PECO ENERGY CO
Form 10-Q/A
January 31, 2002

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

FORM 10-Q/A

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2001
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 Emplo Identific
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	23-299019
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	36-093860
1-1401	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-097024

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

The number of shares outstanding of each registrant's common stock as of November 2, 2001 was as follows:

Exelon Corporation Common Stock, without par value	320,884,595
Commonwealth Edison Company Common Stock, $12.50 par value	128,031,647
PECO Energy Company Common Stock, without par value	170,478,507

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Explanatory Note

This amendment to Exelon Corporation's quarterly report on Form 10-Q for the quarterly period ended September 30, 2001 reflects the restatement for additional net realized and unrealized losses of Exelon Generation Company, LLC (Generation) nuclear decommissioning trust funds that were incurred prior to September 30, 2001 but not recorded. See Note 2. No attempt has been made in this Form 10-Q/A to modify or update other disclosures as presented in the original Form 10-Q except as required to reflect the effects of the restatement.

Filing Format

This combined Form 10-Q/A is separately being filed by Exelon Corporation, Commonwealth Edison Company and PECO Energy Company. Information contained herein relating to any individual registrant has been filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

Forward-Looking Statements

Except for the historical information contained herein, certain of the matters discussed in this Report are forward-looking statements that are subject to risks and uncertainties. The factors that could cause actual results to differ materially include those discussed herein as well as those listed in Note 8 of Notes to Condensed Consolidated Financial Statements, those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook" in Exelon Corporation's 2000 Annual Report, and other factors discussed in filings with the Securities and Exchange Commission by Exelon Corporation, Commonwealth Edison Company and PECO Energy Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. Exelon Corporation, Commonwealth Edison Company and PECO Energy Company undertake no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of this Report.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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EXELON CORPORATION

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INC
(Unaudited)
(In Millions, except per share data)

	Three Months Ende September 30,	
	2001 (Restated) (See Note 2.)	20
OPERATING REVENUES	$ 4,285	$ 1
OPERATING EXPENSES		
Fuel and Purchased Power	1,731	
Operating and Maintenance	1,101	
Depreciation and Amortization	369	
Taxes Other Than Income	172	
Total Operating Expenses	3,373	1
OPERATING INCOME	912	
OTHER INCOME AND DEDUCTIONS		

Interest Expense	(283)	
Distributions on Preferred Securities of Subsidiaries	(12)	
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	52	
Other, net	(50)	
Total Other Income and Deductions	(293)	
INCOME BEFORE INCOME TAXES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	619	
INCOME TAXES	243	
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	376	
EXTRAORDINARY ITEM (net of income taxes of $0 and $2 for the three months and nine months ended September 30, 2000, respectively)	--	
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (net of income taxes of $8 and $16 for the nine months ended September 30, 2001 and 2000, respectively)	--	
NET INCOME	376	
OTHER COMPREHENSIVE INCOME (LOSS) (net of income taxes)		
SFAS 133 Transition Adjustment	--	
Cash Flow Hedge Fair Value Adjustment	13	
Unrealized Gain (Loss) on Marketable Securities	(30)	
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(17)	
TOTAL COMPREHENSIVE INCOME	$ 359	$
AVERAGE SHARES OF COMMON STOCK OUTSTANDING - Basic	321	
AVERAGE SHARES OF COMMON STOCK OUTSTANDING - Diluted	323	
EARNINGS PER AVERAGE COMMON SHARE:		
BASIC:		
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 1.17	$
Extraordinary Item	--	
Cumulative Effect of a Change in Accounting Principle	--	
Net Income	$ 1.17	$
DILUTED:		
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 1.16	$
Extraordinary Item	--	
Cumulative Effect of a Change in Accounting Principle	--	
Net Income	$ 1.16	$
DIVIDENDS PER AVERAGE COMMON SHARE	$ 0.42	$

See Notes to Condensed Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Millions)

	September 30, 2001 (Restated) (See Note 2.)	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,377	$ 526
Restricted Cash	221	314
Accounts Receivable, net	2,630	2,552
Inventories, at average cost	491	454
Other	494	338
Total Current Assets	5,213	4,184
PROPERTY, PLANT AND EQUIPMENT, NET	13,268	12,936
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	6,528	7,135
Nuclear Decommissioning Trust Funds	2,862	3,109
Investments	1,616	1,583
Goodwill, net	5,509	5,186
Other	544	464
Total Deferred Debits and Other Assets	17,059	17,477
TOTAL ASSETS	$35,540	$34,597

See Notes to Condensed Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Millions)

	September 30, 2001 (Restated) (See Note 2.)	December 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ 416	$ 1,373
Long-Term Debt Due within One Year	1,188	908
Accounts Payable	1,052	1,193
Accrued Expenses	1,614	720
Other	454	457
Total Current Liabilities	4,724	4,651
LONG-TERM DEBT	13,385	12,958
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	4,328	4,409
Unamortized Investment Tax Credits	316	330
Nuclear Decommissioning Liability for Retired Plants	1,314	1,301
Pension Obligation	537	567
Non-Pension Postretirement Benefits Obligation	882	819
Spent Nuclear Fuel Obligation	838	810
Other	843	907
Total Deferred Credits and Other Liabilities	9,058	9,143
PREFERRED SECURITIES OF SUBSIDIARIES	612	630
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	6,943	6,890
Deferred Compensation	(3)	(7)
Retained Earnings	995	332
Accumulated Other Comprehensive Income (Loss)	(174)	--
Total Shareholders' Equity	7,761	7,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 35,540	$ 34,597

See Notes to Condensed Consolidated Financial Statements

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

	Nine Mo 20 (Res
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:	
Depreciation and Amortization	
Cumulative Effect of a Change in Accounting Principle (net of income taxes)	
Extraordinary Item (net of income taxes)	
Provision for Uncollectible Accounts	
Deferred Income Taxes	
Deferred Energy Costs	
Equity in (Earnings) Losses of Unconsolidated Affiliates, net	
Net Investment Income and Realized Losses on Nuclear Decommissioning Trust Funds	
Other Operating Activities	
Changes in Working Capital:	
Accounts Receivable	
Repurchase of Accounts Receivable	
Inventories	
Accounts Payable, Accrued Expenses and Other Current Liabilities	
Other Current Assets	
	--
Net Cash Flows provided by Operating Activities	
	--
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in Plant	(
Acquisitions - Enterprises, net of cash acquired	
Other Investing Activities	
	--
Net Cash Flows used in Investing Activities	(
	--
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of Long-Term Debt	
Retirement of Long-Term Debt	(
Change in Short-Term Debt	
Dividends on Common Stock	
Change in Restricted Cash	
Proceeds from Stock Option Exercises	
Redemption of Preferred Securities of Subsidiaries	
Other Financing Activities	
Common Stock Repurchase	
	--

