British Energy

Exelon.SM
Nuclear
Exelon Generation
4300 Winfield Road
Warrenville, IL 60555

October 31, 2003

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

Clinton Power Station, Unit No. 1
Facility Operating License No. NPF-62
NRC Docket No. 50-461

Oyster Creek Nuclear Generating Station
Facility Operating License No. DPR-16
NRC Docket No. 50-219

Three Mile Island Nuclear Station, Unit 1
Facility Operating License No. DPR-50
NRC Docket No. 50-289

Subject: Request For NRC Written Consent to the Discontinuance of Funding Arrangements and Substitution of $200 Million Funding Agreement from Exelon Generation Company, LLC

Exelon Generation Company, LLC (EGC) proposes to substitute a single funding agreement from EGC (EGC Funding Agreement) providing for the availability of up to $200 million in funds to AmerGen Energy Company, LLC (AmerGen), under the terms and conditions in that funding agreement, for the facilities listed above. In connection with the substitution of the single funding agreement from EGC, British Energy plc (British Energy) and EGC request the NRC provide its prior written consent to the discontinuance and revocation of the current funding arrangements provided by British Energy and EGC to assure the availability of up to $200 million in funds to AmerGen. Supplemental information in support of this request for NRC written consent is provided in Attachment 1.

As more fully described in the attached supplemental information, EGC has entered into an agreement to purchase the 50% non-controlling ownership interest in AmerGen that is owned indirectly by British Energy. EGC will do so by purchasing 100% of the stock of British Energy's indirectly wholly owned U.S. subsidiary, British Energy US Holdings Inc. (BEUSH). Following this transaction, EGC will continue to control AmerGen, through its direct controlling ownership interest, and it will own 100% of AmerGen both directly through its ownership interest (50%) and indirectly through its ownership of BEUSH (which indirectly owns the other 50%). EGC intends to change the name of BEUSH and its subsidiaries to reflect their status as Exelon subsidiaries. In connection with this stock purchase, EGC will assume British Energy's financial obligations to provide funding to AmerGen.

In a letter agreement dated April 3, 2000 ("April 3, 2000 Agreement"), British Energy agreed to provide conditional funding to AmerGen in connection with the operation and maintenance of all of the reactors owned or to be acquired by AmerGen. Similarly, in a letter agreement dated January 12, 2001 ("January 12, 2001 Agreement"), EGC agreed to provide funding to AmerGen

A001

under the same or similar terms and conditions as the April 3, 2000 Agreement. Each of these two agreements provided commitments for up to $100 million, and therefore, AmerGen currently has a total of $200 million available as a contingency commitment from EGC and British Energy. Under the terms of these agreements, NRC written consent is required prior to the discontinuance of these two agreements ($100 million each) and the substitution of the EGC Funding Agreement ($200 Million). Additionally, the facility operating license for Clinton Power Station, Unit No. 1, condition 2.C.(21) and the facility operating license for Three Mile Island Nuclear Station, Unit 1, condition 2.c.(16) anticipate that the successors or assigns of the contingency funding commitments would be approved by the NRC.

In accordance with the proposed EGC Funding Agreement, EGC will agree to assume all of British Energy's contingent obligations under the April 3, 2000 Agreement, as well as its own contingent obligations under the January 12, 2001 Agreement. British Energy will provide Notice to AmerGen of its assignment, and EGC's assumption, of all of the contingent obligations imposed by the April 3, 2000 Agreement. The proposed form of the EGC Funding Agreement is provided as Attachment 2. The proposed form of British Energy's Notice is provided as Attachment 3.

EGC is financially qualified to meet the obligations imposed by the EGC Funding Agreement to provide AmerGen with up to $200 million, and therefore, there will be no diminishment of the $200 million contingency commitment available to AmerGen. EGC's financial qualifications are demonstrated by the financial statements relating to EGC that are included in the Form 10-K Annual Report for 2002 filed with the Securities and Exchange Commission for EGC, its ultimate corporate parent, Exelon Corporation, and EGC's affiliates, Commonwealth Edison Company and PECO Energy Company. A copy of the relevant sections of this Annual Report is provided as Attachment 4, and EGC's financial qualifications, with references to relevant pages of the Annual Report, are discussed in greater detail in the supplemental information. In summary, EGC has investment grade ratings for its unsecured debt with Moody's, Fitch, and Standard & Poor's, and in 2002, it had operating revenue exceeding $6.8 billion, net income of $400 million, and total assets valued at more than $11 billion. This financial data demonstrates that EGC is financially qualified to provide a $200 million contingency commitment to AmerGen.

In connection with the proposed transaction, there will be no direct or indirect "transfer of control" of the licenses held by AmerGen in the context of 10 CFR 50.80, "Transfer of licenses," because EGC currently exercises control of AmerGen and will remain in control of AmerGen after the transaction is completed. The NRC has previously concluded that the AmerGen corporate structure and other arrangements would assure that British Energy could not use its ownership interest to exercise control over AmerGen for purposes of the NRC's regulations.

The proposed transaction is dependent upon receipt of regulatory approvals from the Federal Energy Regulatory Commission and the Federal Communications Commission. Decisions on these approvals are expected in mid-December. British Energy and EGC intend to complete the transaction on December 31, 2003, or at the earliest practicable date following receipt of all required regulatory approvals. Therefore, British Energy and EGC request that the NRC issue its written consent by December 29, 2003. EGC will keep the NRC informed if there are any significant changes in the status of the other required approvals or other developments that have an impact on the schedule.

If you have any questions about this letter, please contact Kenneth A. Ainger at 630 657-2800.

Respectfully,

Jeffrey A. Benjamin
Vice President, Licensing and Regulatory Affairs
Exelon Generation Company, LLC

Respectfully

Robert Malcolm Armour
Company Secretary
British Energy plc

Attachments

c: NRC Project Manager, NRR - Three Mile Island, Unit 1

ATTACHMENT 1

SUPPLEMENTAL INFORMATION IN SUPPORT OF REQUEST FOR NRC WRITTEN CONSENT

The following supplemental information is provided in support of the request by British Energy plc (British Energy) and Exelon Generation Company, LLC (EGC) that the NRC provide its prior written consent to the discontinuance and revocation of certain funding arrangements provided by British Energy and EGC to assure the availability of up to $200 million in funds to AmerGen Energy Company, LLC (AmerGen). As a condition to the requested consent, EGC proposes to substitute a single funding agreement from EGC (EGC Funding Agreement) providing for the availability of up to $200 million in funds to AmerGen under the terms and conditions in that funding agreement. This request for NRC written consent is being made in connection with a proposed transaction that involves EGC acquiring stock ownership of the indirectly wholly owned U.S. subsidiary of British Energy that indirectly owns a non-controlling 50 percent interest in AmerGen.

I. BACKGROUND INFORMATION

A. Current Ownership of AmerGen

AmerGen is a limited liability company formed to acquire and operate nuclear power plants in the United States. It is organized pursuant to the Limited Liability Company Agreement of AmerGen (LLC Agreement) dated as of August 18, 1997, as amended and restated. AmerGen is presently owned 50 percent by a wholly owned indirect U.S. subsidiary of British Energy, a Scottish corporation, and 50 percent by EGC, a Pennsylvania limited liability company.

British Energy's indirect ownership interest in AmerGen is held through a series of intermediary companies. The non-controlling ownership interest in AmerGen is held directly by British Energy LP, a Delaware limited partnership (BELP). BELP is in turn wholly owned by British Energy US Holdings, Inc., (BEUSH), a Delaware Corporation, through a 99 percent direct ownership share and 1 percent ownership share held by BEUSH's wholly owned subsidiary, British Energy US Investments LLC, a Delaware limited liability corporation. BEUSH is owned by British Energy Investment Limited, a Scottish company (British Investment). British Investment is wholly owned directly by British Energy Generation (UK) Ltd, which, in turn, is wholly owned directly by British Energy.

EGC directly holds its 50 percent interest in AmerGen. EGC is a wholly owned direct subsidiary of Exelon Ventures Company, LLC, a Delaware limited liability company, which is a wholly owned direct subsidiary of Exelon Corporation. Exelon Corporation is a Pennsylvania corporation whose shares are widely held and publicly traded under the ticker symbol EXC.

Figure 1 shows the current direct and indirect ownership structure of AmerGen.

B. Control of AmerGen

The property, business, and affairs of AmerGen are directed and controlled by a Management Committee in accordance with Article 6.3 of the LLC Agreement. Under Article 6.1(a), EGC, through the U.S.-controlled member group, appoints and may remove half of the members of the Management Committee, and British Energy, through the foreign-owned member group, also has the power to appoint or remove half of the members. Pursuant to Article 6.1(d), EGC appoints the Chairman of the Management Committee, and the Chairman can only be removed by EGC. In addition, under Article 6.3(b)(i) of the LLC Agreement, the Chairman has a casting vote to break a tie on the Management Committee regarding "all Safety issues," assuring that EGC exercises control and domination over AmerGen's NRC licenses. "Safety issue" is defined in Article 1.7 of the LLC Agreement to include:

(i) implementation or compliance with any Generic Letter, Bulletin, Order, Confirmatory Order or similar requirement issued by the NRC;
(ii) prevention or mitigation of a nuclear event or incident or the unauthorized release of radioactive material;
(iii) placement of the plant in a safe condition following any nuclear event or incident;
(iv) compliance with the Atomic Energy Act, the Energy Reorganization Act, or any NRC rule;
(v) compliance with a specific operating license and its technical specifications;
(vi) compliance with a specific Updated Final Safety Analysis Report, or other licensing basis document.

This definition broadly includes all issues within the jurisdiction of the NRC.

In accordance with 10 CFR 50.38, "Ineligibility of certain applicants," the NRC will not issue a license to an entity if the NRC knows or has reason to believe it is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government. The NRC has previously reviewed the issues relating to British Energy's interests in AmerGen. In the April 12, 1999, NRC safety evaluation for the transfer of the facility operating license for Three Mile Island Nuclear Station, Unit 1 to AmerGen, the NRC reviewed the information submitted regarding the ownership and control of AmerGen and stated:

> "The staff believes that this information is sufficient to conclude that AmerGen has taken, or has committed to take, sufficient mitigating steps to ensure that AmerGen is not owned, controlled, or dominated by an alien, foreign corporation, or foreign government for the purposes of the AEA and the NRC's regulations."

The NRC reached the same conclusion in the November 24, 1999, safety evaluation regarding the transfer of the Clinton Power Station, Unit No. 1 facility operating license to AmerGen and the June 6, 2000, safety evaluation regarding the transfer of the Oyster Creek Nuclear Generating Station facility operating license to AmerGen.

10 CFR 50.80, "Transfer of licenses," requires prior written consent of the NRC to any direct or indirect transfers that involve a "transfer of control of any license." Because the ownership interest in AmerGen of the foreign-owned member group is a non-controlling interest, the transfer of that ownership interest does not involve a "transfer of control" of the AmerGen licenses. Additionally, the transfer of the indirect ownership interest involves a transfer to the entity, EGC, that already exercises control over AmerGen. For these reasons, the requirements of 10 CFR 50.80 for prior NRC consent do not apply to the proposed transaction.

C. Funding Arrangements for AmerGen

In accordance with a letter agreement dated January 12, 2001 (January 12, 2001 Agreement), EGC agreed to provide contingency funding of up to $100 million to AmerGen in connection with the operation and maintenance of all of the reactors owned by AmerGen or to be acquired in the future. The January 12, 2001 Agreement substituted for a prior agreement, by EGC's predecessor in interest, PECO Energy Company. Prior contingency funding arrangements for AmerGen had also previously been supplemented to increase the amount of funds available to AmerGen. In each case, the contingent obligations to provide funding were assumed in the terms of the subsequent letter agreement.

