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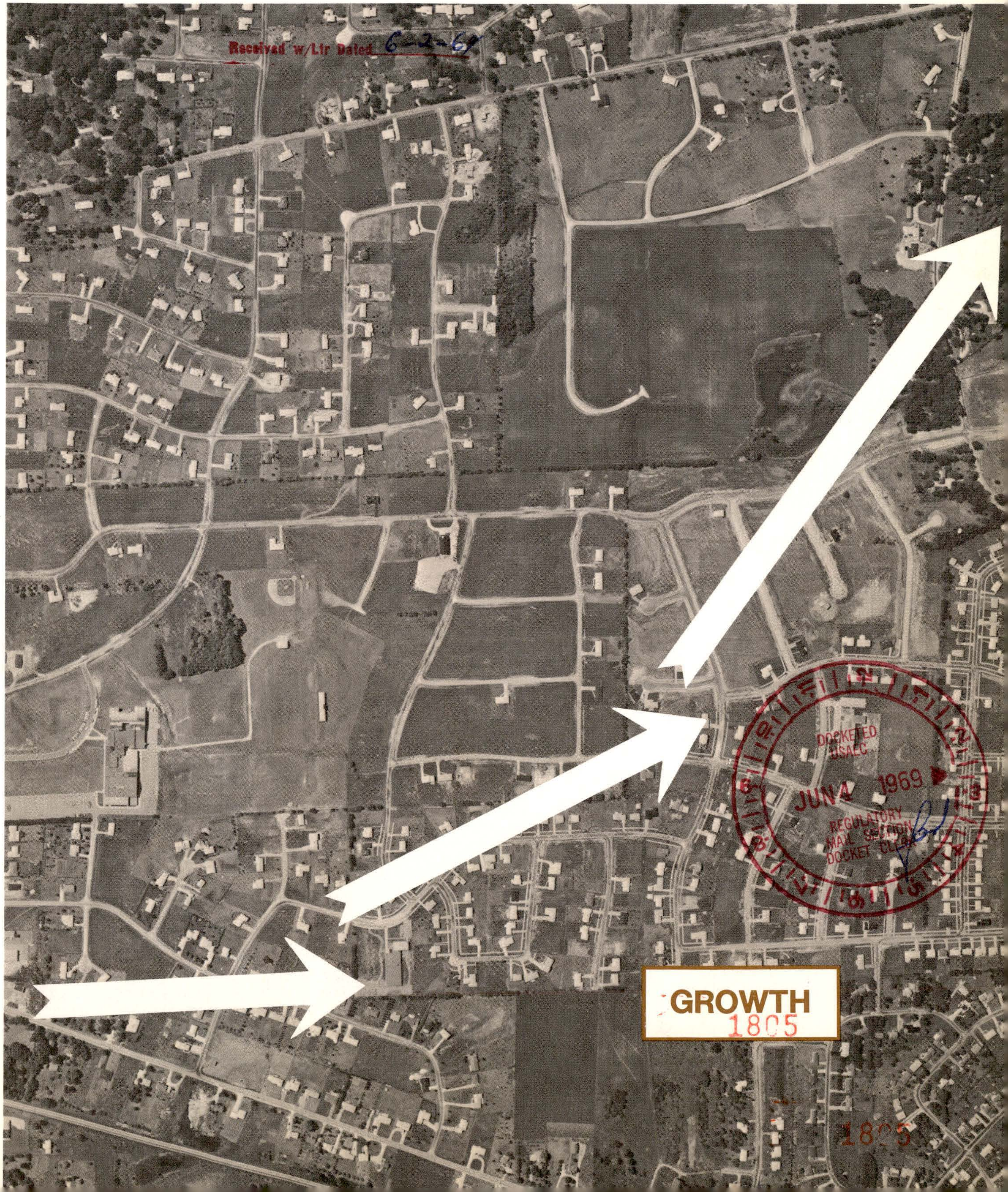
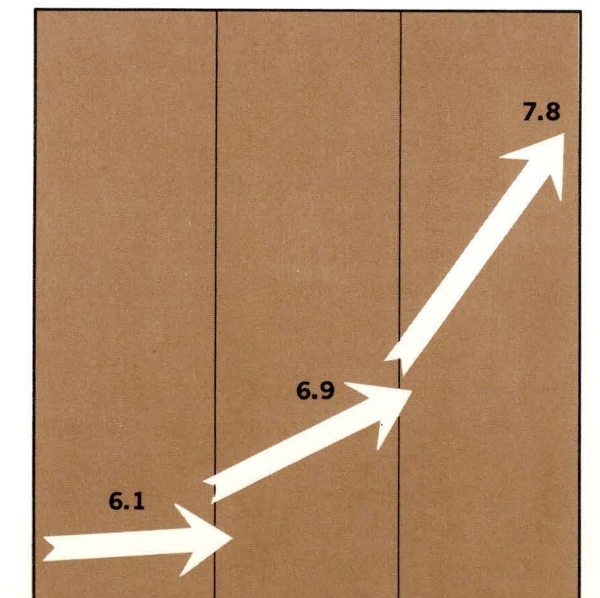
Commonwealth Edison Company

1968 ANNUAL REPORT



GROWTH GOING UP

The front cover depicts Commonwealth Edison's accelerating rate of growth. From 1953 through 1958, kilowatthour sales to ultimate consumers grew at an average of 6.1 percent a year. For the next five year period ending in 1963, that figure moved up to 6.9 percent. And for the past five years, sales have averaged an annual 7.8 percent gain. This growth in growth—6.1 to 6.9 to 7.8 percent—is due to a combination of our own marketing efforts and one of the finest service areas in the country. We do not know how to weigh the separate effect of each of these factors, but we like the result.