Net Cash Flows used in Financing Activities	--
INCREASE IN CASH AND CASH EQUIVALENTS	--
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	--
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$
SUPPLEMENTAL CASH FLOW INFORMATION Noncash Investing and Financing Activities:	
Regulatory Asset Fair Value Adjustment	$
Purchase Accounting Estimate Adjustments	$

See Notes to Condensed Consolidated Financial Statements

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COMMONWEALTH EDISON COMPANY

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

	Three Months Ended September 30,		Nine Se
	2001	2000	2001
OPERATING REVENUES	$ 1,919	$ 2,093	$ 4,895
OPERATING EXPENSES			
Fuel and Purchased Power	954	789	2,149
Operating and Maintenance	265	573	731
Depreciation and Amortization	178	226	512
Taxes Other Than Income	82	139	223
Total Operating Expenses	1,479	1,727	3,615
OPERATING INCOME	440	366	1,280
OTHER INCOME AND DEDUCTIONS			
Interest Expense	(148)	(143)	(432)
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of			

Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities	(7)	(7)	(22)
Other, net	34	67	93
Total Other Income and Deductions	(121)	(83)	(361)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	319	283	919
INCOME TAXES	141	86	412
INCOME BEFORE EXTRAORDINARY ITEMS	178	197	507
EXTRAORDINARY ITEMS (net of income taxes of $2 for the nine months ended September 30, 2000)	--	--	--
NET INCOME	178	197	507
Preferred and Preference Stock Dividends	--	(1)	--
NET INCOME ON COMMON STOCK	$ 178	$ 196	$ 507
COMPREHENSIVE INCOME			
Net Income	$ 178	$ 197	$ 507
Other Comprehensive Income (net of income taxes):			
Unrealized Gain (Loss) on Marketable Securities	(1)	(3)	(5)
TOTAL COMPREHENSIVE INCOME	$ 177	$ 194	$ 502

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 435	$ 141
Restricted Cash	65	60
Accounts Receivable, net	999	1,204
Receivables from Affiliates	119	468
Inventories, at average cost	47	186
Deferred Income Taxes	41	89
Other	192	202

Total Current Assets	1,898	2,350
PROPERTY, PLANT AND EQUIPMENT, NET	7,196	7,657
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	707	1,110
Nuclear Decommissioning Trust Funds	--	2,669
Investments	94	152
Goodwill, net	5,079	4,766
Receivable from Affiliate	1,316	1,316
Other	134	178
Total Deferred Debits and Other Assets	7,330	10,191
TOTAL ASSETS	$16,424	$20,198

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2001	December 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due within One Year	$ 746	$ 348
Accounts Payable	186	597
Accrued Expenses	558	449
Payables to Affiliates	301	--
Other	143	329
Total Current Liabilities	1,934	1,723
LONG-TERM DEBT	6,246	6,882
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	1,827	1,837
Unamortized Investment Tax Credits	56	59
Nuclear Decommissioning Liability for Retired Plants	--	1,301
Pension Obligation	146	285
Non-Pension Postretirement Benefits Obligation	161	315
Payables to Affiliates	324	--

Spent Nuclear Fuel Obligation	--	810
Other	284	475
Total Deferred Credits and Other Liabilities	2,798	5,082
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY THE COMPANY'S SUBORDINATED DEBT SECURITIES	328	328
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	2,047	2,678
Preference Stock of Subsidiary	7	7
Other Paid-in Capital	5,052	5,388
Receivable from Parent	(1,062)	--
Retained Earnings	386	133
Treasury Stock, at cost	(1,307)	(2,023)
Accumulated Other Comprehensive Income (Loss)	(5)	--
Total Shareholders' Equity	5,118	6,183
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 16,424	$ 20,198

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months End
	2001
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 507
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:	
Depreciation and Amortization	512
Extraordinary Items (net of income taxes)	--
Gain on Forward Share Arrangement	--
Provision for Uncollectible Accounts	31
Reversal of Provision for Revenue Refund	(15)
Deferred Income Taxes	26
Midwest Independent System Operator Exit Fees	(36)
Early Retirement and Separation Program	--

Other Operating Activities	36
Changes in Working Capital:	
Accounts Receivable	(80)
Inventories	25
Accounts Payable, Accrued Expenses, and Other Current Liabilities	338
Change in Receivables and Payables to Affiliates, net	(303)
Other Current Assets	3
Net Cash Flows provided by Operating Activities	1,044
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in Plant	(616)
Plant Removals, net	(15)
Contributions to Nuclear Decommissioning Trust Funds	--
Change in Receivables from Affiliates	424
Other Investments	--
Other Investing Activities	--
Net Cash Flows used in Investing Activities	(207)
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in Short-Term Debt	--
Issuance of Long-Term Debt	--
Retirement of Long-Term Debt	(260)
Common Stock Repurchases	--
Retirement of Mandatorily Redeemable Preferred Stock	--
Preferred Stock Redemptions	--
Change in Restricted Cash	(5)
Dividends on Common and Preferred Stock	(278)
Nuclear Fuel Principal Payments	--
Common Stock Repurchase Arrangement	--
Net Cash Flows used in Financing Activities	(543)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	294
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	141
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 435
SUPPLEMENTAL CASH FLOW INFORMATION Noncash Investing and Financing Activities:	
Net Assets Transferred as a Result of Restructuring, net of Note Payable	$ 1,307
Contribution of Receivable from Parent	$ 1,062
Purchase Accounting Estimate Adjustments	$ 63
Regulatory Asset Fair Value Adjustment	$ 347
Retirement of Treasury Shares	$ 2,023
Deferred Tax on Fossil Plant Sale	--
Settlement of Common Share Repurchase Arrangement	--

See Notes to Condensed Consolidated Financial Statements

PECO ENERGY COMPANY

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOM
(Unaudited)
(In Millions)

	Three Months Ended September 30,	
	2001	200
OPERATING REVENUES	$ 1,051	$ 1,6
OPERATING EXPENSES		
Fuel and Purchased Power	471	5
Operating and Maintenance	156	4
Depreciation and Amortization	115	
Taxes Other Than Income	51	
Total Operating Expenses	793	1,1
OPERATING INCOME	258	4
OTHER INCOME AND DEDUCTIONS		
Interest Expense	(105)	(1
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of a Partnership, which holds Solely Subordinated Debentures of the Company	(2)	
Equity in Earnings (Losses) of Unconsolidated Affiliates, net	--	
Other, net	12	
Total Other Income and Deductions	(95)	(
INCOME BEFORE INCOME TAXES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	163	3
INCOME TAXES	59	1
INCOME BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	104	2
EXTRAORDINARY ITEM (net of income taxes of $0 and $2 for the three months and nine months ended, respectively)	--	
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (net of income taxes of $16)	--	
NET INCOME	104	2
Preferred Stock Dividends	(2)	
NET INCOME ON COMMON STOCK	$ 102	$ 2