In accordance with a letter agreement dated April 3, 2000 (April 3, 2000 Agreement), British Energy agreed to provide contingency funding of up to $100 million to AmerGen in connection with the operation and maintenance of all of the reactors owned by AmerGen or to be acquired in the future. The April 3, 2000 Agreement supplemented and substituted for prior contingency funding arrangements in order to increase the amount of funds available to AmerGen. In each case, the contingent obligations to provide funding were assumed in the terms of the subsequent letter agreement.

The combined contingency commitment of funding from EGC and British Energy available to AmerGen is now $200 million, in accordance with the terms of the January 12, 2001 Agreement and the April 3, 2000 Agreement. The terms of each of these agreements provide that the agreements:

> shall take effect immediately and will remain in effect and remain irrevocable until such time as either: (1) AmerGen has submitted to the NRC a written certification meeting the requirements of 10 CFR 50.4(b)(8) & (9) that the fuel has been permanently removed from the reactor vessel of the last plant operated by AmerGen (including any plant operated by any wholly owned subsidiary of AmerGen), *i.e.*, after AmerGen has determined to permanently cease operations at its last operating reactor, or (2) NRC has given its prior written consent to the discontinuance of the funding arrangements contemplated by this Agreement

Additionally, the facility operating license for Clinton Power Station, Unit No. 1, condition 2.C.(21) and the facility operating license for Three Mile Island Nuclear Station, Unit 1, condition 2.c.(16) anticipate that the successors or assigns of the contingency funding commitments would be approved by the NRC. Therefore, the NRC's prior written consent is required for one or both of the funding arrangements to be discontinued. With the NRC's written consent, EGC and British Energy propose to discontinue both existing arrangements and substitute the EGC Funding Arrangement.

II. DESCRIPTION OF PROPOSED TRANSACTION

In the proposed transaction, EGC will purchase 100 percent of the stock of BEUSH from British Energy Investment in a cash transaction. By doing so, EGC will indirectly acquire a 100 percent ownership interest in BELP which, as discussed, holds a non-controlling 50 percent ownership interest in AmerGen. Combining this with its existing AmerGen ownership interest, EGC will own 100 percent of AmerGen upon closing of the transaction. Figure 2 shows the post-transaction direct and indirect ownership interests in AmerGen. EGC intends to change the name of BEUSH and its subsidiaries to reflect their status as Exelon subsidiaries.

Certain covenants in the Purchase and Sale Agreement between British Energy Investment and EGC dated October 10, 2003, require that EGC take action to relieve British Energy of its contingency obligations under the April 3, 2000 Agreement. EGC has elected to do so by substituting the EGC Funding Agreement to provide $200 million in contingency commitment funding from EGC upon discontinuance and revocation of the April 3, 2000 Agreement and the January 12, 2001 Agreement, subject to the prior written consent of the NRC.

III. REQUESTED NRC ACTION

British Energy and EGC request the NRC issue written consent to the discontinuance and revocation of the existing $200 million contingency commitments for the funding of AmerGen pursuant to the April 3, 2000 Agreement and January 12, 2001 Agreement, provided that British Energy assign, and EGC assumes, British Energy's obligations under the April 3, 2000 Agreement, as well as its own obligations under the January 12, 2001 Agreement, through execution of a substitute $200 million contingency commitment in the EGC Funding Agreement, the form of which is provided as Attachment 2. British Energy will issue notice to AmerGen, the form of which is provided as Attachment 3, of the discontinuance and revocation of the April 3, 2000 Agreement upon execution of the EGC Funding Agreement.

EGC is financially qualified to provide a $200 million contingency commitment to AmerGen. Detailed financial information regarding EGC is provided in Attachment 4, which contains the relevant sections of the Form 10-K Annual Report for 2002 filed with the Securities and Exchange Commission. The results of EGC's 2002 operations are provided on page 111 of the report, which shows that EGC had $6.858 billion in operating revenue, operating income of $509 million, and net income of $400 million. EGC's operating revenues are more than 34 times the amount of the contingency commitment to AmerGen, and EGC could fully fund the contingency commitment twice from its net income in the last year.

A consolidated balance sheet for EGC and its subsidiary companies is provided on page 216 of the report. This balance sheet reflects total assets of $11 billion, which includes $1.8 billion in current assets and $4.8 billion in net property, plant and equipment. Member's Equity for 2002 is $2.296 billion, or more than eleven times the amount of the contingency commitment.

Finally, EGC's financial qualifications are further demonstrated by its investment grade ratings by various independent rating agencies for its senior unsecured debt. These ratings are reported on page 119 of the report as follows:

Agency	Rating
Moody's	Baa1
Fitch	BBB+
S&P's	A-

EGC's rating for senior unsecured debt by Fitch has been upgraded to A-.

In summary, EGC's substantial annual revenue, income, and assets provide ample assurance that it is financially qualified to meet its obligations to AmerGen under the $200 million contingency commitment. This financial strength is further supported by the strong investment grade rating that EGC has received from independent rating agencies.

FIGURE 1 - CURRENT DIRECT AND INDIRECT OWNERSHIP INTERESTS IN AMERGEN

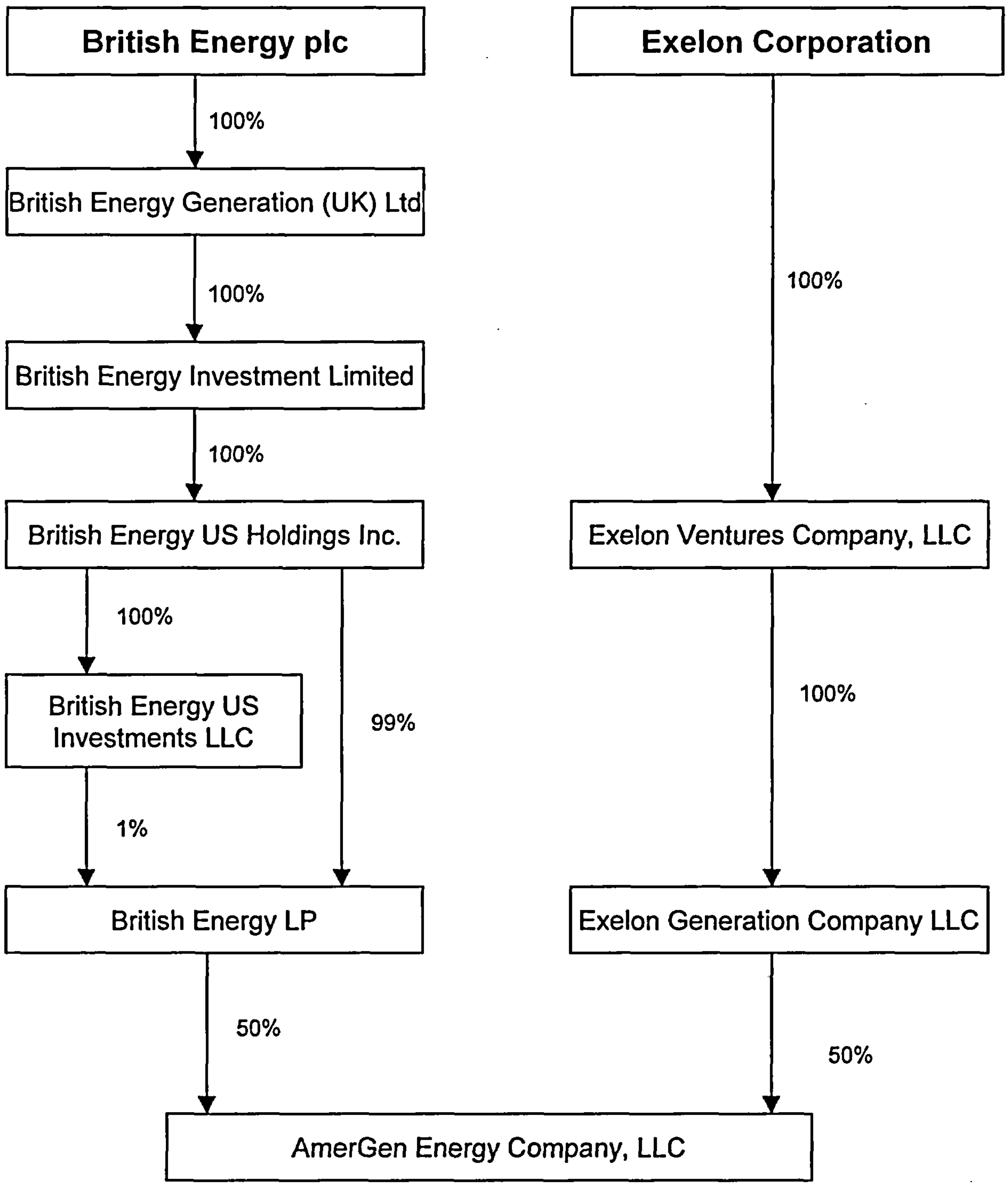
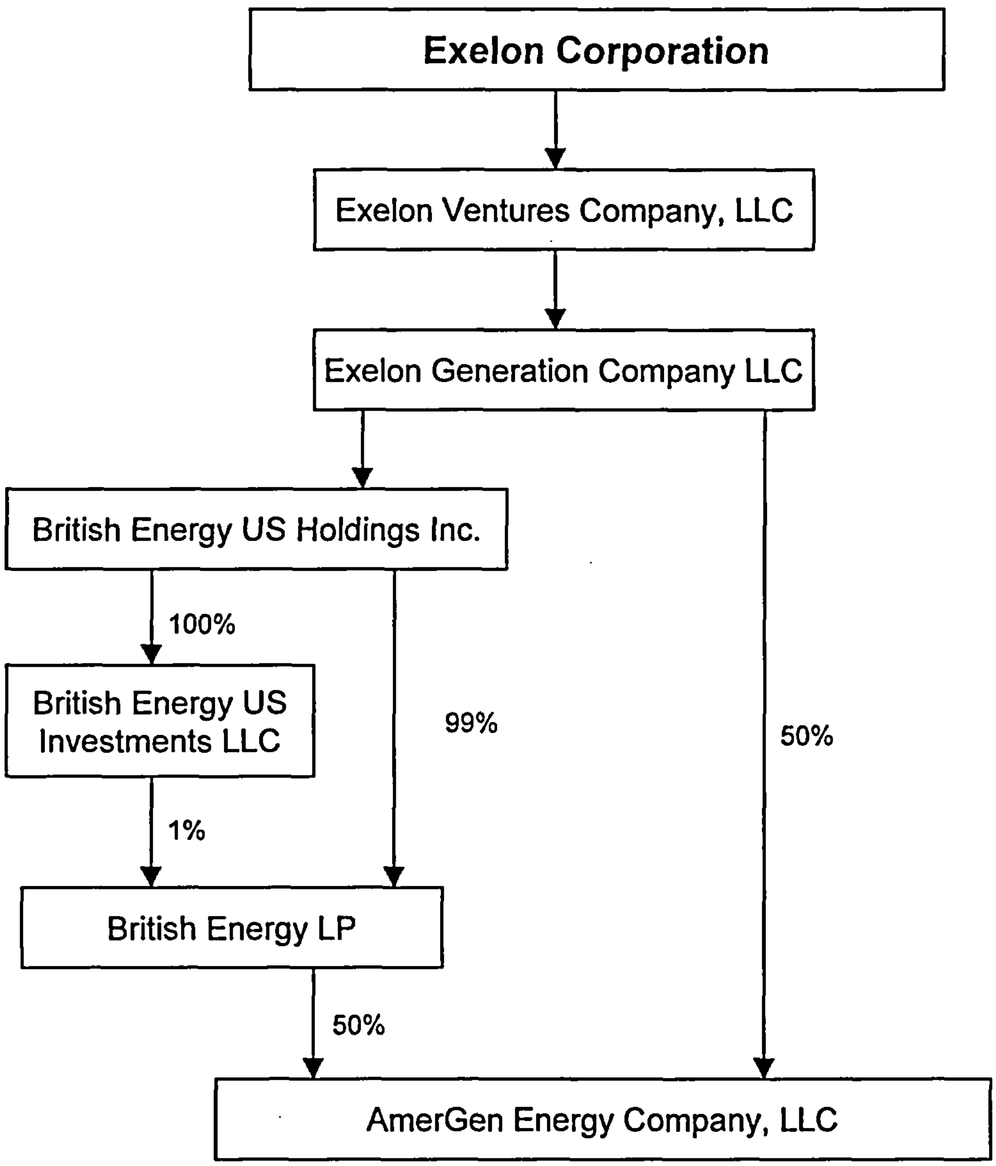