1968 HIGHLIGHTS

	1968	Change Since 1967	Average Annual Change Since 1963[1]
Net Income on Common Stock	**$125.6 million**	up 0.6 %	up 6.9 %
Earnings per Share	**$2.99**	up 0.3 %	up 6.7 %[2,3]
Cash Dividends Paid per Share	**$2.20**	up 4.8 %	up 13.0 %[2]
Electric Operating Revenues	**$745.3 million**	up 8.2 %	up 5.8 %
Average Residential Revenue[4]	**2.56¢/Kwh**	down 1.9 %	down 1.9 %
Residential Heating Charge[5,6]	**1.09¢/Kwh**	down 7.6 %	down 2.6 %
Sales to Ultimate Consumers	**39.7 billion Kwh**	up 8.6 %	up 7.8 %
Average Residential Use	**4,840 Kwh**	up 10.2 %	up 6.5 %
Electric Customers[5]	**2.484 million**	up 1.5 %	up 1.7 %
Peak Load	**8.95 million Kw**	up 17.1 %	up 9.3 %
Electric Tax Provisions	**$202.3 million**	up 8.6 %	up 6.2 %

(1) Average annual growth rates in this Report are computed by the least squares method. Figures include Central Illinois Electric and Gas Co. for periods prior to the December 9, 1966 merger except where noted.
(2) Adjusted for one percent common stock dividend in 1964.
(3) Without the federal income tax surcharge, earnings growth for the period would have averaged 8.1%.
(4) Excludes light bulb service.
(5) At year end.
(6) Excluding former Central Illinois Electric and Gas Co. territories.

This 1968 Annual Report has been approved by your Board of Directors. If you have any questions about the Report or the Company, please write our Secretary, William H. Colwell, at 72 West Adams Street, Chicago, Illinois 60690.

LETTER TO STOCKHOLDERS

Dear Stockholders:

In 1968 almost everyone, anywhere, had a few thoughts about Chicago. So did we. It's our territory. Not the whole of our territory, of course. Not even half of it, but a very special part of it. Chicago is a world city, the fulcrum of the Midwest's megalopolis . . . a new term to describe a late 20th century arrangement of millions of people who work and live together.

We serve an evolving community, Chicago, suburbia, exurbia, satellite cities, and many miles of open farms stretching from Indiana to the Mississippi, from Wisconsin to middle Illinois. Whatever happens here happens to us, and plenty is happening.

Ours is an exciting area . . . people in action, new ideas, architectural breakthroughs, technological innovations, excellent universities, bustling airports, Gale Sayers and Bobby Hull, Nobel prize winners, the Weston accelerator . . . change and growth everywhere. We are proud to serve this dynamic section of America, and eager to live up to our responsibilities.

As more and more steel capacity moves to the Chicago area we push electric furnaces for precision, quality, and cleaner air. And we get more and more of the market.

As the Loop reaches upward we sell the all-electric skyscraper. In this we lead the world. We also like to heat apartment complexes and suburban subdivisions with electricity. And we succeed with a surprising number.

We concentrate on new markets because we are committed to growth . . . to sales growth and to earnings growth. They go together and they spring from the area we serve. The front cover shows our sales progress. We also have done well with earnings. Since 1957 per share earnings have risen almost half again as much as our industry's average. We don't know how long this acceleration in kilowatthour sales growth and this earnings leadership can continue. But we're going to try mighty hard to keep it going.

For many years the principal identifiable population trend was the movement of people from east to west. Now the movement of people from country to city, from rural to metropolitan areas, is of equal significance. Our great cities and the areas around them are certainly among the most vital parts of our country. And we think Chicago is among the most vital of our great cities.

I wish you an exciting 1969.

Sincerely,

J. Harris Ward

J. Harris Ward
Chairman

Earnings Up Slightly

Our earnings per common share for 1968 were $2.99, up one cent from the $2.98 reached the previous year. The ten percent federal income tax surcharge reduced earnings by 24 cents. Without it earnings would have been $3.23, an increase of 8.4 percent over 1967. Net income on common stock totaled $125,552,089, compared with 1967's $124,795,509.

Dividend Payments Increase

Dividend payments in 1968 amounted to $2.20 per common share, up from $2.10 in 1967 and $2.00 in 1966. 1968's increase was due to the fact that the 55¢ quarterly payments begun in August 1967 were effective for all four quarters of 1968. Dividend payments on the convertible preferred stock totaled $1.425 per share.

Strong Sales and Revenue Gains

During 1968, sales of electricity to ultimate consumers increased 8.6 percent over those of the previous year, and revenues from this source were up 8.0 percent. These gains in our business were the result of normal summer weather, hard selling, and high levels of industry, business and construction.

Last summer there were three separate weeks in which electric output exceeded a billion kilowatthours. Prior to that, we had never had a single such week. Warm weather and a good home construction year contributed to the excellent 12.1 percent increase in kilowatthour sales to our residential customers.

During the year we added a net of almost 38,000 new customers to our lines. At December 31, we had 2,484,045 customers, up 1.5 percent from 1967. The table below shows our electric revenue and kilowatthour sales progress during 1968.

Class of Service	Electric Operating Revenues (thousands)	Percent Increase Over 1967	Kilowatt-hour Sales (thousands)	Percent Increase Over 1967
Residential	$281,619	9.9	10,827,038	12.1
Small commercial and industrial	269,936	6.4	12,551,992	7.2
Large commercial and industrial	126,482	7.7	12,602,144	7.7
Public authorities	44,636	8.3	3,336,162	7.7
Electric railroads	5,355	0.8*	385,041	1.3*
Ultimate consumers	$728,028	8.0	39,702,377	8.6
Sales for resale	11,227		1,618,465	
Other revenues	6,090		—	
Total	$745,345		41,320,842	

*Decrease.

Expenses Rise

Our electric operating expenses—mainly fuel, operation and maintenance—increased by 10.2 percent to $284,869,334 in 1968. Greater loads and new business demands during the year as well as inflationary pressures of various sorts were important factors in the increase.

Total 1968 payroll costs of $145.3 million were 7.6 percent above those of the previous year. $142.2 million was applicable to electric activities, and $3.1 million to gas

Do saxophones sound better in all-electric schools? We think so. These students at Hampton Park's West View Junior High School seem to like their environment. Education is a fast growing part of the nation's economy, and because of northern Illinois' high income and education levels, new school construction is especially strong in our area. We have taken advantage of this by promoting over three million square feet of all-electric schoolroom space.

and other operations. Of the electric payroll, 72.5 percent was charged to operating expenses.

Depreciation on electric plant in 1968 was $94,020,351, equaling 3.30 percent of depreciable property. This was up slightly from 3.29 percent for 1967. Commonwealth Edison uses one of the highest depreciation rates in the electric power industry. Technological change is rapid, and we take advantage of this by purchasing the most modern machines and equipment. Also, we think it prudent to make adequate provision now for possible future obsolescence.