COMPREHENSIVE INCOME		
Net Income	$ 104	$ 2
Other Comprehensive Income (net of income tax):		
SFAS 133 Transition Adjustment	--	
Cash Flow Hedge Fair Value Adjustment	(10)	
Unrealized Gain (Loss) on Marketable Securities	--	
Total Other Comprehensive Income (Loss)	(10)	
TOTAL COMPREHENSIVE INCOME	$ 94	$ 2

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 100	$ 49
Restricted Cash	156	254
Accounts Receivable, net	348	1,024
Inventories, at average cost	87	257
Receivables from Affiliates	5	--
Other	114	195
Total Current Assets	810	1,779
PROPERTY, PLANT AND EQUIPMENT, NET	3,999	5,158
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	5,821	6,026
Nuclear Decommissioning Trust Funds	--	440
Investments	25	847
Goodwill, net	--	326
Receivables from Affiliates	41	--
Other	95	200
Total Deferred Debits and Other Assets	5,982	7,839
TOTAL ASSETS	$10,791	$14,776

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2001	December 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ --	$ 163
Payables to Affiliates	200	1,096
Long-Term Debt Due within One Year	435	553
Accounts Payable	62	403
Accrued Expenses	421	481
Deferred Income Taxes	27	27
Other	20	95
Total Current Liabilities	1,165	2,818
LONG-TERM DEBT	5,551	6,002
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	2,951	2,532
Unamortized Investment Tax Credits	28	271
Pension Obligation	112	281
Non-Pension Postretirement Benefits Obligation	236	505
Payables to Affiliates	25	--
Other	103	427
Total Deferred Credits and Other Liabilities	3,455	4,016
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF A PARTNERSHIP, WHICH HOLDS SOLELY SUBORDINATED DEBENTURES OF THE COMPANY	128	128
MANDATORILY REDEEMABLE PREFERRED STOCK	19	37
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	1,968	1,442
Receivable from Parent	(1,983)	--
Preferred Stock	137	137
Retained Earnings	332	197
Accumulated Other Comprehensive Income (Loss)	19	(1)

Total Shareholders' Equity	473	1,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 10,791	$ 14,776

See Notes to Condensed Consolidated Financial Statements

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

CASH FLOWS FROM OPERATING ACTIVITIES
Net Income
Adjustments to Reconcile Net Income to Net Cash Flows
Provided by Operating Activities:
Depreciation and Amortization
Cumulative Effect of a Change in Accounting Principle (net of income taxes)
Extraordinary Item (net of income taxes)
Provision for Uncollectible Accounts
Deferred Income Taxes
Deferred Energy Costs
Equity in (Earnings) Losses of Unconsolidated Affiliates, net
Other Operating Activities
Changes in Working Capital:
Accounts Receivable
Repurchase of Accounts Receivable
Inventories
Accounts Payable, Accrued Expenses and Other Current Liabilities
Change in Receivables and Payables to Affiliates, net
Other Current Assets

Net Cash Flows provided by Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES
Investment in Plant
Exelon Infrastructure Services Acquisitions, net of cash acquired
Other Investing Activities

Net Cash Flows used in Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES
Change in Short-Term Debt
Change in Receivable and Payable to Affiliates, net
Issuance of Long-Term Debt
Retirement of Long-Term Debt
Common Stock Repurchase
Contribution from Parent
Change in Restricted Cash
Dividends on Preferred and Common Stock
Retirement of Mandatorily Redeemable Preferred Stock
Proceeds from Exercise of Stock Options
Proceeds on Settlement of Interest Rate Swap Agreements
Other Financing Activities

Net Cash Flows used in Financing Activities

INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

CASH TRANSFERRED IN RESTRUCTURING

CASH AND CASH EQUIVALENTS AT END OF PERIOD

SUPPLEMENTAL CASH FLOW INFORMATION Noncash Investing and Financing Activities:
Net Assets Transferred as a Result of Restructuring, net of Receivables from Affiliates
Contribution of Receivable from Parent

See Notes to Condensed Consolidated Financial Statements

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

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

The accompanying condensed consolidated financial statements as of September 30, 2001 and for the three and nine months then ended are unaudited, but include all adjustments that Exelon Corporation (Exelon), Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO) consider necessary for a fair presentation of such financial statements. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The year-end condensed consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. Certain prior-year amounts have been reclassified for comparative purposes. Dividends on preferred stock of PECO for the three and nine months ended September 30, 2000 have been reclassified on Exelon's Condensed Consolidated Statements of Income and Comprehensive Income to distributions on preferred securities of subsidiaries, resulting in a deduction before, rather than after, net income. This reclassification reflects the current organizational structure in which PECO is a subsidiary of Exelon. These notes should be read in conjunction with the Notes to Consolidated Financial Statements of Exelon, ComEd and PECO included in or incorporated by reference in Item 8 of their Annual Report on Form 10-K for the year ended December 31, 2000.

ComEd

ComEd was the principal subsidiary of Unicom Corporation (Unicom) prior to the merger with Exelon. See Note 3- Merger. The merger was accounted for using the purchase method of accounting. The effects of the purchase method are reflected on the financial statements of ComEd as of the merger date. Accordingly, the financial statements presented for the period after the merger reflect a new basis of accounting. ComEd's Condensed Consolidated Statements of Income and Comprehensive Income and Condensed Consolidated Statements of Cash Flows are separated by a bold black line to indicate the different basis of accounting existing in each of the periods presented.

2. RESTATEMENT (Exelon)

In January 2002, Exelon discovered that its September 30, 2001 financial statements required a restatement for additional net realized and unrealized losses on investments of Generation's nuclear decommissioning trust funds that were incurred prior to September 30, 2001 but not recorded.