FIGURE 2 - POST-TRANSACTION DIRECT AND INDIRECT OWNERSHIP INTERESTS IN AMERGEN



ATTACHMENT 2

Form Of EGC Funding Agreement

December __, 2003

AmerGen Energy Company, LLC
200 Exelon Way
Kennett Square, PA 19348

Subject: Funding Agreement

Ladies and Gentlemen:

Reference is made to a letter agreement dated January 12, 2001 (January 12, 2001 Agreement), pursuant to which Exelon Generation Company, LLC (EGC) agreed to provide funding to AmerGen Energy Company, LLC (AmerGen) in connection with the operation and maintenance of all of the commercial nuclear power reactors now owned or to be acquired by AmerGen, and to a letter agreement dated April 3, 2000 (April 3, 2000 Agreement) pursuant to which British Energy plc (British Energy) agreed to provide funding to AmerGen under the same or similar terms and conditions as the January 12, 2001 Agreement.

Pursuant to this funding agreement, EGC agrees to assume all of British Energy's obligations under the April 3, 2000 Agreement, as well as its own obligations under the January 12, 2001 Agreement. Thus, EGC will provide funding of up to a total of $200 million to be available to AmerGen in connection with the operation and maintenance of all of the commercial nuclear power reactors already owned or to be acquired by AmerGen, or any other wholly owned subsidiary of AmerGen. This funding agreement substitutes for the January 12, 2001 Agreement, which is hereby rescinded, and EGC acknowledges that the April 3, 2000 Agreement is discontinued, revoked, rescinded, void and unenforceable pursuant to the prior written consent of the Nuclear Regulatory Commission (NRC), because the obligations thereunder have been assigned to, and assumed by, EGC pursuant to this funding agreement.

In consideration of the benefits to be derived by EGC from AmerGen's ownership and operation of commercial nuclear reactors (directly or indirectly through any wholly owned subsidiary), the mutual benefits to be derived by AmerGen and EGC from the commitments contemplated hereunder, in furtherance of the Limited Liability Company Agreement of AmerGen (LLC Agreement) dated as of August 18, 1997, and as amended and restated from time to time, and any provision in the LLC Agreement which could limit application of this letter agreement notwithstanding, EGC hereby agrees that, subject to the terms and conditions of this funding agreement, it will provide funds pursuant to the terms of this funding agreement to AmerGen to assure that AmerGen will have sufficient funds available to meet its expenses.

EGC represents and warrants that it will provide funding to AmerGen at any time that the Management Committee of AmerGen determines that, in order to protect the public health and safety and/or to comply with NRC requirements, such funds are necessary to meet the ongoing operating expenses at any AmerGen operating nuclear power plant or such funds are necessary to safely maintain any such plant; provided, however, that EGC's maximum liability to provide funding hereunder shall not exceed $200 million cumulatively over the life of this funding agreement.

This agreement shall take effect immediately and will remain in effect and remain irrevocable until such time as either: (1) AmerGen has submitted to the NRC a written certification meeting the requirements of 10 CFR 50.4(b)(8) & (9) that the fuel has been permanently removed from the reactor vessel of the last plant operated by AmerGen (including any plant operated by any wholly owned subsidiary of AmerGen), *i.e.*, after AmerGen has determined to permanently cease operations at its last operating reactor; or (2) NRC has given its prior written consent to the discontinuance of the funding arrangement contemplated by this funding agreement.

EGC shall have the right to demand that AmerGen permanently cease operations at any plant rather than using funds available under this agreement for continued operations, provided that, in such event, AmerGen will nevertheless have the right to continue to obtain the funds necessary to assure the safe and orderly shutdown of any such plant and to continue the safe maintenance of any such plant until AmerGen can certify to the NRC that the fuel has been permanently removed from the reactor vessel.

EGC hereby represents and warrants to AmerGen that its obligations under this funding agreement are valid, binding and enforceable obligations of EGC in accordance with their terms (subject to bankruptcy, insolvency, reorganization and similar laws affecting creditors' rights generally and general equitable principles) and does not require the consent, approval or authorization of any Governmental Agency or third party other than those which have been obtained and are in full force and effect on the date hereof.

EGC hereby irrevocably, unconditionally and expressly waives, and agrees that it shall not at any time assert any claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, any bankruptcy, insolvency or similar proceedings, or exemption, whether now or any time hereafter in force, which may delay, prevent or otherwise affect the performance by EGC of its obligations hereunder.

This funding agreement shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to conflict of law principles.

ATTACHMENT 3

Form Of British Energy Notice

December __, 2003

AmerGen Energy Company, LLC
200 Exelon Way
Kennett Square, PA 19348

Subject: Notice of Discontinuance of Funding Agreement

Ladies and Gentlemen:

Reference is made to a letter agreement dated April 3, 2000 (April 3, 2000 Agreement) pursuant to which British Energy plc (British Energy) agreed to provide funding to AmerGen Energy Company, LLC (AmerGen) in connection with the operation and maintenance of all of the commercial nuclear power reactors now owned or to be acquired by AmerGen, and to a letter agreement dated January 12, 2001 (January 12, 2001 Agreement), pursuant to which Exelon Generation Company, LLC (EGC) agreed to provide funding to AmerGen under the same or similar terms and conditions as the April 3, 2000 Agreement. Reference is also made to a substitute funding agreement being executed by EGC on the same date hereof (EGC Funding Agreement).

British Energy has assigned all of its contingent obligations under the April 3, 2000 Agreement to EGC, and pursuant to the EGC Funding Agreement, EGC has agreed to assume all of British Energy's contingent obligations under the April 3, 2000 Agreement, as well as its own contingent obligations under the January 12, 2001 Agreement. Subject to this assignment and assumption of the contingent obligations to provide funding to AmerGen, the Nuclear Regulatory Commission has provided its prior written consent to the discontinuance of the April 3, 2000 Agreement, and that agreement is hereby discontinued, revoked, rescinded, void and unenforceable in accordance with such prior written consent. This letter provides Notice to AmerGen of such discontinuance of the April 3, 2000 Agreement.

ATTACHMENT 4

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2002

TITLE PAGES

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street — 37 th 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 — 37 th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	36-0938600
1-1401	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240
333-85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348 (610) 765-6900	23-3064219

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

Title of Each Class	Name of Each Exchange on Which Registered
EXELON CORPORATION:	
Common Stock, without par value	New York, Chicago and Philadelphia
COMMONWEALTH EDISON COMPANY:	
Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Commonwealth Edison Company's 8.48% Subordinated Debt Securities and unconditionally guaranteed by Commonwealth Edison Company	New York
PECO ENERGY COMPANY:	
First and Refunding Mortgage Bonds: 6 3/ 8 % Series due 2005, and 6 1/ 2 % Series due 2003	New York
Cumulative Preferred Stock, without par value: $4.68 Series, $4.40 Series, $4.30 Series and $3.80 Series	New York
Trust Receipts of PECO Energy Capital Trust II, each representing an 8.00% Cumulative Monthly Income Preferred Security, Series C, $25 stated value, issued by PECO Energy Capital, L.P. and unconditionally guaranteed by PECO Energy Company	New York
Trust Receipts of PECO Energy Capital Trust III, each representing a 7.38% Cumulative Preferred Security, Series D, $25 stated value, issued by PECO Energy Capital, L.P. and unconditionally guaranteed by PECO Energy Company	New York

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

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

PECO ENERGY COMPANY:
Cumulative Preferred Stock, $7.48 Series without par value

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule12b-2 of the Act).

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

The estimated aggregate market value of the voting and non-voting common equity held by nonaffiliates of each registrant as of June28, 2002, was as follows:

Exelon Corporation Common Stock, without par value	$16,886,511,503
Commonwealth Edison Company Common Stock, $12.50 par value	No established market
PECO Energy Company Common Stock, without par value	None
Exelon Generation Company, LLC	Not applicable

The number of shares outstanding of each registrant's common stock as of February28, 2003 was as follows:

Exelon Corporation Common Stock, without par value	324,068,637
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,425
PECO Energy Company Common Stock, without par value	170,478,507
Exelon Generation Company, LLC	Not applicable

Other

Exelon Generation Company, LLC meets the conditions set forth in General Instruction (I)(1)(a) and (b)of Form10-K and is therefore filing this form with the reduced disclosure format.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of Exelon Corporation's Current Report on Form8-K dated February21, 2003 containing consolidated financial statements and related information for the year ended December31, 2002, are incorporated by reference into Parts II and IV of this Annual Report on Form10-K. Portions of Exelon Corporation's definitive Proxy Statement filed on March13, 2003 relating to its annual meeting of shareholders, are incorporated by reference into PartIII of this Annual Report on Form10-K.

Portions of Commonwealth Edison Company's definitive Information Statement to be filed prior to April30, 2003, relating to its annual meeting of shareholders, are incorporated by reference into PartIII of this Annual Report on Form10-K.

Portions of PECO Energy Company's definitive Information Statement to be filed prior to April30, 2003, relating to its annual meeting of shareholders, are incorporated by reference into PartIII of this Annual Report on Form10-K.

This combined Form10-K is separately filed by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company and Exelon Generation Company, LLC (Registrants). Information contained herein relating to any individual registrant is filed by such registrant in its own behalf. No registrant makes any representation as to information relating to any other registrant.

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Generation

General

On October20, 2000, Exelon became the parent corporation for PECO and ComEd as a result of the completion of the transactions related to the Merger. Generation has included the ComEd's generation-related results of operations in its consolidated financial statements beginning October20, 2000. The estimated impact of the Merger set forth herein reflects the effects ComEd's generation related results of operations prior to October20, 2000.

Results of Operations

Year Ended December31, 2002 Compared To Year Ended December31, 2001

Significant Operating Trends—Generation

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

Net Income

Generation's net income decreased by $124million, or 24% in 2002. Net income was adversely impacted by a lower margin on wholesale energy sales due to depressed market prices for energy, a reduced supply of low-cost nuclear generation, and increased operating and maintenance expense. The decrease was partially offset by increased revenue from the acquisition of two generating plants in April2002, increased investment income, decreased depreciation expense and decreased interest expense.

Operating Revenues

Operating revenues increased $32million, or 1% in 2002. Sales to affiliates increased by $124million. This increase was attributable to weather-related increased deliveries to PECO and ComEd. Revenue from marketing and trading decreased by $143million, which was due to lower market prices on sales and losses sustained from proprietary trading activity. Market sales were negatively impacted by lower average market sales prices of $6.25/MWh. Excluding the benefit of $99million of margin associated with the Texas plants acquisition, average market prices realized for the year ended December31, 2002 were $7.44/MWh lower than the same 2001 period. The effect of the lower sales prices were partially offset by increased market sales volumes. Trading margin decreased $36million, reflecting a $29million loss for the year ended December31, 2002 as compared to a $7million gain in the same 2001 period.