Taxes Up Over Eight Percent

In 1968 we provided $202,310,655 of local, state and federal taxes for our electric operations. This is equal to $81 for every customer on our lines. This year we provided 8.6 percent more for taxes than in 1967, and state and local taxes once again had the largest portion of the increase. We try to manage the affairs of the Company to maximize operating economies and then to pass these savings along to our customers and stockholders. Rising costs and especially rising tax costs are major offsets to the economies we are able to achieve.

Our electric tax provisions were:

	1968	1967	Percent Increase
State and local taxes	$101,287,392	$ 90,982,961	11.3
Federal income taxes	85,640,000	83,009,000	3.2
Deferred federal income taxes (net)	11,947,108	9,302,000	28.4
Social security and miscellaneous federal taxes	3,436,155	2,957,374	16.2
	$202,310,655	$186,251,335	8.6

Record Summer Load

A record peak load of 8,950,000 kilowatts was set between 1 and 2 p.m. on August 23, a hot, humid Friday afternoon. This is 1,307,000 kilowatts or a remarkable 17 percent higher than 1967's summer peak. While 1968 had normally warm summer temperatures, the prior year was one of the coolest in 50 years. In effect, 1968's peak reflected the heat sensitive load growth of almost two years.

Interconnections

Reliability of our service is enhanced by the Midwest's network of high voltage interconnections. In May, tornadoes destroyed or damaged 84 towers on two different 345,000 volt lines, spaced four miles apart, and leading from our Kincaid Station. Because of our interconnections, there was no interruption of service to our customers.

New Generating Units

In June, a 600,000 kilowatt twin to the unit brought on line in 1967 was placed in service at our Kincaid Station. The two-unit plant in central Illinois is located virtually on top of the country's largest deep coal mine. Instead of bringing coal to the generating plant, the generating plant has been brought to the coal. Though Kincaid Station is far from any urban area, $6,000,000 has been spent at the plant for air pollution control facilities.

During 1968 we ordered a coal-fired unit to be located at our existing Powerton Station near Pekin, Illinois. It will have a capacity of 840,000 kilowatts and is scheduled for completion in the spring of 1972.

We decided on the Powerton addition because of the strong growth of our peak loads and because coal-fired units can be built more rapidly than nuclear units. While

Farmer John Moran dries corn on a 500 acre all-electric grain farm near Manteno. He estimates his drying expense at under 4¢ a bushel using electrically driven fans and duct heaters, about half the operating cost of his former system. Mr. Moran, chosen in 1967 as Illinois' Outstanding Grain Producer, will use a total of about 130,000 kilowatthours this year. We serve seven million farm acres in a territory containing some of the Midwest's richest soil.

this decision was taken primarily because of accelerating load growth, it also will give us protection against delays in delivery of our nuclear units.

Dresden 1, a 200,000 kilowatt nuclear unit, has been running well since it came on our system in 1960. In addition, we have six more nuclear units under construction.

Dresden 2, the first of the six, is an 809,000 kilowatt nuclear generating unit being built under turnkey contract by the General Electric Company. While the unit should begin producing kilowatthours in the fall of 1969, full commercial operation is not expected until the turn of the year. When we ordered the machine four years ago, we planned to have it ready for the 1969 summer peak.

The delay has been due to start-up problems in a subcontractor's plant built to fabricate reactor vessels. The reactor vessel makes up only about five percent of the total cost of a nuclear unit, but its timely delivery to the construction site is essential to on-schedule completion of the unit. Though the reactor vessel fabrication bottleneck appears on its way to being broken, we still expect delays of several months for the next two nuclear units coming on line after Dresden 2.

Nuclear Savings

Despite these delays, we are glad to be the nation's leading nuclear power company. This leadership has enabled us to assemble and retain an outstanding staff of young nuclear scientists and engineers. Also, because we were early in the field, we were able to buy nuclear fuel and generating units at low prices with limited exposure to escalation.

Four of our six nuclear units on order were purchased on firm price, turnkey contracts for an average of $118 per kilowatt, including all overheads. The two others, at our Zion Station, are expected to cost a third to a half more, depending on future construction costs. In all, these six nuclear units have a total capacity of over 5,000,000 kilowatts at prices which look more and more attractive in the light of today's market.