The following tables show the items that have been restated on the Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2001 and the Condensed Consolidated Balance Sheets as of September 30, 2001:

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Condensed Consolidated Statements of Income and Comprehensive Income
Three Months Ended September 30, 2001

	As Previously Reported	Restatements	A
Other, net	$2	($52)	
Income Taxes	$268	($25)	
Net Income	$403	($27)	
Unrealized Gain (Loss) on Marketable Securities	$14	($44)	
Total Comprehensive Income	$430	($71)	
Basic Earnings Per Common Share	$1.26	($0.09)	
Diluted Earnings Per Common Share	$1.25	($0.09)	

Condensed Consolidated Statements of Income and Comprehensive Income
Nine Months Ended September 30, 2001

	As Previously Reported	Restatements
Other, net	$103	($52)

Income Taxes	$767	($25)
Net Income	$1,117	($27)
Unrealized Gain (Loss) on Marketable Securities	($110)	($44)
Total Comprehensive Income	$1,034	($71)
Basic Earnings Per Common Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$3.45	($0.09)
Basic Earnings Per Common Share	$3.49	($0.09)
Diluted Earnings Per Common Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	$3.42	($0.09)
Diluted Earnings Per Common Share	$3.46	($0.09)

Condensed Consolidated Balance Sheets at September 30, 2001

	As Previously Reported	Restatements
Nuclear Decommissioning Trust Funds	$3,002	($140)
Total Assets	$35,680	($140)
Accrued Expenses	$1,607	$7
Deferred Income Taxes	$4,404	($76)
Retained Earnings	$1,022	($27)
Accumulated Other Comprehensive Income	($130)	($44)

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3. MERGER (Exelon)

On October 20, 2000, Exelon became the parent corporation of ComEd and PECO as a result of the completion of the transactions contemplated by an Agreement and Plan of Exchange and Merger, as amended, among PECO, Unicom and Exelon. Pursuant to the merger, Exelon became the owner of all of the common stock of PECO, Unicom ceased to exist and Unicom's subsidiaries, including ComEd, became subsidiaries of Exelon. The merger was accounted for using the purchase method of accounting. Exelon's results of operations include Unicom's results of operations since October 20, 2000.

Selected unaudited pro forma combined results of operations of Exelon for the three and nine months ended September 30, 2000, assuming the merger occurred on January 1, 2000, are as follows:

	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2000
Operating revenue	$3,845	$10,033
Net income	$412	$1,035
Net income per common share (basic)	$1.29	$3.24
Net income per common share (diluted)	$1.27	$3.20

Pro forma net income for the three months ended September 30, 2000 excludes extraordinary items of $7 million ($4 million, net of income taxes) and merger-related costs of $45 million ($27 million, net of income taxes). These non-recurring items total $31 million, net of income taxes, or $0.10 per share on a basic and diluted basis.

Pro forma net income for the nine months ended September 30, 2000 excludes merger-related costs of $90 million ($54 million, net of income taxes), extraordinary charges of $18 million ($11 million, net of income taxes) and the benefit of the cumulative effect of a change in accounting principle of $40 million ($24 million, net of income taxes). These non-recurring items total $41 million, net of income taxes, or $0.13 per share on a basic and diluted basis.

The pro forma financial information presented above is not necessarily indicative of the operating results of Exelon that would have occurred had the merger been consummated as of the date indicated, nor is it necessarily indicative of future operating results.

Merger-Related Costs (Exelon, ComEd and PECO)

Exelon recorded certain costs in 2000 associated with the merger. The costs associated with PECO were charged to expense. The costs associated with Unicom were recorded as part of the application of purchase accounting and did not affect results of operations. During the third quarter of 2001, Exelon finalized its plans for consolidation of certain functions and recorded adjustments to its estimated merger costs for the following: 1) an increase in severance payments of $55 million as a result of the identification of additional Unicom positions to be eliminated, 2) a $10 million reduction in the estimated pension and post retirement welfare benefits reflecting revised actuarial estimates related to Unicom employees, and 3) an increase in expected severance payments of $31 million related to additional PECO employee positions identified to be eliminated as a result of the merger. The

adjustments related to Unicom employees were recorded as an adjustment to the purchase price allocation and did not affect results of operations. The additional costs related to the PECO employees were charged to expense in the third quarter of 2001. Including the effects of the third quarter 2001 adjustments, Exelon anticipates that a total of $297 million of employee costs will be funded from its pension and postretirement benefit plans and $204 million of employee severance costs associated with Unicom will be funded from general corporate funds.

The following table provides a reconciliation of the reserve for employee severance associated with the merger:

Employee severance reserve as of October 20, 2000	$ 149
Additional employee severance reserve	55
Adjusted employee severance reserve	204
Payments to employees (October 2000-September 2001)	(51)
Employee severance reserve as of September 30, 2001	$ 153

Approximately 3,500 Unicom and PECO positions have been identified to be eliminated as a result of the merger. Exelon has terminated 1,081 employees as of September 30, 2001, of which 271 were terminated during the three months ended September 30, 2001. The remaining 2,419 positions are expected to be eliminated by the end of 2002.

4. CORPORATE RESTRUCTURING (Exelon, ComEd and PECO)

During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses at ComEd and PECO. As part of the restructuring, the generation-related operations and assets and liabilities of ComEd were transferred to Exelon Generation Company, LLC (Generation). Also as part of the restructuring, the non-regulated operations and related assets and liabilities of PECO, representing PECO's Generation and Enterprises business segments, were transferred to Generation and Exelon Enterprises Company, LLC (Enterprises), respectively. Additionally, certain operations and assets and liabilities of ComEd and PECO were transferred to Exelon Business Services Company (BSC). As a result, effective January 1, 2001, the operations of ComEd consist of its retail electricity distribution and transmission business in northern Illinois and the operations of PECO consist of its retail electricity distribution and transmission business in southeastern Pennsylvania, and its natural gas distribution business in the Pennsylvania counties surrounding the City of Philadelphia.

The corporate restructuring had the following effect on the Condensed Consolidated Balance Sheets of ComEd and PECO:

	ComEd	PECO
Decrease in Assets:		
Current Assets	($376)	($1,085)
Property, Plant and Equipment, net	(782)	(1,212)
Investments	(104)	(1,262)
Other Noncurrent Assets	(2,623)	(431)

	ComEd	PECO
(Increase) Decrease in Liabilities:		
Current Liabilities	794	1,581
Long-Term Debt	--	205
Deferred Income Taxes	8	(451)
Other Noncurrent Liabilities	2,226	1,003
Net Assets Transferred	($857)	($1,652)

Consideration, based on the net book value of the net assets transferred, was as follows:

	ComEd	PECO
Treasury Stock Received	$1,307	$ --
Return of Capital	--	1,577
Note (Payable)/Receivable - Affiliates	(450)	75

$ 857	$ 1,652
======	=======

Selected unaudited pro forma results of operations of ComEd and PECO for the three and nine months ended September 30, 2000, assuming the merger and corporate restructuring occurred as of January 1, 2000, are presented as follows:

	Three months ended September 30, 2000		Nine months ended September 30, 2000	
	ComEd	PECO	ComEd	PECO
Operating revenues	$1,931	$877	$4,855	$2,496
Operating income	$407	$264	$1,013	$866
Net income	$207	$113	$550	$363

The three months ended September 30, 2000 pro forma financial information presented above for ComEd excludes merger-related costs of $32 million ($19 million, net of income taxes). PECO pro forma financial information for the same period excludes merger-related costs of $7 million ($4 million, net of income taxes) and an extraordinary charge of $2 million ($1 million, net of income taxes).