Purchased Power

Purchased power expense increased $188million, or 6% in 2002. This increase in purchased power expense was primarily attributable to a 15.8% increase in purchased power volume. This was partially offset by average purchased power cost decreasing by $4.11/MWh for the year ended December31, 2002 as compared to the same 2001 period. This decrease in average purchased power cost was principally attributed to lower realized wholesale market prices realized and reduced transmission costs.

Fuel

Fuel expense increased $70million in 2002. The increase was principally attributed to increased fossil fuel purchases related to new plant acquisitions in Texas and New England, as well as increased peaking production due to summer demand.

Operating Statistics

For the year ended December31, 2002 and 2001, Generation's sales and the supply of these sales, excluding the trading portfolio, were as follows:

Sales (In GWhs)	2002	2001	% Change
Energy Delivery	118,473	116,917	1.3 %
Exelon Energy	5,502	6,876	(20.0) %
Market Sales	83,565	72,333	15.5 %
Total Sales	207,540	196,126	5.8 %

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

(1) Excluding AmerGen.

(2) Including PPAs with AmerGen.

Trading volume of 69,933GWhs and 5,754GWhs for the year ended December31, 2002 and 2001, respectively, is not included in the table above. Generation's average revenue, supply cost, and margin on energy sales for the years ended December31, 2002 and 2001 were as follows:

($/MWh)	2002	2001	% Change
Average Revenue			
Energy Delivery	$ 33.48	$ 32.55	2.9 %
Exelon Energy	44.87	41.53	8.0 %
Market Sales	30.75	37.00	(16.9)%
Total—excluding the trading portfolio	32.68	34.51	(5.3)%
Average Supply Cost(1)—excluding trading portfolio	$ 20.14	$ 20.26	(0.6)%
Average Margin—excluding the trading portfolio	$ 12.54	$ 14.25	(12.0)%

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

	2002	2001
Nuclear fleet capacity factor(1)	92.7 %	94.4 %
Nuclear fleet production cost per MWh	$ 13.00	$ 12.78
Average purchased power cost for wholesale operations per MWh	$ 41.83	$ 45.94

(1)
Including AmerGen and excluding Salem.

Operating and Maintenance

O&M expense increased $128million, or 9%, for the year ended December31, 2002 compared to the same period in 2001. The increase was due to the additional O&M expense of $80million arising from an increased number of nuclear plant refueling outages during 2002 compared to 2001. Also, O&M expense increased $21million due to plants acquired in 2002, as well as additional allocated corporate costs, including executive severance. These additional expenses were partially offset by other operating cost reductions, including $8million related to fewer employees, a $10million reduction in Generation's severance accrual and other cost reductions from Exelon's Cost Management Initiative. The severance reduction represents a reversal of costs previously charged to operating expense.

Depreciation

Depreciation expense decreased $6million, or 2%, for the year ended December31, 2002 compared to 2001. This decrease is due to a $42million reduction in depreciation expense arising from the extension of the useful lives on certain generation facilities in 2001, partially offset by $32million of additional depreciation expense on capital additions placed in service, including the Southeast Chicago Energy Project in July2002, and two generating plants acquired in April2002.

Taxes Other Than Income

Taxes other than income increased $15million, or 10%, for the year ended December31, 2002 compared to the same period in 2001 due primarily to an $8million increase in property taxes.

Interest Expense

Interest expense decreased $40million, or 35%, for the year ended December31, 2002, compared to the same period in 2001. The decrease is due to $19million of lower interest related to a lower interest rate on the spent nuclear fuel obligation, and $33million of lower affiliate interest expense. This decrease was partially offset by a $21million increase in interest expense due to newly acquired long-term debt.

Equity in Earnings of Unconsolidated Affiliates, net

Equity in earnings of unconsolidated affiliates decreased $3million, or 3%, in 2002 compared to 2001. This decrease was due to a $5million decrease in Generation's equity earnings in AmerGen, primarily due to an increase in pension, medical, and incentive cost, partially offset by an increase in revenue. This decrease was partially offset by an increase of $2million in Generation's equity earnings in Sithe.

Other, Net

Other, Net increased $91million in 2002, compared to 2001. The increase was primarily due to a $103million increase in decommissioning trust fund investment income, partially offset by a $6million decrease in affiliate interest income, and a $6million decrease due to losses on the disposal and retirement of Generation assets.

Income Taxes

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

Cumulative Effect of Changes in Accounting Principles

On January1, 2002, Generation adopted SFAS No.141 resulting in a benefit of $13million (net of income taxes of $9million).

On January1, 2001, Generation adopted SFAS No.133, as amended, resulting in a benefit of $12million (net of income taxes of $7million).

Year Ended December31, 2001 Compared to Year Ended December31, 2000

The October20, 2000 merger of PECO and Unicom, and the January1, 2001 corporate restructuring, significantly impacted Generation's results of operations. To provide a more meaningful analysis of results of operations, the financial analysis below identifies the portion of the components of net income variance that is attributable to the former ComEd generation business unit results of operations and the portion of the variance that results from normal operations attributable to changes in Generation's underlying operations. The merger variance represents the former ComEd generation business unit results for the year ended December31, 2000 prior to the October20, 2000 acquisition date as well as the effect of merger-related costs incurred in 2000. The 2000 effects of the merger and restructuring were developed using estimates of various items, including allocation of corporate overheads and intercompany transactions.

Generation	2001	2000	Variance	Components of Variance: Merger Variance	Components of Variance: Normal Operations
OPERATING REVENUES	$ 6,826	$ 3,274	$ 3,552	$ 2,772	$ 780
OPERATING EXPENSES					
Purchased Power and Fuel	3,995	1,846	2,149	1,690	459
Operating& Maintenance	1,528	800	728	868	(140)
Depreciation	282	123	159	83	76
Taxes Other Than Income	149	64	85	108	(23)
Total Operating Expenses	5,954	2,833	3,121	2,749	372
OPERATING INCOME	872	441	431	23	408
OTHER INCOME AND DEDUCTIONS					
Interest expense	(115)	(41)	(74)	(33)	(41)
Equity in Earnings of Unconsolidated Affiliates, net	90	4	86	—	86
Other, Net	(8)	16	(24)	—	(24)
Total Other Income and Deductions	(33)	(21)	(12)	(33)	21
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES	839	420	419	(10)	429
INCOME TAXES	327	160	167	(9)	176
INCOME BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES	512	260	252	(1)	253
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (net of income taxes)	12	—	12	—	12
NET INCOME	$ 524	$ 260	$ 264	$ (1)	$ 265

Net Income

Generation's net income increased $265million for 2001, compared to 2000 excluding the effects of the Merger. This increase was primarily attributable to higher margins on increased market and affiliate wholesale energy sales, coupled with reduced operating expenses at the nuclear plants, partially offset by additional depreciation and decommissioning expense.

Operating Revenues

Operating revenues increased $780million for 2001, compared to 2000 excluding the effects of the Merger. Operating revenue increased due to higher market prices for energy. The increase in wholesale market prices, particularly in the PJM and MAIN regions, was conversely affected by higher fossil fuel prices. In addition, 2001 energy marketing activity resulted in mark-to-market gains of $16million on non-trading contracts, and $14million on trading contracts. This was partially offset by $6million in realized trading losses.

Purchased Power and Fuel

Purchased power and fuel costs increased $459million for 2001, compared to 2000, excluding the effects of the Merger. This increase was due to increased fuel prices in the first quarter of 2001 compared to the same period in the prior year. Also, Generation experienced an increase in volume sold during the peak demand season in 2001 compared to 2000.

Operating and Maintenance

O&M expenses decreased $140million for 2001, compared to 2000, excluding the effects of the Merger. O&M expenses were favorably affected by reductions in labor costs due to a decline in the number of employees and fewer nuclear outages in 2001 than in 2000, which offset the effect of increases in litigation-related expenses of $30million.

Depreciation

Depreciation expense increased $76million for 2001, compared to 2000, excluding the effects of the Merger. The increase in depreciation expense was primarily due to an increase in decommissioning expense of $140million resulting from the discontinuance of regulatory accounting practices associated with decommissioning costs for the former ComEd operating nuclear generating stations, partially offset by a $90million reduction in depreciation and decommissioning expense attributable to the extension of estimated service lives of generating plants.

Taxes Other Than Income

Taxes other than income taxes decreased $23million for 2001, compared to 2000. Taxes other than income taxes decreased as a result of a reduction in payroll taxes due to a decline in the number of employees and a reduction in property taxes due to property value reassessments.

Interest Expense

Interest expense increased $41million for 2001, compared to 2000, excluding the effects of the Merger. This increase was primarily attributable to increased interest charges of $23million on the note payable to Exelon, interest charges of $26million due to the issuance of $700million of 6.95% senior unsecured notes in a 144A offering in June2001, $23million of additional interest due to a full year of interest charges on the spent fuel obligation compared to only two months in 2000 for the former ComEd generating stations, and $15million of interest charges from affiliates. These increases were partially offset by capitalized interest of approximately $17million.

Equity in Earnings of Unconsolidated Affiliates, net

Equity in earnings of unconsolidated affiliates increased $86million for 2001, compared to 2000. Equity in earnings of unconsolidated affiliates increased primarily due to additional earnings of AmerGen and Sithe of $86million in 2001 reflecting a full year of operations for Sithe and AmerGen's Oyster Creek plant in 2001.

Other, Net

Other, Net decreased $24million for 2001, compared to 2000. Investment income decreased by $29million due to net realized losses of $127million partially offset by interest and dividend income of $67million on the nuclear decommissioning trust funds reflecting the discontinuance of regulatory accounting practices associated with nuclear decommissioning costs for the nuclear stations formerly owned by ComEd. The decrease in investment income was also offset by increased income of $31million due to money market interest and interest on the loan to Sithe recorded in 2001.

Income Taxes

The effective income tax rate was 39.0% for 2001 as compared to 38.1% for 2000. The increase in the effective income tax rate was primarily attributable to a higher effective state income tax rate due to operations in Illinois subsequent to the merger and a reduction in investment tax credit amortization.

Cumulative Effect of Changes in Accounting Principles

On January1, 2001, Generation adopted SFAS No.133, resulting in a benefit of $12million (net of income taxes of $7million).

Liquidity and Capital Resources

Generation's business is capital intensive and requires considerable capital resources. Generation's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financings including the issuance of commercial paper and borrowings or capital contributions from Exelon. Generation's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. Capital resources are used primarily to fund Generation's capital requirements, including construction, investments in new and existing ventures, repayments of maturing debt and the payment of dividends. Any future acquisitions could require external financing or borrowings or capital contributions from Exelon.

Cash Flows from Operating Activities

Cash flows provided by operations were $1,138million in 2002, compared to $1,274million in 2001. The decrease in cash flows from operating activities is primarily due to a $124million decrease in net income, and a $197million decrease in cash flow related to working capital. This decrease is partially offset by a $185million increase in cash flows related to other operating activities not included in working capital. Generation's cash flows from operating activities primarily result from the sale of electric energy to wholesale customers, including Generation's affiliated companies, as well as settlements arising from Generation's trading activities. Generation's future cash flow from operating activities will depend upon future demand and market prices for energy and the ability to continue to produce and supply power at competitive costs.

Generation participates in Exelon's defined benefit pension plans. Exelon's plans currently meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974; however, Exelon made a discretionary plan contribution in 2002 of $150million, of which $60million was funded by Generation. Exelon also expects to make a discretionary plan contribution in 2003 of $300million to $350million.