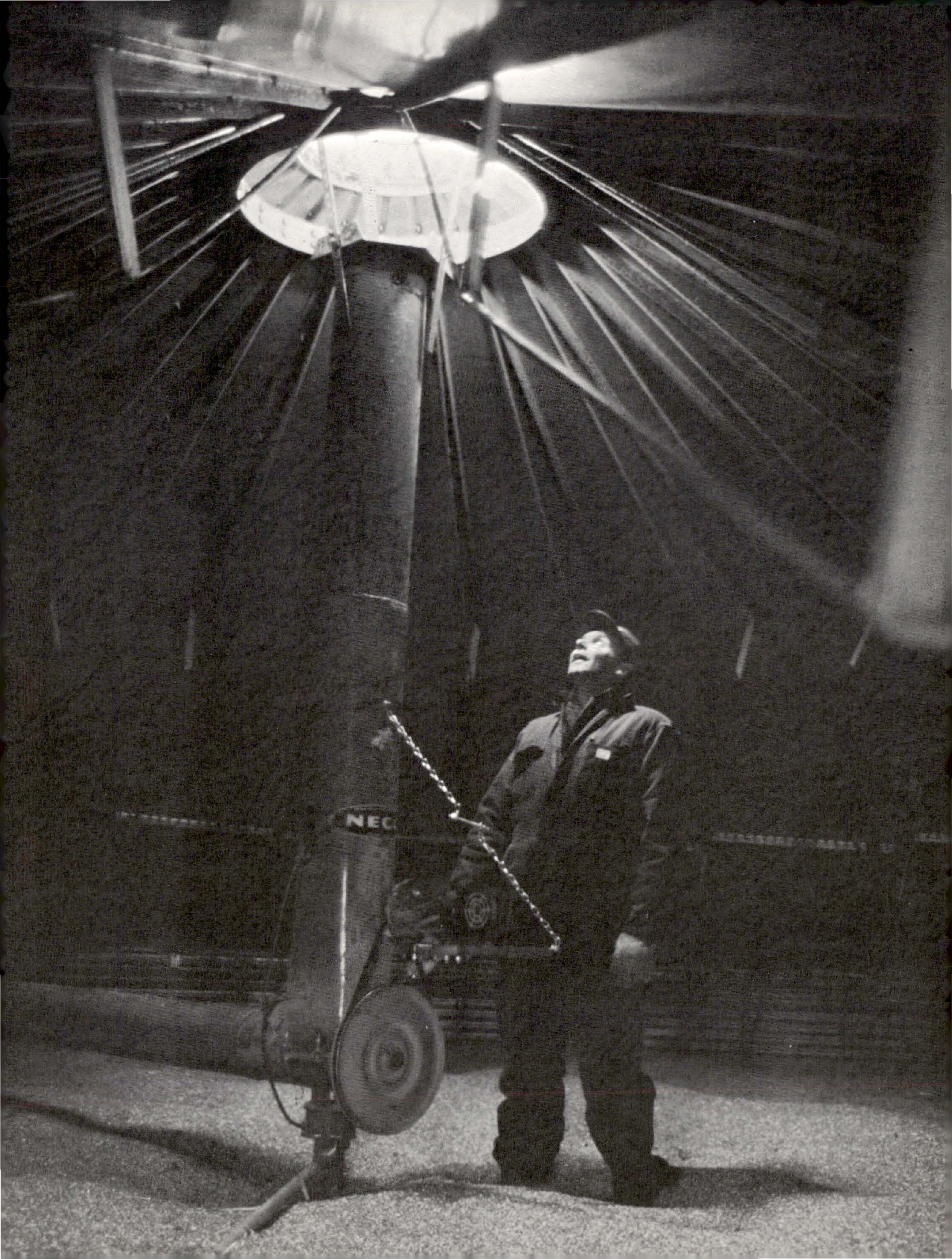
In addition to providing low cost capacity, our nuclear units will be powered with economical fuel for which contracts already have been signed. We have purchased ten years worth of fuel with a very limited exposure to price escalation. All in all, we estimate that by 1974 our nuclear units will be saving us $10 million a year in capital and operating costs, compared with coal-fired units of the same vintage.

Capacity Growth

On order for 1969 and 1970 delivery are 727,000 kilowatts of fast-start peaking units. These will join the 664,000 kilowatts of similar capacity installed during 1968. These machines have low capital costs—about $90 per kilowatt—but relatively high fuel costs. They can be built quickly and because they require no cooling water, the units can be located near our load centers, thus cutting transmission investment.

We shall depend upon our big nuclear and coal-fired units to meet our base loads, using the peaking units for a relatively small number of hours each year to meet seasonal peaks and unexpected outages in the larger units. Because the turbines are small and can be started quickly, they can be brought on line in small increments as our load rises.

Capacity additions are carefully planned to serve the rapid load growth in our service area. An illustration of the strength of this growth is that five years ago we had 6,762,000 kilowatts of net generating capability. Today that figure is 9,757,000. And five years hence, after new units have been added and older equipment retired, our net generating capability will total about 15,800,000 kilowatts.


NEC

People—more than seven and a half million—are Edison's greatest asset. Possibly no large area in the nation equals ours in diversity of race, language, and national origin. Certainly none possesses a similar pool of skills. Because our area's people are well paid, their demand for products—including our own—forms a huge market. Average income per household is an amazing $13,850. Northern Illinois is a good place to be in the electric power business.

Capacity additions scheduled through 1973 are:

Unit	Type	Scheduled for	Net Capacity (kilowatts)
Peaking	Gas & oil	1969	575,000
Dresden 2	Nuclear	1970	809,000
Peaking	Gas & oil	1970	152,000
Dresden 3	Nuclear	1970	809,000
Quad-Cities 1*	Nuclear	1970	809,000
Quad-Cities 2*	Nuclear	1971	809,000
Zion 1	Nuclear	1972	1,100,000
Powerton 5	Coal	1972	840,000
Zion 2	Nuclear	1973	1,100,000

*Iowa-Illinois Gas and Electric Company has one-quarter ownership interest in the two Quad-Cities units.

Electric Construction Expenditures

To build generating units, transmission lines and other electric plant, we plan to spend $1.6 billion for the five years 1969 through 1973. This is up somewhat from the $1.4 billion allocated for the 1968–1972 period. The new budget estimates $370 million in expenditures for 1969, $405 million for 1970, $360 million for 1971, $240 million for 1972, and $225 million for 1973. Because we plan no major generating unit for 1974 service, expenditures budgeted for 1972 and 1973 are somewhat lower than they might otherwise have been.

Approximately $725 million of the $1.6 billion will be raised during the next five years through sale of securities. In addition, funds will be needed to refinance $75 million of Company and subsidiary bank borrowings now outstanding. For the immediate future, we expect our public financing to be limited to debt issues.

Our construction budget, of course, will be revised from time to time as circumstances and plans change.

In 1968 our electric construction expenditures were $315,722,671. There were $28,789,872 of electric plant retirements and adjustments. Excluding the gas and heating properties transferred to our new subsidiary, Mid-Illinois Gas Company, gross utility plant investment—principally electric—was $3,347,660,775.

1968 Financing

During the year, $175 million of first mortgage bonds were sold at competitive bidding—$50 million in January at an annual net cost of money to us of 6.28 percent, $50 million in July at 6.77 percent, and $75 million in September at 6.41 percent. The three issues had an average cost of 6.48 percent. This is higher than we would like, but much below the market average for long-term borrowings in a year of extremely high interest rates.

Short-term commercial paper financing was used to tide us over tight periods in the 1968 money market. We had a maximum of $50 million in commercial paper outstanding, but by October 15 all had been retired.

During the year we arranged $25 million in new bank loans and deposited this money with the mortgage trustee of the former Central Illinois Electric and Gas Co. This was done to release properties transferred to Mid-Illinois Gas Company. Mid-Illinois subsequently assumed this debt. Also in 1968, we renewed $50 million in loans at 6¼ percent from Chicago banks and reacquired $10.9 million principal amount of long-term debt for sinking fund purposes.

During the year slightly over 100,000 shares of common stock were sold under our Employe Stock Purchase Plan. At year end, our capitalization was 53.7 percent long-term debt and 46.3 percent equity, consisting of 6.2 percent convertible preferred stock and 40.1 percent common stock.