The nine months ended September 30, 2000 pro forma financial information presented above for ComEd excludes merger-related costs of $49 million ($29 million, net of income taxes) and extraordinary charges of $6 million ($4 million, net of income taxes). PECO pro forma financial information for the same period excludes merger-related costs of $17 million ($10 million, net of income taxes) and extraordinary charges of $6 million ($4 million, net of income taxes).

In connection with the restructuring, ComEd and PECO assigned their respective rights and obligations under various power purchase and fuel supply agreements to Generation. Additionally, ComEd and PECO entered into power purchase agreements (PPAs) with Generation.

Under the PPA between ComEd and Generation, Generation has agreed to supply all of ComEd's load requirements through 2004. Prices for this energy vary depending upon the time of day and month of delivery. During 2005 and 2006, ComEd's PPA is a partial requirements agreement under which ComEd will purchase all of its required energy and capacity from Generation, up to the available capacity

of the nuclear generating plants formerly owned by ComEd and transferred to Generation. Under the terms of ComEd's PPA, Generation is responsible for obtaining any required transmission service. The PPA also specifies that prior to 2005, ComEd and Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating the PPA effective December 31, 2004. ComEd will obtain any additional supply required from market sources in 2005 and 2006, and subsequent to 2006, will obtain all of its supply from market sources, which could include Generation.

Under the PPA between PECO and Generation, Generation has agreed to supply all of PECO's load requirements through 2010. Prices for this energy will be a function of the amount PECO is able to charge its Provider of Last Resort customers. Under the terms of PECO's PPA, PECO is responsible for obtaining any required transmission service. Subsequent to 2010, PECO will obtain all of its supply from market sources, which could include Generation.

5. CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (Exelon and PECO)
On January 1, 2001, Exelon recognized a non-cash gain of $12 million, net of income taxes, in earnings and deferred a non-cash gain of $44 million, net of income taxes, in accumulated other comprehensive income, a component of shareholders' equity, to reflect the initial adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at their fair value through earnings, with special accounting permitted for certain qualifying hedges.

During the three and nine months ended September 30, 2001, Exelon recognized net gains of $5 million ($3 million, net of income taxes) and $27 million ($16 million, net of income taxes), respectively, relating to mark-to-market (MTM) adjustments of certain power purchase and sale contracts pursuant to SFAS No. 133. MTM adjustments on power purchase contracts are reported in fuel and purchased power and MTM adjustments on power sale contracts are reported as operating revenues in the Condensed Consolidated Statements of Income and Comprehensive Income. During the three and nine months ended September 30, 2001, Exelon recognized net gains aggregating $4 million ($2 million, net of income taxes) and net losses aggregating $2 million ($1 million, net of income taxes) on derivative instruments entered into for trading purposes. Exelon commenced financial trading in the second quarter of 2001. Gains and losses associated with financial trading are reported as other income and deductions in the Condensed Consolidated Statements of Income and Comprehensive Income. During the three and nine months ended September 30, 2001, no amounts were reclassified from accumulated other comprehensive income into earnings as a result of forecasted energy commodity transactions no longer being probable. For the nine months ended September 30, 2001, $6 million ($4 million, net of income taxes) was reclassified from accumulated other comprehensive income into earnings as a result of forecasted financing transactions no longer being probable.

As of September 30, 2001, $48 million of deferred net gains on derivative instruments accumulated in other comprehensive income are expected to be reclassified to earnings during the next twelve months. Amounts in accumulated other comprehensive income related to interest rate cash flows are reclassified into earnings when the forecasted interest payment occurs. Amounts in accumulated other comprehensive income related to energy commodity cash flows are reclassified into earnings when the forecasted purchase or sale of the energy commodity occurs.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Average common shares outstanding	321	170	320	175
Assumed exercise of stock options	2	2	3	1
Average diluted common shares outstanding	323	172	323	176

7. SEGMENT INFORMATION (Exelon)
Exelon operates in three business segments: Energy Delivery, Generation and Enterprises. Energy Delivery consists of the operations of ComEd and PECO. Exelon's segment information as of September 30, 2001 and December 31, 2000 and for the three and nine months ended September 30, 2001 as compared to the same periods in 2000 is as follows:

Three Months Ended September 30, 2001 as compared to Three Months Ended September 30, 2000

	Energy Delivery	Generation	Enterprises	Corporate and Intersegment Eliminations	Consolidated
Revenues:					
2001	$ 2,970	$ 2,291	$ 529	$(1,505)	$ 4,285
2000	$ 877	$ 927	$ 283	$ (458)	$ 1,629
EBIT (a):					
2001	$ 704	$ 278	$ (44)	$ (7)	$ 931
2000	$ 260	$ 292	$ (55)	$ (15)	$ 482

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Nine Months Ended September 30, 2001 as compared to Nine Months Ended September 30, 2000

	Energy Delivery	Generation	Enterprises	Corporate and Intersegment Eliminations	Consolida
Revenues:					

2001	$ 7,903	$ 5,537	$ 1,742	$(3,423)	$11,75
2000	$ 2,496	$ 2,087	$ 801	$(1,018)	$ 4,36
EBIT (a):					
2001	$ 2,091	$ 697	$ (80)	$ (19)	$ 2,68
2000	$ 856	$ 401	$ (86)	$ (23)	$ 1,14
Total Assets:					
September 30, 2001 (Restated)	$27,726	$ 7,197	$ 1,634	$(1,017)	$35,54
December 31, 2000	$27,424	$ 5,734	$ 2,277	$ (838)	$34,59

The operations of Exelon Energy Company (Exelon Energy), Exelon's competitive retail generation supplier, for 2000 have been reclassified from Generation to Enterprises to reflect the corporate restructuring. See Note 4-Corporate Restructuring.

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

For information regarding capital commitments and nuclear decommissioning and spent fuel storage see the Commitments and Contingencies Note in the Consolidated Financial Statements of Exelon, ComEd and PECO for the year ended December 31, 2000.