Cash Flows from Investing Activities

Cash flows used in investing activities were $1,674million in 2002, compared to $1,043million in 2001. Capital expenditures, including investment in nuclear fuel, were $990million in 2002. In addition to the 2002 capital expenditures, Generation purchased two natural-gas and oil-fired generating plants from TXU on April25, 2002. The $443million purchase was funded with commercial paper, which Exelon issued and Generation is repaying from cash flows from operations. The balance of Generation's short-term borrowings at December31, 2002 attributable to the plants purchased from TXU, was approximately $70million. Investing activities also included a $2million use of cash for the November1, 2002 purchase of the Sithe New England assets. The $2million use is net of $12million of cash acquired. The remainder of the purchase was financed with a $534million note issued to Sithe.

In February2002, Generation entered into an agreement to loan AmerGen up to $75million at an interest rate of one-month LIBOR plus 2.25%. In July2002, the loan agreement and the loan were increased to $100million and the maturity date was extended to July1, 2003. As of December31, 2002, the balance of the loan to AmerGen was $35million. Generation has agreed to make capital contributions to AmerGen of 50% of the purchase price of any acquisitions that AmerGen makes. Generation's capital expenditures are expected to be funded by internally generated funds, Generation's borrowings or capital contributions from Exelon.

Cash Flows from Financing Activities

Cash flows provided by financing activities were $370million in 2002, compared to cash used of $11million in 2001. During 2002, Generation obtained a $348million loan from Exelon, which included $331million for the acquisition of two generating plants. The prior year amount represented net distributions of $136million to Exelon and the issuance of long-term debt of $821million. Also, in 2001, Generation repaid $696million it had borrowed from Exelon related to the acquisition of a 49.9% interest in Sithe.

Financing activities in 2002 exclude the non-cash issuance of a $534million note issued to Sithe for the November1, 2002 acquisition of the Sithe New England assets and approximately $1.0billion of Sithe New England long-term debt, which is reflected in Generation's Consolidated Balance Sheets as of December31, 2002.

Credit Issues

Generation meets its short-term liquidity requirements primarily through intercompany borrowings from Exelon and the issuance of commercial paper. Generation, along with Exelon, ComEd and PECO, participates in a $1.5billion unsecured 364-day revolving credit facility with a group of banks. The credit facility became effective on November22, 2002 and includes a term-out option that allows any outstanding borrowings at the end of the revolving credit period to be repaid on November21, 2004. Exelon may increase or decrease the sublimits of each of the participants upon written notification to these banks. As of December31, 2002, there was no sublimit for Generation. The credit facility is expected to be used by Generation principally to support its commercial paper program.

Certain of the credit agreements to which Generation is a party require it to maintain a cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratio excludes certain changes in working capital and interest on Sithe New England's debt. Generation's threshold for the ratio reflected in the credit agreement cannot be less than 3.25 to 1 for the twelve-month period ended December31, 2002. At December31, 2002, Generation was in compliance with the credit agreement thresholds.

At December31, 2002, Generation's capital structure consisted of 49% common stock, 15% notes payable and 36% long-term debt.

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

Generation's access to the capital markets and its financing costs in those markets are dependent on its securities ratings. None of Generation's borrowings is subject to default or prepayment as a result of a downgrading of securities ratings although such a downgrading could increase interest charges under certain bank credit facilities. From time to time Generation enters into energy commodity and other derivative transactions that require the maintenance of investment grade ratings. Failure to maintain investment grade ratings would allow the counterparty to terminate the derivative and settle the transaction on a net present value basis. The following table shows Generation's securities ratings at December31, 2002:

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

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

Under PUHCA, Generation can only pay dividends from undistributed or current earnings. Generation is precluded from lending or extending credit or indemnity to Exelon. At December31, 2002, Generation had undistributed earnings of $924million.

Contractual Obligations, Commercial Commitments and Off-Balance Sheet Obligations

Generation's contractual obligations as of December31, 2002 are as follows:

		Payment Due within			
	Total	1 Year	2-3 Years	4-5 Years	Due After 5 Years
			(In millions)		
Long-Term Debt	$ 2,137	$ 5	$ 1	$ 1,036	$ 1,095
Short-Term Note to Sithe	534	534	—	—	—
Note Payable to Exelon Corporation	329	329	—	—	—
Operating Leases	592	32	45	51	464
Purchased Power Obligations	14,729	2,677	2,987	1,856	7,209
Spent Nuclear Fuel Obligations	858	—	—	—	858
Total Contractual Obligations	$ 19,179	$ 3,577	$ 3,033	$ 2,943	$ 9,626

See ITEM8. Financial Statements and Supplementary Data—Generation, Notes to Consolidated Financial Statements for additional information about:

- Long-Term Debt see Note10
- Short-Term Note to Sithe see Note4
- Notes payable to Exelon for the acquisition of generating plants from TXU see note16
- Operating Leases see Note13
- Purchased Power Obligations see Note13
- Spent Nuclear Fuel Obligation see Note9

Generation has a long-term supply agreement through December2022 with Distrigas to guarantee physical gas supply to Mystic8 and Mystic9 generating units. Under the agreement, prices are indexed to New England gas markets.

Generation has an obligation to decommission its nuclear power plants. Generation's current estimate of decommissioning costs for the nuclear plants owned by Generation is $7.4billion in current year (2003) dollars. Nuclear decommissioning activity occurs primarily after a plant is retired. Based on the extended license lives of its nuclear plants, Generation will begin decommissioning its plants from 2014 through 2056, with expenditures primarily occurring when its operating plants are decommissioned, during the period from 2029 through 2056. At December31, 2002, the decommissioning liability, which is recognized over the life of the plant, was recorded in Generation's Consolidated Balance Sheets as Accumulated Depreciation and Deferred Credits and Other Liabilities in the amounts of $2.8billion and $1.4billion, respectively. To fund future decommissioning costs, Generation held $3.1billion of investments in trust funds, including net unrealized gains and losses, at December31, 2002.

Generation's commercial commitments as of December31, 2002, representing commitments not recorded on the balance sheet but potentially triggered by future events, including obligations to make payment on behalf of other parties and financing arrangements to secure its obligations, are as follows:

		Expiration within			
	Total	2003	2004-2005	2006-2007	2008 and beyond
Credit Facility(a)	$ —	$ —	$ —	$ —	$ —
Letters of Credit (non-debt)(b)	11	6	5	—	—
Letters of Credit (Long-Term Debt)(c)	346	195	151	—	—
Performance Guarantees(d)	101	—	—	—	101
Surety Bonds(e)	43	—	—	—	43
Energy Marketing Contract Guarantees(f)	1	1	—	—	—
Nuclear Insurance Guarantee(g)	134	—	—	—	134
Sithe New England Equity Guarantee(h)	38	38	—	—	—
Total Commercial Commitments	$ 674	$ 240	$ 156	$ —	$ 278

(a)
Credit Facility—Exelon, along with ComEd, PECO and Generation, maintain a $1.5billion 364-day credit facility to support commercial paper issuances. At December31, 2002, there were no borrowings against the credit facility. Generation does not have a sublimit under the facility. Additionally, at December31, 2002, Generation did not have any commercial paper outstanding.

(b)
Letters of Credit (non-debt)—Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties.

(c)
Letters of Credit (Long-Term Debt)—Direct-pay letters of credit issued in connection with variable-rate debt in order to provide liquidity in the event that it is not possible to remarket all of the debt as required following specific events, including changes in the basis of determining the interest rate on the debt.

(d)
Performance Guarantees—Guarantees issued to ensure execution under specific contracts.

(e)
Surety Bonds—Guarantees issued related to contract and commercial surety bonds, excluding bid bonds.

(f)
Energy Marketing Contract Guarantees—Guarantees issued to ensure performance under energy commodity contracts.

(g)
Nuclear Insurance Guarantee—Guarantees of nuclear insurance required under the Price-Anderson Act. This amount relates to Generation's guarantee of AmerGen's plants. Exelon has a $1.2billion guarantee relating to Generation's directly owned plants that is not included in this amount.

(h)

Sithe New England Equity Guarantee—See ITEM8. Financial Statements and Supplementary Data—Generation Note4 of the Notes to Consolidated Financial Statements for further information on the $38million guarantee. After construction of the SBG facilities is complete, Generation could be required to guarantee up to an additional $42million in order to ensure that the SBG facilities have adequate funds available for potential outage and other operating costs and requirements.

Sithe Boston Generation Project Debt. In November2002, Generation purchased the assets of Sithe New England. Sithe Boston Generating, LLC (SBG), a project subsidiary of Sithe New England has a $1.25billion credit facility (SBG Facility), most of which is available to finance the construction projects of SBG. The outstanding balance of this facility at December31, 2002 was $1.0billion. The SBG Facility provides that if these construction projects are not completed by June12, 2003, the SBG Facility lenders will have the right, but will not be required, to, among other things, declare all amounts then outstanding under the SBG Facility and the interest rate swap agreements to be due. Generation believes that the construction projects will be substantially complete by June12, 2003, but that all of the approvals required under the SBG Facility may not be issued by that date. Generation is currently evaluating whether the requirements of the SBG Facility relating to the construction projects can be satisfied by June12, 2003. In the event that the requirements are not expected to be satisfied by June12, 2003, Generation will contact the SBG Facility lenders concerning an amendment or waiver of these provisions of the SBG Facility. Generation currently expects that arrangements for such an amendment or waiver, if necessary, can be successfully negotiated with the SBG Facility lenders.

Unconsolidated Equity Investments. Generation is a 49.9% owner of Sithe and accounts for the investment as an unconsolidated equity investment. The Sithe New England asset purchase did not affect the accounting for Sithe as an equity investment. Separate from the Sithe New England transaction, Generation is subject to a PCA that gives Generation the right to Call the remaining 50.1% of Sithe, and gives the other Sithe shareholders the right to Put their interest to Generation. At the time of the purchase of Sithe in 2000, the other remaining interests in Sithe were held by Vivendi (34.2%), Marubeni (14.9%) and Sithe management (1%). If the Put option is exercised, Generation has the obligation to complete the purchase. At the end of this exercise period, which is December2005, if Generation has not exercised its Call option and the other stockholders have not exercised their Put rights, Generation will have an additional one-time option to purchase shares from the other stockholders to bring Generation's ownership in Sithe from the current 49.9% to 50.1% of Sithe's total outstanding common stock.

The PCA originally provided that the Put and Call options became exercisable as of December18, 2002 and expired in December2005. However, upon Apollo Energy, LLC's (Apollo) purchase of Vivendi's and Sithe management's ownership shares, Apollo agreed to delay the effective date of its Put right until June1, 2003 and, if certain conditions are met, until September1, 2003. There are also certain events that could trigger Apollo's Put right becoming effective prior to June1, 2003 including Exelon being downgraded below investment grade by Standard and Poor's Rating Group or Moody's Investors Service,Inc., a stock purchase agreement between Generation and Apollo being executed and subsequently terminated, or the occurrence of any event of default, other than a change of control, under certain Generation or Apollo credit agreements. Depending on the triggering event, the Put price of approximately $460million, growing at a market rate of interest, needs to be funded within 18 or 30days of the Put being exercised. There have been no changes to the Put and Call terms with respect to Marubeni's remaining interest.

The delay in the effective date of Apollo's Put right allows Generation to explore a further restructuring of its investment in Sithe. Generation is continuing discussions with Apollo and Marubeni regarding restructuring alternatives that are designed in part to resolve its ownership limitations of Sithe's qualifying facilities. In addition, Generation is exploring the sale of its interest in Sithe. In the event of a sale, Generation may recognize a one-time loss. Generation would hope to implement any additional restructuring or a sale of its Sithe investment in 2003. If Generation is unsuccessful in restructuring the Sithe transaction or selling its interest and, as a result, purchases the remaining 50.1% of Sithe under the PCA, Generation will proceed to implement measures to address the ownership of the qualified facilities as well as divest non-strategic assets, for which the outcome is uncertain.