Funds provided and applied during 1968 were as follows:

Funds provided by:	
Net income less dividends	$ 33,240,092
Depreciation and tax deferrals*	113,414,602
Funds provided internally	$146,654,694
Sales of securities	178,542,198
Change in working capital and other items	1,991,330
Total funds provided	$327,188,222
Funds applied to:	
Construction expenditures*	$319,886,596
Sinking fund debt retirements	7,301,626
Total funds applied	$327,188,222

*Includes gas, steam heating and water.

Merger Talks Ended

In April we began merger talks with the Central Illinois Light Company. In October, we offered one share of new Edison $1.425 convertible preferred stock for each share of CILCo common. The preferred could have been converted into .6 share of Edison common and was to be callable at $42. Alternately, CILCo shareholders could have elected a $30 installment debenture paying 7½ percent interest. In December, CILCo turned down our offer, and negotiations were ended.

The trend towards large size in our industry is unmistakable. To take advantage of the economies of large scale, the biggest

Chicago rises dramatically from the midwestern plain. The city is enjoying strong downtown growth, and has an array of all-electric buildings unmatched in the world. No less than 18 completed or committed electrically heated stores, motels, condominiums, office buildings and high rise apartments are shown, and another 10 line the city's north side Gold Coast out of picture range. Six of the seven largest Chicago buildings underway are all-electric, and

the market ahead is large. Shown on the upper right of the photo is the Illinois Central Air Rights Development area where plans have been proposed for construction of 30 million square feet of space, including 17,000 apartment units.

Downtown growth, our unparalleled high rise selling success, the load building effects of urban redevelopment, and the rising income levels of the city's residents, all make Chicago a prime area for future electric power growth.

Lines pleasing to the eye intersect in this picture of a new home under construction. The cornfield and rolling land beyond serve as backdrop. This emphasizes two features of our service area—massive and rapid growth combined with ample open land to accommodate this expansion. In our territory during 1968, 8,000 electrically heated houses, apartments and townhouses were begun, and we have averaged 35 percent per year growth in this market since 1960.

lines and generating units should be added as soon as they can be used. Edison is large enough to do this and through merger to offer these advantages to a smaller system. Within our system, local control of distribution activities and customer contacts are retained through divisionalization.

The merger would have benefited our shareholders. Another step up in scale would have been gained and future savings made possible through combining operations. In our opinion, the merger would also have strengthened the economies of the Illinois communities served by an enlarged electric power system. Apparently, however, these things are not to be.

New Gas Subsidiary

On November 1, we incorporated the Mid-Illinois Gas Company, a wholly-owned subsidiary operating gas and steam heating properties obtained in our 1966 merger with Central Illinois Electric and Gas Co.

Our philosophy is to be a one energy company. Creation of Mid-Illinois once again separates our gas from our electric operations. It may also be a prelude to disposal of our gas business, providing that we can make arrangements which benefit our stockholders, employes and customers. Had the merger with CILCo been completed, the gas properties of the two companies could have been joined to form a single independent entity.

Sales Expectations Increased

We have increased the rate at which we project annual kilowatthour sales growth for budget and planning purposes from 7 to 7.5 percent. For five years ended December 31, sales to ultimate consumers averaged a 7.8 percent yearly gain, and in 1968 alone these sales increased 8.6 percent over the prior year.

This growth stems from a balanced service area in which almost six out of every ten revenue dollars flow from ultimate consumers outside Chicago. Both inside and outside Chicago, big load additions are numerous and varied. In 1969 we expect at least 100 customers in our service area to add loads exceeding 1,000 kilowatts, and many 1969 load additions will be far greater.

Three of the biggest are Pure Oil's Lemont refinery and major expansions at U.S. Steel and Republic Steel. These three loads together are equivalent to the power needs of a new city of 140,000 people. Though most of the other new loads are less massive, they still are sizeable—foundries, industrial plants, all-electric apartment buildings, schools and colleges, and office and commercial complexes. We are glad to have both this growth and territorial balance.

New Computer System a Success

The Company received almost two million telephone calls in 1968. To handle this volume of customer contacts courteously, knowledgeably and successfully is a formidable and continuing task. This fall, we began to operate a new high speed communications network linking our service representatives directly to the great storehouse of customer information available at our Chicago computer center.

Our employes sit before TV-like screens and type instructions to the computer as they talk with customers. Information is available at the very moment needed, and our customers get fast, accurate answers to their questions. Customers seem pleased by the new system, and many are surprised when, after giving only their address, they find themselves called by name.

This new communications network will be available by summer to some 20 offices in all of our divisions, and already it has greatly reduced time consuming paperwork. We know of no utility customer information system which compares with ours for size and effectiveness.

Equal Opportunity Employment
For many years we have been hiring without discrimination as to race, creed or color, a practice which expands the market in which we can seek talented employes. As a result, we now employ minority group people in more than 140 different job classifications, including turbine operator, lineman, crew-leader, foreman, district superintendent, engineer, accountant, power supervisor, salesman, department head, investment analyst, and secretary.

Twenty-nine percent of new employes hired during 1968 were members of minority groups, including black, Spanish-speaking and oriental. Equal opportunity employment has gained us many good employes, and we are glad to have made an early start.

A newer venture has been hiring so-called hard-core unemployed—the dropouts, unskilled, and inexperienced. So far, we have taken on more than 120 such men and women. Our goal for these new employes is that they become fully qualified to do their jobs, the same goal as for anyone else in our employ. Hiring and retaining disadvantaged people requires cooperation and patience on the part of all our employes. They have done a fine job, and we expect to make further progress in a field which means so much to our service area and thus to our corporate livelihood.