Nuclear Insurance

Exelon carries property damage, decontamination and premature decommissioning insurance for each station loss resulting from damage to its nuclear plants. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. If the decision is made to decommission the facility, a portion of the insurance proceeds will be allocated to a fund, which Exelon is required by the Nuclear Regulatory Commission (NRC) to maintain, to provide for decommissioning the facility. Exelon is unable to predict the timing of the availability of insurance proceeds to Exelon and the amount of such proceeds that would be available. Under the terms of the various insurance agreements, Exelon could be assessed up to $65 million for losses incurred at any plant insured by the insurance companies.

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Additionally, through its subsidiaries, Exelon is a member of an industry mutual insurance company that provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. Exelon's maximum share of any assessment is $18 million per year.

The insurer has proposed to increase the maximum amount that Exelon could be assessed for property damage insurance from up to $65 million to up to $130 million and for replacement power cost insurance from $18 million to $36 million. In addition, the insurer proposes, in the event that one or more acts of terrorism cause accidental property damage within a twelve month period from the first accidental property damage under one or more policies for all insureds, the maximum recovery for all such losses by all insureds be an aggregate of $3.24 billion plus such additional amounts as the insurer may recover for such losses from reinsurance, indemnity, and any other source, applicable to such losses.

Exelon is self-insured to the extent that any losses may exceed the amount of insurance maintained. Such losses could have a material adverse effect on Exelon's financial condition and results of operations.

Environmental Liabilities

Exelon has identified 72 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. As of September 30, 2001, Exelon had accrued $164 million for environmental investigation and remediation costs, including $134 million for MGP investigation and remediation that currently can be reasonably estimated. Exelon, ComEd and PECO cannot predict whether they will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by environmental agencies or others, or whether such costs may be recoverable from third parties.

ComEd

As of September 30, 2001, ComEd had accrued $111 million (discounted) for environmental investigation and remediation costs. This reserve included $105 million for MGP investigation and remediation, which currently can be reasonably estimated.

PECO

As of September 30, 2001, PECO had accrued $38 million (undiscounted) for environmental investigation and remediation costs, including $29 million for MGP investigation and remediation, which currently can be reasonably estimated.

Energy Commitments

As of September 30, 2001, Exelon had long-term commitments relating to the net purchase and sale of energy, capacity and transmission rights from unaffiliated utilities and others as expressed in the following tables:

	Net Energy Sales	Net Purchased Capacity	Transmission Rights Purchases
2001	$ 267	$ 137	$ 36
2002	460	871	35
2003	371	917	32
2004	228	923	25
2005	128	437	25
Thereafter	(90)	4,710	80
Total	$ 1,364	$ 7,995	$ 233

See Note 4 - Corporate Restructuring, for information about ComEd's and PECO's PPAs with Generation.

Litigation

Midwest Generation, LLC Litigation. On August 21, 2001, Midwest Generation, LLC (Midwest) filed a complaint with the Illinois Commerce Commission (ICC) alleging that certain retail agreements under which ComEd supplies power to loads at Midwest's generating facilities are unjust, unreasonable and anti-competitive. Midwest is seeking an ICC order that ComEd pay refunds of approximately $25 million paid under the agreements since 1999, with interest. ComEd is contesting the complaint.

FERC Municipal Request for Refund. Three of ComEd's wholesale municipal customers filed a complaint and request for refund with the Federal Energy Regulatory Commission (FERC) alleging that ComEd failed to properly adjust its rates, as provided for under the terms of the electric service contracts with the municipal customers and to track certain refunds made to ComEd's retail customers in the years 1992 through 1994. In the third quarter of 1998, FERC granted the complaint and directed that refunds be made, with interest. ComEd filed a request for rehearing. On April 30, 2001, FERC issued an order granting rehearing in which it determined that its 1998 order had been erroneous and that no refunds were due from ComEd to the municipal customers. On June 29, 2001, FERC denied the customers' requests for rehearing of the order granting rehearing. In August 2001, each of the three wholesale municipal customers appealed the April 30, 2001 FERC order to the Federal circuit court, which consolidated the appeals for the purposes of briefing and decision.

Cotter Corporation Litigation. During 1989 and 1991, actions were brought in federal and state courts in Colorado against ComEd and its subsidiary, Cotter Corporation (Cotter), seeking unspecified damages and injunctive relief based on allegations that Cotter permitted radioactive and other hazardous material to be released from its mill into areas owned or occupied by the plaintiffs, resulting in property damage and potential adverse health effects. In 1994, a federal jury returned nominal dollar verdicts against Cotter on eight plaintiffs' claims in the 1989 cases, which verdicts were upheld on appeal. The remaining claims in the 1989 actions were settled or dismissed. In 1998, a jury verdict was rendered against Cotter in favor of 14 of the plaintiffs in the 1991 cases, totaling approximately $6 million in

compensatory and punitive damages, interest and medical monitoring. On appeal, the Tenth Circuit Court of Appeals reversed the jury verdict, and remanded the case for new trial. These plaintiffs' cases were consolidated with the remaining 26 plaintiffs' cases, which had not been tried. The consolidated trial was completed on June 28, 2001. The jury returned a verdict against Cotter and awarded $16 million in various damages. Cotter will appeal the verdict.

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

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

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

Godley Park District Litigation. On April 18, 2001, the Godley Park District filed suit in Will County Circuit Court against ComEd and Exelon alleging that oil spills at Braidwood Station have contaminated the Park District's water supply. The complaint seeks actual damages, punitive damages of $100 million and statutory penalties. The complaint was served on ComEd and Exelon on July 12, 2001. ComEd and Exelon are contesting the liability and damages sought by the plaintiff.

Cajun Electric Power Cooperative, Inc. On May 27, 1998, the United States Department of Justice, on behalf of the Rural Utilities Service and the Chapter 11 Trustee for the Cajun Electric Power Cooperative, Inc. (Cajun), filed an action claiming breach of contract against PECO in the United States District Court for the Middle District of Louisiana arising out of PECO's termination of the contract to purchase Cajun's interest in the River Bend nuclear power plant. This action seeks the full purchase price of the 30% interest in the River Bend nuclear power plant, $50 million, plus interest and consequential damages. In connection with the corporate restructuring, the responsibility for any liability related to this matter was transferred to Generation. The parties have reached a tentative settlement of the dispute, subject to court approval, which calls for Exelon to make a $14 million payment.