If Generation exercises its option to acquire the remaining outstanding common stock in Sithe, or if all the other stockholders exercise their Put Rights, the purchase price for Apollo's 35.2% interest will be approximately $460million, growing at a market rate of interest. The additional 14.9% interest will be valued at fair market value subject to a floor of $141million and a ceiling of $290million.

If Generation increases its ownership in Sithe to 50.1% or more, Sithe may become a consolidated subsidiary and Generation's financial results may include Sithe's financial results from the date of purchase. At December31, 2002, Sithe had total assets of $2.6billion and total debt of $1.3billion. This $1.3billion includes $624million of subsidiary debt incurred primarily to finance the construction of six new generating facilities, $461million of subordinated debt, $103million of line of credit borrowings, $43million of current portion of long-term debt and capital leases, $30million of capital leases, and excludes $453million of non-recourse project debt associated with Sithe's equity investments. For the year ended December31, 2002, Sithe had revenues of $1.0billion. As of December31, 2002, Generation had a $478million equity investment in Sithe.

Additionally, the debt on the books of Generation's unconsolidated equity investments and joint ventures is not reflected on Generation's Consolidated Balance Sheets. Generation estimates that this debt, including Sithe's debt described in the preceding paragraph, totals approximately $1.3billion and that Generation's portion of that amount, based on its ownership interest in the investments, is approximately $673million.

Generation's equity investment in AmerGen was $160million and $95million at December31, 2002 and 2001, respectively. Generation and British Energy, Generation's joint venture partner in AmerGen, have each agreed to provide up to $100million to AmerGen at any time that the Management Committee of AmerGen determines that, in order to protect the public health and safety and/or to comply with NRC requirements, these funds are necessary to meet ongoing operating expenses or to safely maintain any AmerGen plant. The current financial condition of British Energy has been the focus of media attention recently. Generation cannot predict the ability of British Energy to provide funds to AmerGen. However, Generation does not believe this will impact AmerGen's ability to conduct its business.

Other

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

The NRC regulates the sufficiency of Generation's nuclear decommissioning trust funds. Generation is required to provide to the NRC a biennial report by unit (annually for the retired units) addressing Generation's ability to meet the NRC estimated funding levels (NRC Funding Levels) with scheduled contributions and earnings of the decommissioning trust funds. As of December 31, 2002, Generation has a number of units, which, due to current market conditions, are being funded at a rate less than anticipated with respect to the NRC's Funding Levels. Generation's calculations indicate that over time Generation may need to adjust its funding levels by up to $190 million, or less than 5% of the total. Generation will submit its biennial report to the NRC at the end of March 2003. At that time, Generation will address potential actions, in accordance with NRC requirements, to assure that Generation will remain adequately funded compared to the NRC Funding Levels. Taking into account anticipated license extensions, long-term earnings of fund investments and other factors, Generation still believes that scheduled regulated collections from ComEd and PECO customers will provide adequate funding to decommission its nuclear facilities in accordance with regulatory requirements in spite of any temporary shortfall in NRC Funding Levels.

Critical Accounting Estimates

See ComEd, PECO and Generation—Critical Accounting Estimates above for a discussion of Generation's Critical Accounting Estimates.

Business Outlook and the Challenges in Managing Our Business

Generation faces a number of challenges in achieving its vision and keeping its commitments to its customers and investors; however, there are two principal areas where Generation focuses its attention. First, Generation's financial performance is significantly affected by the availability and utilization of its generation facilities. As the largest U.S. nuclear generator, Generation faces operational and regulatory risks that, if not managed diligently, could have significant adverse consequences. Second, Generation's results of operations are directly affected by wholesale energy prices. Energy prices are driven by demand factors such as weather and economic conditions in Generation's service territories. They are also driven by supply factors in the regions where Generation operates currently have excess capacity. Over the last several years, wholesale prices of electricity have generally been low. The possibility of continued low wholesale prices, coupled with a continued economic recessionary trend, could adversely affect Generation's business. These and other challenges that will affect how Generation manages its business are described below.

Generation operates a fleet of generating assets and markets the output of a portfolio of supply, which includes 100% owned assets, co-owned facilities and purchased power. As discussed previously, Generation has entered into long-term PPAs with ComEd and PECO. The majority of Generation's portfolio is used to provide power under these agreements. To the extent the portfolio is not needed to supply power to ComEd or PECO, its output is sold on the wholesale market. Generation's ability to grow is dependent upon its ability to cost-effectively meet ComEd's and PECO's load requirements, to manage its power portfolio and to effectively handle the changes in the wholesale power markets.

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

The ownership and operation of nuclear facilities involve certain risks, including: mechanical or structural problems; inadequacy or lapses in maintenance protocols; the impairment of reactor operation and safety systems due to human error; the costs of storage, handling and disposal of nuclear material; and uncertainties with respect to the technological and financial aspects of decommissioning nuclear facilities at the end of their useful lives. The following are among the more significant of these risks:

Operational risk. Operations at any nuclear generation plant could degrade to the point where Generation would have to shut down the plant. If this were to happen, the process of identifying and correcting the causes of the operational downgrade to return the plant to operation could require significant time and expense, resulting in both lost revenue and increased purchased power and fuel expense to meet its supply commitments. For plants operated by Generation but not wholly-owned by Generation, Generation could incur liabilities to the co-owners. Generation may choose to close a plant rather than incur substantial costs to restart the plant.

Nuclear accident risk. Although the safety record of nuclear reactors has been very good, accidents and other unforeseen problems have occurred both in the United States and elsewhere. The consequences of an accident can be severe and may include loss of life and property damage. Any resulting liability from a nuclear accident could exceed Generation's insurance coverages and significantly affect its results of operations or financial position. See ITEM 8. Financial Statements and Supplementary Data—Generation Note13 of the Notes to Consolidated Financial Statements for further discussion of nuclear insurance.

Nuclear regulation. The NRC may modify, suspend or revoke licenses and impose civil penalties for failure to comply with the Atomic Energy Act, the regulations under it or the terms of the licenses of nuclear facilities. Changes in regulations by the NRC that require a substantial increase in capital expenditures or that result in increased operating or decommissioning costs could adversely affect Generation's results of operations or financial condition. Events at nuclear plants owned by others, as well as those owned by Generation, may initiate such actions. Additional security requirements could also be imposed.

Plant life extensions. In 2001, Generation extended the estimated lives of certain nuclear stations. This change in estimate reflects the current and planned applications to the NRC to renew the operating licenses of Generation's nuclear stations. These applications for renewal, if approved by the NRC, will allow Generation to operate these plants for an additional 20years longer than originally authorized. Nuclear station service life extensions are subject to NRC approval of an extension of existing NRC operating licenses, which are generally 20years. Generation continues to fully believe that any such applications for renewal of operating licenses will be approved. However, if the NRC does not extend the operating licenses for Generation's nuclear stations, Generation's results of operations could be adversely affected by increased depreciation rates and accelerated future decommissioning payments.

Generation's financial performance is affected in large measure by the availability and use of its nuclear generation capacity.

Nuclear capacity factors. Generation capacity factors, particularly nuclear capacity factors, significantly affect its results of operations. Nuclear plant operations involve substantial fixed operating costs, but produce electricity at low marginal costs due to low variable fuel costs. Consequently, to be successful, Generation must consistently operate its nuclear generating facilities at high capacity factors. Generation's nuclear fleet performed at a 92.7% capacity factor (which represents the percentage of the total maximum energy that could be produced if facilities were operating full-time year round) in 2002 and is targeted to operate at a 94.2% capacity factor in 2003. In calculating capacity factors, Generation's nuclear fleet includes the AmerGen plants and excludes the Salem generation facility, which is operated by Public Service Enterprise Group Incorporated (PSE&G). Lower capacity factors would increase its operating costs and could require Generation to generate additional energy from its fossil or hydroelectric facilities or purchase additional energy in the spot or forward markets in order to satisfy its obligations to ComEd and PECO and other committed third-party sales. These sources generally are at a higher cost than Generation otherwise would have incurred to generate energy from its nuclear stations.

Refueling outage scheduling at nuclear plants affects availability and costs. Outages at nuclear stations to replenish fuel require the station to be "turned off." Refueling outages are planned to occur once every 18 to 24months and currently average approximately 22days in duration. Generation has significantly decreased the length of refueling outages in recent years. However, when refueling outages last longer than anticipated or Generation experiences unplanned outages, Generation faces lower margins due to higher energy replacement costs and/or lower energy sales. Each twenty-day outage, depending on the capacity of the station, will decrease the total nuclear annual capacity factor between 0.1% and 0.4%. The number of refueling outages, including AmerGen, will decrease to eight in 2003 from eleven in 2002. Maintenance and capital expenditures are expected to decrease by approximately $45million and $10million, respectively, in 2003 as compared to 2002 as a result of fewer nuclear refueling outages.

Nuclear fuel quality may affect costs. The quality of nuclear fuel utilized by Generation can affect the efficiency and costs of its operations. Certain Generation nuclear units have recently identified to have a limited number of fuel performance issues. While actions have been taken in accordance with Generation's policies and procedures to ensure there are no public, personnel or operational issues, evaluation continues and further actions are under consideration. These actions, such as down powers, mid-cycle outages, and/or accelerated replacement of suspect fuel assemblies, will result in increased costs in 2003. In March2003, a decision was made to replace suspect fuel assemblies at the Quad Cities Unit1 facility. The 2003 impact from this decision is estimated to be approximately $20million, before income taxes. Generation continues to evaluate other units that utilize similar fuel assemblies, but there currently are no plans to replace this fuel on an accelerated basis.

Generation is directly affected by wholesale energy prices.

Generation sells energy in the wholesale markets after meeting its contractual commitments to Energy Delivery and other parties. These sales expose Generation to the risks of rising and falling prices in those markets, and cash flows may vary accordingly. The amount of generation capacity that is exposed to the volatility of market prices depends inversely on the level of demand at ComEd and PECO.

The wholesale prices of electricity have generally been lower than historical levels over the last few years. A continued trend of low wholesale electricity prices could negatively affect Generation's results of operations. Factors that affect wholesale energy prices include the overall demand for energy, fossil fuel costs and excess capacity within the industry.

Demand for energy. An increased demand for energy will normally cause energy prices to increase; however, if this increase in demand drives an incremental increase in supply, energy prices may be less affected. The demand for energy is directly affected by weather conditions and economic conditions in Generation's service territories.

Weather conditions. Generation's operations are affected by weather, which affects demand for electricity as well as operating conditions. Generation manages its business based upon normal weather assumptions. To the extent that weather is warmer in the summer or colder in the winter than assumed, Generation may require greater resources to meet its contractual requirements to ComEd and PECO. Extreme summer conditions or storms may affect the availability of generation capacity and transmission, limiting Generation's ability to send power to where it is sold. These conditions, which may not have been fully anticipated, may have an adverse affect by causing Generation to seek additional capacity at a time when wholesale markets are tight or to seek to sell excess capacity at a time when those markets are weak. Generation does incorporate contingencies into its planning for extreme weather conditions, including reserving capacity to meet summer loads at levels representative of warmer than normal weather conditions.

Economic conditions. Economic conditions and activity in ComEd's and PECO's service territories directly affect the demand for electricity and gas. Changes in economic conditions and activity in ComEd's and PECO's service territories and in other parts of the United States can affect the level of operations required in the generating facilities as well as the prevailing prices of electricity and gas in the wholesale markets in which Generation does business.