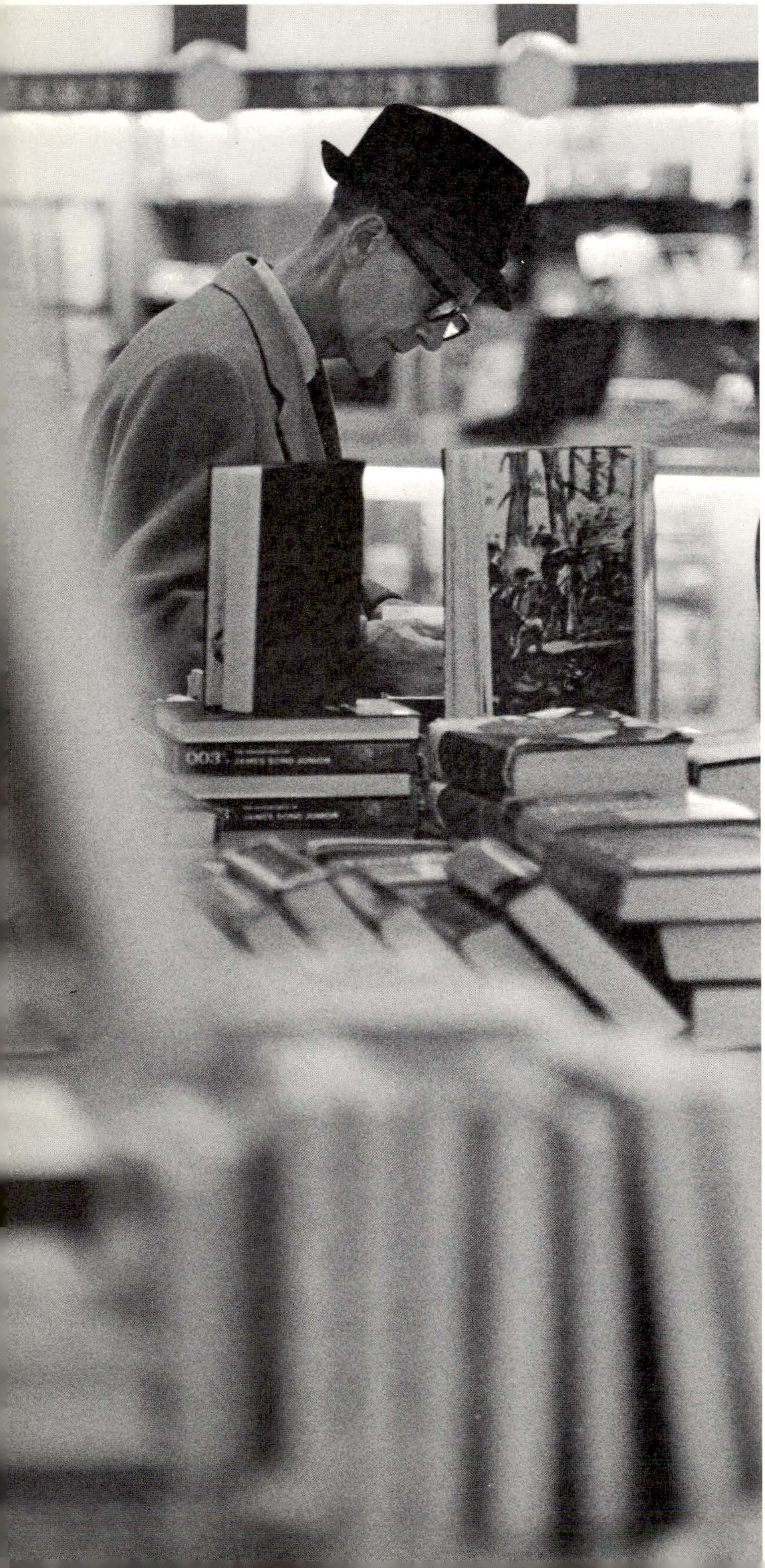
Wages, Benefits Increase
We had 13,744 employes at year end, an increase of 228 over the same date in 1967. Forty-four percent were participating in our Employe Stock Purchase Plan.

Hourly wages increased an average of 5.8 percent annually as a result of 1968 collective bargaining settlements. This amounts to about $5,200,000 on an annual basis. Our union agreements are subject to renegotiation in 1969.

The Service Annuity System covers all our regular employes except those formerly with Central Illinois Electric and Gas Co., whose coverage is provided by a group annuity contract with an insurance company.

Company contributions, including those made under the group annuity contract, amounted in 1968 to $10,920,500. This

A browser's tranquil moment in the bustling Oakbrook shopping center. An estimated six million shoppers visit Oakbrook each year, and the 61 stores and office buildings there add $630,000 to our annual revenues. In recent years, dozens of shopping centers have sprung up to cater to the rapidly growing suburban populations around our service area's major cities—Chicago, Elgin, Aurora, Joliet, Waukegan and Rockford.



amount, representing actuarial normal cost, was $387,654 greater than corresponding 1967 payments. Payments into the trust funds are determined by the aggregate cost method.

Book value of Annuity System funds at December 31 was $231,231,300, a sum equivalent to estimated actuarial requirements at year end. Annuitants or their widows were paid $10,871,983 in 1968, and on December 31, 4,453 people were receiving Edison pensions.

183,000 Stockholders

At the end of 1968, there were 171,139 holders of 42,011,402 shares of our common stock. In addition, 11,530 stockholders owned 4,359,104 shares of our convertible preferred stock.

Director Appointed to Cabinet

On December 31, David M. Kennedy, a Director of Commonwealth Edison for nine years, resigned because of his appointment as Secretary of the Treasury. We shall miss his wise counsel, and wish him well in his new office.

Management Retirements and Promotions

Vice-President Nicholas Galitzine, Assistant Vice-President Carl E. Parker and Division Vice-President Robert B. Freston retired during 1968 with a combined total of 136 years of distinguished service.

Robert J. Schultz was elected a Company Vice-President and Ralph L. Heumann was elected Comptroller. Grant H. Wier and Roy A. Strobeck were appointed Assistant Vice-Presidents and Ernest M. Roth was appointed Manager of Investments. In addition, James A. Schneider was promoted to Division Vice-President, Chicago-North.