Service Interruptions. In August 1999, three class action lawsuits were filed against ComEd, and subsequently consolidated, in the Circuit Court of Cook County, Illinois seeking damages for personal

injuries, property damage and economic losses related to a series of service interruptions that occurred in the summer of 1999. The combined effect of these interruptions resulted in over 168,000 customers losing service for more than four hours. Conditional class certification was approved by the court for the sole purpose of exploring settlement talks. ComEd filed a motion to dismiss the complaints. On April 24, 2001, the court dismissed four of the five counts of the consolidated complaint without prejudice and the sole remaining count was dismissed in part. On June 1, 2001, the plaintiffs filed a second amended consolidated complaint. A portion of any settlement or verdict may be covered by insurance; discussions with the carrier are ongoing. Exelon's management believes adequate reserves have been established in connection with these cases.

Reliability Investigation. In 1999, the ICC opened an investigation regarding the design and reliability of ComEd's transmission and distribution system. The investigation was expanded during 2000 to include a circuit breaker fire that occurred in October 2000 at a ComEd substation. The ICC has issued several reports in the investigation covering the summer of 1999 outages as well as the transmission and distribution system. These reports include recommendations and an implementation timetable. The recommendations are not legally binding on ComEd; however, the ICC may enforce them through litigation. Since the summer of 1999, ComEd has devoted significant resources to improving the reliability of its transmission and distribution system. Exelon's management believes that the likelihood of a successful material claim resulting from the investigation is remote.

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

Pennsylvania Real Estate Tax Appeals. Exelon is involved in tax appeals regarding two of its nuclear facilities, Limerick Generating Station (Montgomery County) and Peach Bottom Atomic Power Station (York County). Exelon is also involved in the tax appeal for Unit No. 1 at Three Mile Island Nuclear Station (Dauphin County) through AmerGen Energy Company, LLC (AmerGen). Exelon does not believe the outcome of these matters will have a material adverse effect on Exelon's results of operations or financial condition.

Other Tax Issues. The Illinois Department of Revenue had issued Notices of Tax Liability to ComEd alleging deficiencies in Illinois invested capital tax payments for the years 1988 through 1997. ComEd has received an order dated October 9, 2001 from the Administrative Law Judge of the Illinois Department of Revenue Administrative Hearings Division that each and all of the Notices of Tax Liability for the years 1988 through 1997 are withdrawn and dismissed, that the protests of the taxpayer are granted, and that the Notices of Tax Liability are cancelled.

Chicago Franchise. In March 1999, ComEd reached a settlement agreement with the City of Chicago to end the arbitration proceeding between ComEd and Chicago regarding the January 1, 1992 franchise agreement. As part of the settlement agreement, ComEd and Chicago agreed to a revised combination of ongoing work under the franchise agreement and new initiatives that will result in defined transmission and distribution expenditures by ComEd to improve electric services in Chicago. The settlement agreement provides that ComEd would be subject to liquidated damages if the projects are not completed by various dates, unless it was prevented from doing so by events beyond its reasonable control. In addition, ComEd and Chicago established an Energy Reliability and Capacity Account, into which ComEd deposited $25 million during each of 1999 and 2000 and has conditionally agreed to deposit $25 million at the end of the years 2001 and 2002, to help ensure an adequate and reliable electric supply for Chicago.

Power Team FERC Allegations. On October 3, 2001, FERC issued an order to show cause alleging that both PECO and the Power Team, a division of Generation, violated FERC standards of conduct and regulations claiming that PECO had inappropriately provided Power Team information on planned maintenance outages and deratings, enabling Power Team to profit by purchasing Firm Transmission Rights (FTRs) that would be affected by such outages and deratings. FERC also suggested that PECO may have operated its transmission system and taken outages and deratings to benefit Power Team. The potential remedies FERC could seek include re-evaluating Power Team's market-based authority, requiring Power Team to disgorge the profits (alleged by FERC to be $2.4 million) from the FTRs purchased, or requiring PECO to receive permission from the PJM Interconnection LLC prior to initiating any outages or deratings. PECO and the Power Team maintain that there were no inappropriate communications and are contesting FERC's allegations. On October 26, 2001 Exelon, PECO, and Power Team filed a response with FERC, denying that PECO manipulated its transmission system to benefit Power Team or that PECO shared non-public information with Power Team.

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

9. PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS (ComEd and PECO)

ComEd

As part of Exelon's corporate restructuring, approximately 5,500 ComEd employees were transferred to Generation, BSC and Enterprises. As a result of the transfer, ComEd's pension and non-pension postretirement benefits obligations were reduced by $143 million and $172 million, respectively, as of January 1, 2001.

PECO

As part of Exelon's corporate restructuring, approximately 3,200 PECO employees were transferred to Generation, BSC and Enterprises. As a result of the transfer, PECO's pension and non-pension postretirement benefits obligations were reduced by $96 million and $284 million, respectively, as of January 1, 2001.

ComEd's and PECO's plan assets and funded status of the plans as of December 31, 2000, after reflecting the effect of these transfers, are as follows:

	ComEd		P
	Pension Benefits	Other Postretirement Benefits	Pension Benefits
Net Benefit Obligation at December 31, 2000	$ 2,220	$ 539	$ 998
Fair Value of Plan Assets at December 31, 2000	$ 1,987	$ 352	$ 1,380
Funded Status at December 31, 2000	$ (233)	$ (187)	$ 382
Unrecognized net actuarial (gain) loss	91	42	(441)
Unrecognized prior service cost	--	--	35
Unrecognized net transition obligation (asset)	--	--	(9)
Miscellaneous adjustments	--	2	--
Net amount recognized at December 31, 2000	$ (142)	$ (143)	$ (33)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid benefit cost			$ 70
Accrued benefit cost			(103)
Net amount recognized at December 31, 2000			$ (33)

10. DECOMMISSIONING AND SPENT FUEL STORAGE (Exelon, ComEd and PECO)
The obligation for decommissioning Exelon's nuclear facilities and the related trust fund assets were transferred from ComEd and PECO to Generation concurrently with the transfer of the generating plants and the related NRC operating licenses as of January 1, 2001. Additionally, obligations for spent nuclear fuel disposal, and provisions for nuclear insurance were assumed by Generation under terms and conditions commensurate with those previously borne by ComEd and PECO.

ComEd

ComEd has historically accounted for the current period's cost of decommissioning by recording a charge to depreciation expense and a corresponding liability in accumulated depreciation for its operating units and a reduction to regulatory assets for retired units (in current year dollars) on a straight-line basis over the NRC operating license life of the plants. As of December 31, 2000, ComEd's cumulative liability of $2.1 billion was recorded as a component of accumulated depreciation. Additionally, a $1.3 billion liability representing the present value of the estimated cost of decommissioning nuclear units previously retired was recorded as a long-term liability. These liabilities, as well as investments in trust fund assets of $2.6 billion to fund the costs of decommissioning, were transferred to Generation.