Fossil fuel costs. At any given time, the open market wholesale price of electricity is affected by the cost of supplying one more unit of electricity to the market at that time. Many times the next unit of electricity supplied would be supplied from generating stations fueled by fossil fuels, primarily natural gas. Consequently, the open market wholesale price of electricity may reflect the cost of gas plus the spark spread, the cost to convert gas to electricity. Therefore, changes in the cost of gas may impact the open market wholesale price of electricity.

Excess capacity. In addition to being affected by demand factors such as weather, the economy, and fossil fuel costs, energy prices are also impacted by the amount of supply available in a region. In the markets where Generation sells power, there has been a significant increase in the number of new power plants coming on-line which has driven down power prices over the last few years. An "excess supply" problem currently exists in many parts of the country. A key factor for Generation's future earnings is the timing of a return to more normal levels in the supply-demand balance within the regions where Generation operates.

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

The generation assets transferred to Generation by ComEd and PECO during the 2001 corporate restructuring, the generating plants acquired in 2002 and Generation's investments in Sithe and AmerGen provide a critical mass of generation capacity and a leadership position in energy wholesale markets. Generation's resources, including AmerGen, include interest in 11 nuclear generation stations, consisting of 19 units, which generated 125,916 GWhs, or more than half of Generation's total supply in 2002. As the largest generator of nuclear power in the United States, Generation can take advantage of its scale and scope to negotiate favorable terms for the materials and services required. Generation's nuclear plants benefit from stable fuel costs, minimal environmental impact from operations, and a safe operating history.

Generation's financial performance will be affected by its ability to effectively operate and integrate the assets of Sithe New England into its business and to market the output.

In November 2002, Generation acquired the generating assets of Sithe New England, which includes 2,421 MWs of gas-fired combined facilities under construction and several operating generating facilities, which together with the assets under construction total 4,066 MWs of capacity. The facilities under construction (Mystic 8, Mystic 9, and Fore River) are currently in the final stages of construction and testing. Generation anticipates commercial operation dates during the second quarter of 2003. These projects have experienced delays in construction and any further delays could adversely affect Generation's results. See further discussion of the Sithe Boston Generation Project Debt in the Liquidity and Capital Resources section of ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Generation. With the continued low wholesale energy prices, Generation anticipates that the effects of its Sithe investment and the Sithe New England acquisition will be dilutive to earnings by approximately $125 million before income taxes in 2003.

Power Team has not fully committed the output from these facilities into the New England markets. As such, the uncommitted capacity of the Sithe New England assets is subject to the fluctuations in market demand and market prices.

Substantially all of the natural gas requirements for Mystic 8 and Mystic 9 will be supplied through a twenty-year natural gas contract that became effective on December1, 2002 with Distrigas. The Distrigas facilities consist of a LNG import terminal located adjacent to the Mystic station. Generation is anticipating an additional pipeline gas supply arrangement to supplement LNG supplies to be in service by early 2005. In the interim, any disruption in LNG supplies to the Distrigas facilities could restrict the operating abilities of Mystic 8 and Mystic 9.

The interaction between ComEd and PECO's businesses and Generation's businesses provide a partial hedge.

The price of power purchased and sold in the open wholesale energy markets can vary significantly in response to market conditions. Both ComEd and PECO have entered into long-term agreements for the next several years with Generation to procure the power at fixed rates needed to meet the demand of their customers. The amounts provided to affiliates vary from month to month; however, delivery requirements are generally highest in the summer when wholesale power prices are also generally highest. Therefore, energy committed to serve ComEd and PECO customers is not exposed to the price uncertainty of the open wholesale energy market. Consequently, Generation has limited its earnings exposure to the volatility of the wholesale energy market to the energy generated beyond the ComEd and PECO requirements, as well as any other contracted longer term obligations. Generally, between 60% and 70% of Generation's electricity generated serves ComEd and PECO customers. Generation expects such levels to decrease to between 55% and 60% as a result of activating the acquired Sithe New England plants, which are currently under construction. One of the responsibilities of Power Team is to establish a hedging strategy, incorporating the load obligations of ComEd and PECO, to minimize the contracted volatility of Generation's earnings and cash flows, and to maximize the value of economic generation in excess of that needed to serve ComEd and PECO requirements.

Generation's financial performance depends on its ability to respond to competition in the energy industry.

As a result of industry restructuring, numerous generation companies created by the disaggregation of vertically integrated utilities have become active in the wholesale power generation business. In addition, independent power producers (IPP) have become prevalent in the wholesale power industry. In recent years, IPPs and the generation companies of disaggregated utilities have installed new generating capacity at a pace greater than the growth of electricity demand. As a result, the energy generation business is currently suffering from over capacity in certain parts of the country, which reduces wholesale energy prices. As discussed above, Generation is well positioned because it has entered into agreements for the next several years with ComEd and PECO to sell the power needed to meet the demand of their customers. These agreements provide a mechanism to enhance stability in Generation's earnings and limit its exposure to the negative effects of wholesale markets.

The commencement of commercial operation of new generating facilities in the regional markets where Generation has facilities or contracts for power, such as the Midwest, Mid-Atlantic, Northeast and South (including certain sections of Texas), would likely decrease wholesale power market prices in those regions, which could have a negative effect on Generation's business and results of operations.

Generation's financial performance may be affected by the marketing, trading and risk management activities of Power Team.

Generation's wholesale marketing unit, Power Team,

- uses Generation's energy generation portfolio, transmission rights and its power marketing expertise to manage delivery of energy to wholesale customers, including ComEd and PECO, under long-term and short-term contracts,
- participates in the wholesale energy market to hedge its open energy (power and fossil fuels) positions,
- manages commodity and counterparty credit risks through the use of documented risk and credit policies, and
- uses its energy market expertise to engage in trading activities for speculative purposes on a limited basis.

Power Team has substantial experience in energy markets, generation dispatch and the requirements for the physical delivery of power. Power Team may buy power to meet the energy demand of its customers, including ComEd and PECO. These purchases may be made for more than the energy demanded by Power Team's customers. Power Team then sells this open position, along with Generation's capacity not used to meet customer demand, in the wholesale energy market.

Power Team began proprietary trading activities in 2001, but this activity accounts for a small portion of Power Team's efforts. In 2002, proprietary trading activities resulted in an $18million after-tax reduction in earnings. Power Team will continue proprietary trading activities but in a more limited capacity given the current lack of liquidity of power markets and reduced number of creditworthy counterparties.

Power Team has managed to avoid the recent managerial problems experienced in the energy trading industry through the strict adherence to prudent risk management practices. However, the recent failures of energy companies and their related energy trading practices over the last year have diminished the size and depth of the wholesale energy market. Generation cannot predict how this will affect Power Team's trading operations in the future.

Generation depends on counterparties fulfilling their obligations.

Generation's trading, marketing and contracting operations are exposed to the risk that counterparties, which owe Generation money or energy as a result of market transactions, will not perform their obligations. In order to evaluate the viability of Generation's counterparties, Generation has implemented credit risk management procedures designed to mitigate the risks associated with these transactions. Energy supplied by third-party generators, including AmerGen and Sithe, under long-term agreements represents a significant portion of Generation's overall capacity. These third-party generators face operational risks such as those that Generation faces, and their ability to perform also depends on their financial condition. In the event the counterparties to these arrangements fail to perform, Generation might be forced to honor the underlying commitment at then-current market prices and incur additional losses, to the extent of amounts, if any, already paid to the counterparties. 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. These agreements reduce Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. The credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

See the Credit Risk section in ITEM7A. Quantitative and Qualitative Disclosures about Market Risk—Generation for further discussions on specific credit risk matters such as Generation's potential counterparty exposures, including DynegyInc. (Dynegy).

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

Regional Transmission Organizations/Standard Market Design. Generation is dependent on wholesale energy markets and open transmission access and rights by which it delivers power to its wholesale customers, including ComEd and PECO. Generation uses the wholesale regional energy markets to sell power that it does not need to satisfy long-term contractual obligations, to meet long-term obligations not provided by its own resources, and to take advantage of price opportunities.

Wholesale spot markets have only been implemented in certain areas of the country and each market has unique features that may create trading barriers between the markets. Although FERC has proposed initiatives, including Order 2000 and the proposed SMD rule, to encourage the development of large regional, uniform markets and to eliminate trade barriers, these initiatives have not yet led to the development of such markets all across the country. PJM's market strongly resembles FERC's proposal, and both the New England Independent System Operator (NE-ISO) and the New York Independent System operator (NYISO) are implementing market reforms. Generation strongly encourages the development of standardized energy markets and support FERC's standardization efforts as being essential to wholesale competition in the energy industry and to Generation's ability to compete on a national basis and to meet its long-term contractual commitments efficiently.

Approximately 26% of Generation's current generation resources are located in the region encompassed by PJM. If the PJM market is expanded to the Midwest, 82% of Generation's current assets will be located within the expanded market. The PJM market has been the most liquid regional market and is largely consistent with the standard market design proposed by FERC. Generation's future results of operations may be impacted by the successful expansion of that market to the Midwest and the implementation of any market changes mandated by FERC.

Provider of Last Resort. As noted, ComEd and PECO have a POLR obligation that they have largely assigned to Generation through the full requirements contracts that it has with Generation. Currently both ComEd and PECO have entered into PPAs with Generation to provide 100% of their respective energy requirements. ComEd's PPA with Generation is for 100% of its required load through 2004 at fixed prices, and in 2005 and 2006 it equals 100% of the output of ComEd's former nuclear plants, now owned by Generation at market based prices. PECO's PPA with Generation is a full load requirements contract through 2010. Exelon intends to revise the PPA between ComEd and Generation to be a full requirements contract in 2005 and 2006. Additionally, the PPAs between Generation, ComEd and PECO may be extended beyond their current expiration dates. ComEd and PECO continue to work on resolution of the POLR issues with their respective state regulatory commissions and other market participants.

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

Generation's business is capital intensive and requires significant investments in energy generation and in other internal infrastructure projects. As mentioned previously, as part of Generation's recent acquisition of the assets of Sithe New England, Generation is in the process of completing the construction of three high-efficiency generating facilities with projected capacity of 2,421 MWs of energy. The inability to effectively manage the capital projects, such as the Sithe New England facilities, could adversely affect Generation's results from operations.

Capital Markets/Financing Environment

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

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

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

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

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

Generation has investment grade ratings and has been successful in raising capital, which has been used to further its business initiatives. Also, from time to time, Generation enters into energy commodity and other contracts that require the maintenance of investment grade ratings. Failure to maintain investment grade ratings would require Generation to incur higher financing costs and would allow, but not in most instances require, counterparties to energy commodity contracts to terminate the contracts and settle the transaction. Also, the failure to maintain investment grade ratings would restrict Generation's access to the wholesale energy markets.

Equity market performance affects Generation's decommissioning trust funds and Exelon's benefit plan asset values.

The sharp decline in the equity markets since the third quarter of 2000 has reduced the value of the assets held in trusts to satisfy the obligations of pension and postretirement benefit plans and the eventual nuclear generation station decommissioning requirements. If the markets continue to decline, Exelon may have higher funding requirements and pension and other postretirement benefit expense. Exelon will continue to manage the assets in the pension and postretirement benefit plans and nuclear decommissioning trusts in order to achieve the best return possible in conjunction with Exelon's overall risk management practices and diversified approach to investment. See ITEM7. ComEd, PECO,

Gneration—Critical Accounting Estimates section that more fully describes the quantitative financial statement effects of changes in the equity markets on the nuclear decommissioning trust funds and benefit plan assets.