STATEMENTS OF CONSOLIDATED INCOME

Commonwealth Edison Company and Subsidiary Companies

	1968	1967
ELECTRIC OPERATING REVENUES	$745,344,668	$689,157,083
ELECTRIC OPERATING EXPENSES AND TAXES:		
Fuel	$123,280,472	$107,936,966
Purchased and interchanged power (net)	3,080,220	2,659,621
Operation	112,084,313	105,265,045
Maintenance	46,424,329	42,577,163
Provision for straight line depreciation	94,020,351	87,648,854
Provisions for taxes—		
State, local and miscellaneous federal	104,723,547	93,940,335
Federal income	85,640,000	83,009,000
Deferred federal income (net)	11,947,108	9,302,000
3% investment tax credit deferred (net)	5,982,350	4,578,900
	$587,182,690	$536,917,884
ELECTRIC NET OPERATING INCOME	$158,161,978	$152,239,199
OTHER INCOME:		
Net operating income of gas and steam heating properties transferred to Mid-Illinois Gas Company	$ 3,688,351	$ 3,859,111
Miscellaneous (net)	6,247,566	6,074,131
	$ 9,935,917	$ 9,933,242
	$168,097,895	$162,172,441
DEDUCTIONS:		
Interest on debt	$ 48,240,635	$ 38,493,411
Other deductions	1,015,954	633,873
Interest charged to construction	*12,922,600*	*7,962,600*
	$ 36,333,989	$ 31,164,684
NET INCOME	$131,763,906	$131,007,757
PROVISION FOR PREFERRED STOCK DIVIDENDS	6,211,817	6,212,248
NET INCOME ON COMMON STOCK	$125,552,089	$124,795,509
COMMON SHARES AT END OF YEAR	42,011,402	41,908,862
EARNINGS PER COMMON SHARE	$2.99	$2.98

Pension plan information is furnished on page 13.

CONSOLIDATED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1968	DECEMBER 31, 1967
UTILITY PLANT:		
At original cost	$3,347,660,775	$3,109,192,175
Less—Accumulated provision for depreciation	933,122,014	874,746,379
Net Utility Plant	$2,414,538,761	$2,234,445,796
DEPOSIT WITH MORTGAGE TRUSTEE	25,000,000	—
INVESTMENTS—at cost or less:		
Subsidiary companies not consolidated—		
Mid-Illinois Gas Company	14,230,760	—
Other	7,748,500	8,876,666
Other investments	1,231,627	8,539,747
	$ 23,210,887	$ 17,416,413
CURRENT ASSETS:		
Cash	7,382,980	12,318,099
Temporary cash investments, at cost	15,536,323	29,277,588
Special deposits	3,806,899	2,278,011
Receivables	60,032,063	57,041,724
Provision for uncollectible accounts	*1,850,000*	*1,850,000*
Coal (at average cost)	18,344,330	23,389,178
Nuclear fuel (at amortized cost)	36,117,080	6,768,259
Materials and supplies (at average cost)	16,858,305	17,410,920
Prepaid insurance, taxes and other items	2,728,401	2,612,557
	$ 158,956,381	$ 149,246,336
DEFERRED CHARGES	2,559,963	2,384,087
	$2,624,265,992	$2,403,492,632

On December 30, 1968, the Company's gas and steam heating properties were transferred to Mid-Illinois Gas Company, a newly formed wholly-owned subsidiary.

Commonwealth Edison Company and Subsidiary Companies

LIABILITIES

	DECEMBER 31, 1968	DECEMBER 31, 1967
CAPITALIZATION (see statements on page 18):		
Stockholders' equity	**$1,031,833,706**	$ 994,472,526
Long-term debt	**1,198,769,000**	1,034,701,000
Total Capitalization	**$2,230,602,706**	$2,029,173,526
CURRENT LIABILITIES:		
Notes payable to banks	**50,000,000**	50,000,000
Accounts payable	**30,298,691**	27,914,764
Accrued interest	**15,701,799**	11,655,125
Accrued taxes	**79,706,386**	81,287,187
Dividends payable	**24,659,211**	24,602,838
Other	**14,807,929**	15,241,801
	$ 215,174,016	$ 210,701,715
DEFERRED LIABILITIES:		
Accumulated deferred federal income taxes	**136,225,000**	126,720,000
Accumulated deferred 3% investment tax credits being amortized over the lives of related property	**24,470,326**	19,142,853
Other	**17,793,944**	17,754,538
	$ 178,489,270	$ 163,617,391
	$2,624,265,992	$2,403,492,632

Purchase commitments, principally related to construction, at December 31, 1968, approximated $764,000,000.

Statements of Consolidated Capitalization

	DECEMBER 31, 1968	DECEMBER 31, 1967
STOCKHOLDERS' EQUITY:		
Common stock, $12.50 par value per share—		
Authorized 60,000,000 shares (752,429 shares reserved for Employe Stock Purchase Plan and 2,615,462 shares reserved for conversion of preferred stock at December 31, 1968)		
Outstanding—1968—42,011,402 shares	**$ 525,142,525**	
1967—41,908,862 shares		$ 523,860,775
$1.425 convertible preferred stock, without par value—stated value $31.80 per share (each share convertible into 6/10ths of a common share—redeemable on or after December 9, 1971 at $42.00 per share)		
Authorized and outstanding—1968—4,359,104 shares	**138,619,507**	
1967—4,359,198 shares		138,622,497
Prior preferred stock—1,850,000 shares authorized—None outstanding	**—**	—
Premium on common stock (see statements on page 19)	**87,342,691**	84,500,363
Retained earnings (see statements on page 19)	**280,728,983**	247,488,891
Total Stockholders' Equity	**$1,031,833,706**	$ 994,472,526
LONG-TERM DEBT:		
First Mortgage Bonds—		
2⅞% due January 1, 1975	**$ 800,000**	$ 810,000
3% due February 1, 1975	**10,603,000**	10,603,000
3% due February 1, 1977	**180,000,000**	180,000,000
2¾% due July 1, 1977	**2,075,000**	2,100,000
3% due June 1, 1978	**50,000,000**	50,000,000
3½% due January 1, 1982	**4,000,000**	4,000,000
3¼% due July 1, 1982	**40,000,000**	40,000,000
3% due May 1, 1984	**50,000,000**	50,000,000
3% due April 1, 1985	**100,000,000**	100,000,000
3⅜% due June 1, 1985	**4,000,000**	4,000,000
3½% due June 1, 1986	**40,000,000**	40,000,000
4¼% due March 1, 1987	**50,000,000**	50,000,000
3¾% due March 1, 1988	**50,000,000**	50,000,000
4⅝% due March 1, 1990	**30,000,000**	30,000,000
5% due July 1, 1990	**10,000,000**	10,000,000
5¼% due April 1, 1996	**50,000,000**	50,000,000
5¾% due November 1, 1996	**50,000,000**	50,000,000
5¾% due December 1, 1996	**50,000,000**	50,000,000
5⅜% due April 1, 1997	**50,000,000**	50,000,000
6¼% due February 1, 1998	**50,000,000**	—
6¾% due July 1, 1998	**50,000,000**	—
6⅜% due October 1, 1998	**75,000,000**	—
	$ 996,478,000	$ 821,513,000
Sinking Fund Debentures—		
3⅛% due January 1, 1969	**$ —**	$ 195,000
3% due April 1, 1999	**27,546,000**	28,735,000
2¾% due April 1, 1999	**28,367,000**	28,892,000
2⅞% due April 1, 2001	**29,527,000**	32,170,000
3⅛% due October 1, 2004	**34,232,000**	36,236,000
3⅞% due January 1, 2008	**35,035,000**	37,589,000
4⅝% due January 1, 2009	**15,225,000**	15,881,000
4¾% due December 1, 2011	**32,359,000**	33,490,000
	$ 202,291,000	$ 213,188,000
Total Long-Term Debt	**$1,198,769,000**	$1,034,701,000
TOTAL CAPITALIZATION	**$2,230,602,706**	$2,029,173,526