In December 2000, the ICC issued an order, effective upon the transfer of the nuclear plants to Generation, authorizing ComEd to recover $73 million annually from customers during the first four years of the six-year term of the PPA between ComEd and Generation. See Note 4- Corporate Restructuring. Up to $73 million annually can also be collected in 2005 and 2006, depending on the portion of the output of the former ComEd nuclear stations that ComEd purchases from Generation. Under the ICC order, subsequent to 2006, there would be no further collection for decommissioning costs from customers. All amounts collected from customers must be remitted to Generation for deposit into the related trust funds. The ICC order also provides that any surplus trust funds after ComEd's former nuclear stations are decommissioned must be refunded to ComEd's customers. The ICC order has been appealed to the Illinois Appellate Court by ComEd and other parties.

The $73 million annual recovery of decommissioning costs authorized by the ICC order represents a reduction from the $84 million annual recovery in 2000. Accordingly, in the first quarter of 2001, ComEd reduced its nuclear decommissioning regulatory asset to $372 million, reflecting the expected probable future recoveries from customers. The reduction in the regulatory asset in the amount of $347 million was recorded as an adjustment to the merger purchase price allocation and resulted in a corresponding increase in goodwill. Effective January 1, 2001, ComEd recorded an obligation to Generation of approximately $440 million representing ComEd's legal requirement to remit funds to Generation for the remaining regulatory asset amount of $372 million upon collection from customers, and for collections from customers prior to the establishment of external decommissioning trust funds in 1989 to be remitted to Generation for deposit into the decommissioning trusts through 2006. Unrealized gains and losses on decommissioning trust funds (based on the market value of the assets on the merger date, in accordance with purchase accounting) had previously been recorded in accumulated depreciation or regulatory assets. As a result of the transfer of the nuclear plants to Generation and the ICC order limiting the regulated recoveries of decommissioning costs, net unrealized losses of $47 million (net of income taxes) were reclassified to accumulated other comprehensive income. Realized gains and losses on decommissioning trust funds' assets are based on the adjusted cost basis of the trust fund assets and are reflected in other income and deductions in Exelon's Condensed Consolidated Statements of Income and Comprehensive Income.

Additionally, as part of the corporate restructuring, ComEd's liability to the U.S. Department of Energy (DOE) for payment of its one-time fee for spent nuclear fuel disposal has been transferred to Generation. As of December 31, 2000, this liability, including accrued interest, was $810 million.

PECO

As of December 31, 2000, PECO's Condensed Consolidated Balance Sheet included an estimated liability for decommissioning its nuclear plants of $412 million as a component of accumulated depreciation. Investments in nuclear decommissioning trust fund assets were $440 million. Both the liability and the trust fund investments were transferred to Generation as of January 1, 2001. Annual decommissioning cost recovery of $29 million, collected through regulated rates, will continue, and all amounts collected will be remitted to Generation to be deposited into the decommissioning trust funds.

11. LONG-TERM DEBT (Exelon and PECO)

On March 1, 2001, PECO Energy Transition Trust (PETT), a Delaware business trust and a wholly owned subsidiary of PECO, refinanced $805 million of floating rate Series 1999-A Transition Bonds through the issuance by PETT of fixed-rate transition bonds (Series 2001-A Transition Bonds). Approximately 72% of the Class A-3 and 70% of the Class A-5 Series 1999-A Transition Bonds were redeemed. The Series 2001-A Transition Bonds are non-callable, fixed-rate securities with an interest rate of 6.52%. The Series 2001-A Transition Bonds have an expected final payment date of September 1, 2010 and a termination date of December 31, 2010. The transition bonds are solely obligations of PETT, secured by intangible transition property sold by PECO to PETT concurrently with the issuance of transition bonds and certain other related collateral.

In 1999, PECO entered into interest rate swaps relating to the Class A-3 and Class A-5 Series 1999-A Transition Bonds in the aggregate notional amount of $1.1 billion with an average interest rate of 6.65%. PECO also entered into forward starting interest rate swaps relating to these two classes of floating rate transition bonds in the aggregate notional amount of $1.1 billion with an average interest rate of 6.01%. In connection with the refinancing of a portion of the two floating rate series of transition bonds in the first quarter of 2001, PECO settled $318 million of a forward starting interest rate swap resulting in a $6 million gain which is reflected in other income and deductions due to the transaction no longer being probable. See Note 5 - Cumulative Effect of a Change in Accounting Principle. Also, in connection with the refinancing, PECO settled a portion of the interest rate swaps and the remaining portion of the forward starting interest rate swaps resulting in gains of $25 million, which were deferred and are being amortized over the expected remaining lives of the related debt.

On May 8, 2001, Exelon issued $500 million of senior unsecured notes with a maturity date of May 1, 2011 and an interest rate of 6.75%. On June 11, 2001, Generation issued $700 million of senior unsecured notes with a maturity date of June 15, 2011 and an interest rate of 6.95%. The proceeds from these financings were used to repay a $1.2 billion term loan.

During 2001, Generation issued $121 million of Pollution Control Revenue Refunding Bonds at an average variable commercial paper interest rate of 2.685% with maturities of 20 to 33 years. The proceeds from these offerings were used to retire, through a capital contribution from Exelon to PECO, $121 million of PECO pollution control notes with an average interest rate of 7.01%.

12. SALE OF ACCOUNTS RECEIVABLE (Exelon and PECO)

PECO is party to an agreement with a financial institution under which it can sell or finance with limited recourse an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable until November 2005. As of September 30, 2001, PECO had sold a $225 million interest in accounts receivable, consisting of a $169 million interest in accounts receivable which PECO accounted for as a sale under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125" and a $56 million interest in special-agreement accounts receivable which were accounted for as a long-term note payable. PECO retains the servicing responsibility for these receivables. The agreement requires PECO to maintain the $225 million interest, which, if not met, requires PECO to deposit cash in order to satisfy such requirements. At September 30, 2001, PECO met this requirement and was not required to make any cash deposits.

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

Exelon

In August 2001, Exelon recorded a $150 million note receivable from Sithe Energies, Inc. (Sithe), an equity method investment of Generation. Sithe used the proceeds from the note to repay subordinated debt. The note has a maturity date of August 20, 2004 and an interest rate of the eurodollar rate, plus 2.25%. For the three and nine month periods ended September 30, 2001, Exelon recorded $1 million of interest income on the note.

ComEd

At December 31, 2000, ComEd had a $400 million receivable from PECO, which was repaid in the second quarter of 2001. The average interest rate on this receivable for the period outstanding was 6.5%. Interest income on the receivable fr