Form 10-Q of PECO Energy Company for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ John L. Skolds

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John L. Skolds

President

Exelon Energy Delivery

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of PECO Energy Company for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ J. Barry Mitchell

J. Barry Mitchell

Senior Vice President, Treasurer and  
Chief Financial Officer

**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 Quarterly Report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ John L. Skolds

John L. Skolds  
President

**Exhibit 32-9**

**Certificate Pursuant to Section 1350 of Chapter 63 of Title 18 United States Code**

The undersigned officer hereby certifies, as to the Quarterly Report on Form 10-Q of Exelon Generation Company, LLC for the quarterly period ended June 30, 2005, 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: July 26, 2005

/s/ J. Barry Mitchell

J. Barry Mitchell  
Senior Vice President, Treasurer and  
Chief Financial Officer