Statements of Consolidated Retained Earnings

	1968	1967
BALANCE BEGINNING OF YEAR	**$247,488,891**	$213,216,632
ADD:		
Net income	**131,763,906**	131,007,757
	$379,252,797	$344,224,389
DEDUCT:		
Dividends on—		
Common stock	**$ 92,311,997**	$ 90,005,595
$1.425 convertible preferred stock	**6,211,817**	6,729,903
	$ 98,523,814	$ 96,735,498
BALANCE END OF YEAR	**$280,728,983**	$247,488,891

Statements of Consolidated Premium on Common Stock

	1968	1967
BALANCE BEGINNING OF YEAR	**$ 84,500,363**	$ 81,678,488
ADD:		
Premium on issuance of common stock	**2,842,328**	2,821,875
BALANCE END OF YEAR	**$ 87,342,691**	$ 84,500,363

Report of Independent Public Accountants

To the Stockholders of
Commonwealth Edison Company:

We have examined the consolidated balance sheets and statements of capitalization of COMMONWEALTH EDISON COMPANY (an Illinois corporation) and subsidiary companies as of December 31, 1968 and 1967, and the related statements of income, retained earnings, and premium on common stock for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of capitalization, income, retained earnings, and premium on common stock present fairly the financial position of Commonwealth Edison Company and subsidiary companies as of December 31, 1968 and 1967, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Chicago, Illinois
January 30, 1969

ARTHUR ANDERSEN & CO.

BOARD OF DIRECTORS

J. Harris Ward, *Chairman*

Thomas G. Ayers, *President*

John A. Barr, *Dean, School of Business, Northwestern University*

Joseph L. Block, *Chairman, Executive Committee, Inland Steel Company*

Lowell T. Coggeshall, *Trustee, The University of Chicago*

Gordon R. Corey, *Chairman of the Finance Committee*

Albert B. Dick III, *Chairman of the Board, A. B. Dick Company*

John L. Gordon, *Chairman of the Board, Central Illinois Electric and Gas Co. Division*

Brooks McCormick, *President, International Harvester Company*

Morgan F. Murphy, *Chairman of the Executive Committee*

Edward Byron Smith, *Chairman of the Board, The Northern Trust Company*

OFFICERS

J. Harris Ward, *Chairman*

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Morgan F. Murphy, *Chairman of the Executive Committee*

Glen W. Beeman, *Vice-President*

John G. Eilering, *Vice-President*

Ludwig F. Lischer, *Vice-President*

Hubert H. Nexon, *Vice-President*

Robert J. Schultz, *Vice-President*

D. Robert Bower, *Treasurer*

William H. Colwell, *Secretary*

Ralph L. Heumann, *Comptroller*

MANAGERS

Raymond P. Bachert, *Assistant Vice-President*
Wallace B. Behnke, Jr., *Assistant to the President*
Paul W. Boyer, *Assistant Vice-President*
Oliver D. Butler, *Assistant Vice-President*
Lawrence A. Cullen, *Manager of Industrial Relations*
Richard E. Meagher, *Manager of Production*
James J. O'Connor, *Assistant Vice-President*
Harold W. Otto, *Operating Manager*
Ernest M. Roth, *Manager of Investments*
Roy A. Strobeck, *Assistant Vice-President*
Grant H. Wier, *Assistant Vice-President*

DIVISION VICE-PRESIDENTS

Paul J. Fenoglio, *Chicago-South*
Clarence Hall, *Chicago-Central*
Byron Lee, Jr., *Southern, Joliet*
Leslie W. Milligan, *Northern, Northbrook*
Arthur J. Moore, *Central Illinois Electric and Gas Co., Rockford*
James A. Schneider, *Chicago-North*
Robert B. Stringer, *Western, Lombard*

CENTRAL ILLINOIS ELECTRIC AND GAS CO. DIVISION

John L. Gordon, *Chairman of the Board*

TRANSFER AGENTS

The Northern Trust Company,
50 South LaSalle Street, Chicago, Illinois 60690

Manufacturers Hanover Trust Company,
4 New York Plaza, New York, New York 10015

Old Colony Trust Company,
One Federal Street, Boston, Massachusetts 02110

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago,
231 South LaSalle Street, Chicago, Illinois 60690
(common stock only)

The First National Bank of Chicago,
38 South Dearborn Street, Chicago, Illinois 60690
(preferred stock only)

Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, New York 10015

State Street Bank and Trust Company,
Corner of State and Congress Streets,
Boston, Massachusetts 02101

Both the common and preferred stocks are listed on the Midwest, New York and Pacific Coast Stock Exchanges.
Ticker Symbol—CWE

The annual meeting of stockholders will be held in Chicago on May 20, 1969, and you are cordially invited to attend. Formal notice of the meeting along with your proxy material will be mailed to you about April 17. After the meeting, a booklet summarizing the proceedings will be sent to all stockholders.

Occasionally during the year, letters and statistical data are sent to security analysts. If you wish to receive this material in addition to the quarterly and annual reports you now receive, please ask Mr. Colwell, our Secretary, to place your name on this mailing list.

Pictures on pages 5, 7, 13 and 14 are credited to Stef Leinwohl.

Commonwealth Edison Company
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