Other

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

Generation's businesses are subject to extensive environmental regulation by local, state and Federal authorities. These laws and regulations affect the manner in which Generation conducts its operations and makes its capital expenditures. These regulations affect how Generation handles air and water emissions and solid waste disposal and are an important aspect of Generation's operations. In addition, Generation is subject to liability under these laws for the costs of remediating environmental contamination of property now or formerly owned by ComEd or PECO and of property contaminated by hazardous substances generated. Generation believes that it has a responsible environmental management and compliance program; however, Generation has incurred and expects to incur significant costs related to environmental compliance and site remediation and clean-up. Generation is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2002, Generation's reserve for environmental investigation and remediation costs was $15 million, exclusive of decommissioning liabilities. Generation has accrued and will continue to accrue amounts that management believes are prudent to cover these environmental liabilities, but Generation cannot predict with any certainty whether these amounts will be sufficient to cover its environmental liabilities. Generation cannot predict whether it will incur other significant liabilities for any additional investigation and remediation costs at additional sites not currently identified by Generation, environmental agencies or others, or whether such costs will be recoverable from third parties.

Generation's financial performance is affected by its ability to manage costs for security and liability insurance.

Security. Generation does not fully know the impact that future terrorist attacks or threats of terrorism may have on its industry in general and on itself in particular. The events of September 11, 2001 have affected Generation's operating procedures and costs. Generation has initiated security measures to safeguard its employees and critical operations and is actively participating in industry initiatives to identify methods to maintain the reliability of its energy production and delivery systems. Generation has met or exceeded all security measures mandated by the NRC for nuclear plants after the September 11, 2001 terrorist attacks. These security measures resulted in increased costs in 2002 of $19 million, of which approximately $10 million was capitalized. On a continuing basis, Generation is evaluating enhanced security measures at certain critical locations, enhanced response and recovery plans and assessing long-term design changes and redundancy measures. Additionally, the energy industry is working with governmental authorities to ensure that emergency plans are in place and critical infrastructure vulnerabilities are addressed in order to maintain the reliability of the country's energy systems. These measures will involve additional expense to develop and implement, but will provide increased assurances as to Generation's ability to continue to operate under difficult times.

Nuclear liability insurance. The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. The current limit is $9.5 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. As required by the Price-Anderson Act, Generation carries nuclear liability insurance in the maximum available amount (currently $300 million per site). Claims exceeding that amount are covered through mandatory participation in a financial protection pool. The Price-Anderson Act expired on August 1, 2002, but existing facilities, such as those owned and operated by Generation, remain covered. The provisions of the Price-Anderson Act related to commercial facilities have been extended through 2003. The extension affects facilities obtaining NRC operating licenses in 2003. Existing facilities are unaffected by the extension.

Other insurance. In addition to nuclear liability insurance, Generation also carries property damage and liability insurance for its properties and operations. As a result of significant changes in the insurance marketplace, due in part to the September 11, 2001 terrorist acts, the available coverage and limits may be less than the amount of insurance obtained in the past, and the recovery for losses due to terrorists acts may be limited. Generation is self-insured to the extent that any losses may exceed the amount of insurance maintained.

A claim that exceeds the amounts available under Generation's property damage and liability insurance would negatively affect its results of operations. NEIL, a mutual insurance company to which Generation belongs, provides property and business interruption insurance for its nuclear operations. In recent years, NEIL has made distributions to its members. Generation's distribution for 2002 was $40 million, which was recorded as a reduction to O&M expense on its Consolidated Statements of Income. Generation cannot predict the level of future distributions.

The possibility of attack or war may adversely affect Generation's results of operations, future growth and ability to raise capital.

Any military strikes or sustained military campaign may affect Generation's operations in unpredictable ways, such as increased security measures and disruptions of fuel supplies and markets, particularly oil and LNG. Just the possibility that infrastructure facilities, such as electric generation, transmission and distribution facilities, would be direct targets of, or indirect casualties of, an act of terror or war may affect Generation's operations. War and the possibility of war may have an adverse effect on the economy in general. A lower level of economic activity might result in a decline in energy consumption, which may adversely affect Generation's revenues or restrict its future growth. Instability in the financial markets as a result of war may affect Generation's ability to raise capital.

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

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

New Accounting Pronouncements

See ComEd, PECO and Generation—New Accounting Pronouncements above for a discussion of new accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exelon

The information required by this Item is incorporated herein by reference to the information appearing under the subheading "Quantitative and Qualitative Disclosures About Market Risk" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 99-3 to Exelon's Current Report on Form 8-K dated February 21, 2003.

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Statements of Income

	For the Year Ended December 31, 2002	2001	2000
	(In millions)		
OPERATING REVENUES			
Operating Revenues	$ 2,631	$ 2,723	$ 1,723
Operating Revenues from Affiliates	4,227	4,103	1,551
Total Operating Revenues	6,858	6,826	3,274
OPERATING EXPENSES			
Purchased Power	2,980	2,924	1,315
Purchased Power from Affiliates	314	182	52
Fuel	959	889	479
Operating and Maintenance	1,504	1,400	754
Operating and Maintenance from Affiliates	152	128	46
Depreciation and Amortization	276	282	123
Taxes Other Than Income	164	149	64
Total Operating Expense	6,349	5,954	2,833
OPERATING INCOME	509	872	441
OTHER INCOME AND DEDUCTIONS			
Interest Expense	(68)	(77)	(39)
Interest Expense from Affiliates	(7)	(38)	(2)
Equity in Earnings of Unconsolidated Affiliates, net	87	90	4
Interest Income from Affiliates	6	12	—
Other, Net	77	(20)	16
Total Other Income and Deductions	95	(33)	(21)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	604	839	420
INCOME TAXES	217	327	160
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	387	512	260
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (net of income taxes of $9 and $7, respectively)	13	12	—
NET INCOME	$ 400	$ 524	$ 260

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Statements of Cash Flow

	For the Year Ended December 31, 2002	2001	2000
	(In millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 400	$ 524	$ 260
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:			
Depreciation and Amortization, including nuclear fuel	640	682	289
Cumulative Effect of a Change in Accounting Principle (net of income taxes)	(13)	(12)	—
Provision for Uncollectible Accounts	26	16	2
Deferred Income Taxes	132	23	(60)
Equity in (Earnings) Losses of Unconsolidated Affiliates	(87)	(90)	(4)
Net Realized Losses on Nuclear Decommissioning Trust Funds	32	127	—
Other Operating Activities	55	(146)	51
Changes in Working Capital:			
Accounts Receivable	(263)	142	(158)
Changes in Receivables and Payables to Affiliates, net	(72)	7	(243)
Inventories	(33)	(28)	(58)
Accounts Payable, Accrued Expenses and Other Current Liabilities	404	26	360
Other Current Assets	(83)	3	37
Net Cash Flows provided by Operating Activities	1,138	1,274	476
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital Expenditures	(990)	(858)	(288)
Investment in Sithe Energies, Inc.	—	—	(704)
Acquisition of Generating Plants	(445)	—	—
Proceeds from Nuclear Decommissioning Trust Funds	1,612	1,624	265
Investment in Nuclear Decommissioning Trust Funds	(1,824)	(1,863)	(380)
Note Receivable from Affiliate	(35)	14	1
Other Investing Activities	8	40	(58)
Net Cash Flows used in Investing Activities	(1,674)	(1,043)	(1,164)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in Note Payable, Affiliate	329	(696)	696
Contribution from Minority Interest in Consolidated Subsidiary	43	—	—
Issuance of Long-Term Debt	30	821	—
Retirement of Long-Term Debt	(5)	(4)	(4)
Distribution Paid to Member	(27)	(132)	—
Net Cash Flows provided by (used in) Financing Activities	370	(11)	692
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(166)	220	4
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	224	4	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 58	$ 224	$ 4

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Balance Sheets

	December 31, 2002	December 31, 2001
	(in millions)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 58	$ 224
Accounts Receivable, net		
Customer	587	316
Other	57	122
Receivables from Affiliates	594	401
Inventories, at average cost		
Fossil Fuel	140	105
Materials and Supplies	217	202
Deferred Income Taxes	7	—
Other	145	65
Total Current Assets	1,805	1,435
PROPERTY, PLANT AND EQUIPMENT, NET	4,800	2,003
DEFERRED DEBITS AND OTHER ASSETS		
Nuclear Decommissioning Trust Funds	3,053	3,165
Investments	657	816
Receivable from Affiliate	220	291
Deferred Income Taxes	271	205
Other	201	223
Total Deferred Debits and Other Assets	4,402	4,700
TOTAL ASSETS	$ 11,007	$ 8,138
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due within One Year	$ 5	$ 4
Accounts Payable	1,089	585
Payables to Affiliates	10	34
Notes Payable to Affiliates	863	—
Accrued Expenses	480	303
Other	216	171
Total Current Liabilities	2,663	1,097
LONG-TERM DEBT	2,132	1,021
DEFERRED CREDITS AND OTHER LIABILITIES		
Unamortized Investment Tax Credits	226	234
Nuclear Decommissioning Liability for Retired Plants	1,394	1,353
Pension Obligation	37	118
Non-Pension Postretirement Benefits Obligation	410	384
Spent Nuclear Fuel Obligation	858	843
Other	334	280
Total Deferred Credits and Other Liabilities	3,259	3,212
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST OF CONSOLIDATED SUBSIDIARY	54	—
MEMBER'S EQUITY		
Membership Interest	2,296	2,315
Undistributed Earnings	924	524
Accumulated Other Comprehensive Income (Loss)	(321)	(31)
Total Member's Equity	2,899	2,808
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 11,007	$ 8,138

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Statements of Changes in Divisional/Member's Equity

	Divisional Equity	Membership Interest	Undistributed Earnings (In millions)	Accumulated Other Comprehensive Income	Total Member's Equity
Balance, December 31, 1999	$ 950	$ —	$ —	$ —	$ 950
Net Income	260	—	—	—	260
Unicom Merger Consideration	1,400	—	—	—	1,400
Balance, December 31, 2000	2,610	—	—	—	2,610
Formation of LLC	(2,610)	2,610	—	—	—
Net Income	—	—	524	—	524
Non-Cash distribution to member	—	(174)	—	—	(174)
Distribution to member	—	(121)	—	—	(121)
Reclassified net unrealized losses					
On marketable securities, net of income taxes of $(22)	—	—	—	(23)	(23)
Other Comprehensive Income, net of income taxes of $(16)	—	—	—	(8)	(8)
Balance, December 31, 2001	—	2,315	524	(31)	2,808
Net Income	—	—	400	—	400
Distribution to member	—	(30)	—	—	(30)
Allocation of tax benefit from Member	—	11	—	—	11
Other Comprehensive Income, net of income taxes of $(223)	—	—	—	(290)	(290)
Balance, December 31, 2002	$ —	$ 2,296	$ 924	$ (321)	$ 2,899

See Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31,		
	2002	2001	2000
	(In millions)		
Net Income	$ 400	$ 524	$ 260
Other Comprehensive Income			
SFAS 133 Transition Adjustment, net of income taxes of $3	$ —	$ 5	$ —
Cash Flow Hedge Fair Value Adjustment, net of income taxes of $(108) and $29, respectively	(170)	48	—
Unrealized Gain (Loss) on Marketable Securities, net of income taxes of $(110) and $(31), respectively	(113)	(32)	—
Realized loss on forward starting interest rate swap net of income taxes of $(1)	—	(2)	—
Interest in Other Comprehensive Income of Unconsolidated Affiliates Net of income taxes of $(5) and $(16), respectively	(7)	(27)	—
Total Other Comprehensive Income	(290)	(8)	—
Total Comprehensive Income	$ 110	$ 516	$ 260

See Notes to Consolidated Financial Statements