Large Filing Separator Sheet

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Other, Net

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008. For 2009 as compared to 2008, the increase reflects net unrealized gains in 2009 on the NDT funds of its Non-Regulatory Agreement Units as compared to net unrealized losses in 2008. See the table below for additional information. Additionally, the increase reflects the contractual elimination of $181 million of income tax expense associated with the NDT funds of the Regulatory Agreement Units in 2009 compared to the contractual elimination of $202 million of income tax benefit in 2008. These increases are partially offset by the impacts of income in 2008 related to the termination of a gas supply guarantee and $71 million of expense related to long-term debt extinguished in the third and fourth quarter of 2009 further described in Note 9 of the Combined Notes to Consolidated Financial Statements

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007. For 2008 as compared to 2007, the decrease primarily reflects net unrealized losses in 2008 on the NDT funds of the Non-Regulatory Agreement Units due to adverse financial market conditions, the contractual elimination of income tax benefits associated with the NDT funds of the Regulatory Agreement Units, realized losses on the trust funds of the Non-Regulatory Agreement Units due to the execution of a tax planning strategy in 2008, and realized gains in 2007 on NDT fund investments of the Non-Regulatory Agreement Units associated with changes in Generation's investment strategy, partially offset by a gain on sale of TEG and TEP in 2007.

The following table provides unrealized and realized gains (losses) on the NDT funds of the Non-Regulatory Agreement Units recognized in other, net for 2009, 2008 and 2007:

	2009	2008	2007
Net unrealized gains (losses) on decommissioning trust funds—Non-Regulatory Agreement Units	$ 227	$ (324)	$ — (b)
Net realized gains (losses) on sale of decommissioning trust funds—Non-Regulatory Agreement Units (a)	$ 29	$ (39)	$ 64
Other-than-temporary impairment of decommissioning trust funds—Non-Regulatory Agreement Units	n/a	$ n/a	$ (9)

(a) As a result of certain NRC regulations, Exelon and Generation were unable to demonstrate the ability and intent to hold the NDT fund investments through a recovery period and, accordingly, recognized any unrealized holding losses immediately. After the January 1, 2008 adoption of the fair value option, other-than-temporary impairments are no longer recognized since all changes in fair value are recognized in the Statement of Operations beginning January 1, 2008.

(b) Unrealized gains and losses were included in accumulated OCI on Exelon's and Generation's Consolidated Balance Sheets prior to the January 1, 2008 adoption of the fair value option.

Effective Income Tax Rate.

Generation's effective income tax rates for the years ended December 31, 2009, 2008 and 2007 were 40.3%, 33.4% and 40.2%, respectively. During 2008, Generation recorded tax benefits on realized and unrealized losses in its qualified NDT fund investments. The tax benefits on the realized and unrealized losses discussed above were recorded at a higher statutory tax rate than Generation's remaining income from operations, resulting in a decreased effective income tax rate. See Note 10 of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

Results of Operations—ComEd

	2009	2008	Favorable (unfavorable) 2009 vs. 2008 variance	2007	Favorable (unfavorable) 2008 vs. 2007 variance
Operating revenues	$ 5,774	$ 6,136	$ (362)	$ 6,104	$ 32
Purchased power expense	3,065	3,582	517	3,747	165
Revenue net of purchased power expense [(a)]	2,709	2,554	155	2,357	197
Other operating expenses					
Operating and maintenance	1,028	1,097	69	1,091	(6)
Operating and maintenance for regulatory required programs	63	28	(35)	—	(28)
Depreciation and amortization	494	464	(30)	440	(24)
Taxes other than income	281	298	17	314	16
Total other operating expenses	1,866	1,887	21	1,845	(42)
Operating income	843	667	176	512	155
Other income and deductions					
Interest expense, net	(319)	(348)	29	(318)	(30)
Equity in losses of unconsolidated affiliates	—	(8)	8	(7)	(1)
Other, net	79	18	61	58	(40)
Total other income and deductions	(240)	(338)	98	(267)	(71)
Income before income taxes	603	329	274	245	84
Income taxes	229	128	(101)	80	(48)
Net income	$ 374	$ 201	$ 173	$ 165	$ 36

(a) ComEd evaluates its operating performance using the measure of revenue net of purchased power expense. ComEd believes that revenue net of purchased power expense is a useful measurement because it provides information that can be used to evaluate its operational performance. In general, ComEd only earns margin based on the delivery and transmission of electricity. ComEd has included its discussion of revenue net of purchased power expense below as a complement to the financial information provided in accordance with GAAP. However, revenue net of purchased power expense is not a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this report.

Net Income

Year ended December 31, 2009 Compared to Year Ended December 31, 2008. The increase in ComEd's net income was driven primarily by higher revenue net of purchased power expense, reflecting increased distribution rates effective September 16, 2008, partially offset by a decline in electric deliveries, primarily resulting from unfavorable weather conditions and reduced load in 2009. In addition, ComEd's increase in net income reflects lower operating and maintenance expenses, lower interest expense, and higher interest income related to the 2009 remeasurement of uncertain income tax positions.

The reduction in operating and maintenance expense reflects Exelon's company-wide cost savings initiative in 2009. The initiative included job reductions, for which ComEd recorded a charge for severance expense as a cost to achieve these savings. ComEd also benefited from decreased storm expenses. Operation and maintenance expense reflect increased pension and other postretirement benefits expense due to lower than expected pension and postretirement plan asset returns in 2008. In the September 2008 rate case ruling, the ICC mandated fixed asset disallowances while allowing certain regulatory assets, which were recorded as a net one-time charge in 2008.

Depreciation and amortization expenses increased due to higher plant balances and new depreciation rates effective January 1, 2009. ComEd experienced a decrease in interest expense primarily due to lower outstanding debt in 2009. ComEd also recorded higher interest income related to the remeasurement in 2009 of uncertain income tax positions.

Year ended December 31, 2008 Compared to Year Ended December 31, 2007. ComEd's net income for 2008 compared to 2007 reflected higher revenue net of purchased power expense, primarily driven by higher transmission rates effective May 1, 2007 and June 1, 2008 and higher distribution rates effective September 16, 2008. In 2008, ComEd received a refund of Illinois Distribution Tax that also contributed to the increase in net income. These increases were partially offset by unfavorable weather, higher operating and maintenance expense, principally driven by disallowances arising from the September 2008 rate case order, higher storm costs, higher depreciation and amortization expense, and higher interest expense.

Operating Revenues Net of Purchased Power Expense

There are certain drivers to revenue that are fully offset by their impact on purchased power expense, such as commodity procurement costs and customer choice programs. ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. Therefore, fluctuations in electricity procurement costs have no impact on electric revenue net of purchased power expense. See Note 2 of the Combined Notes to the Consolidated Financial Statements for information on ComEd's electricity procurement process.

Electric revenues and purchased power expense are affected by fluctuations in customers' purchases from competitive electric generation suppliers. All ComEd customers have the choice to purchase electricity from an alternative electric generation supplier. This choice does not impact the volume of deliveries, but affects revenue collected from customers related to supplied energy and generation services.

Details of ComEd's retail customers purchasing electricity from competitive electric generation suppliers in 2009 and 2008 consisted of the following:

	2009	2008
Number of customers at period end	53,400	45,100
Percentage of total retail customers	1%	1%
Volume (GWh)	44,871	46,950
Percentage of total retail deliveries	52%	51%

The changes in ComEd's electric revenue net of purchased power expense for 2009 compared to 2008 consisted of the following:

	Increase (Decrease)
Distribution pricing	$ 214
Energy efficiency and demand response programs	34
2007 City of Chicago Settlement	10
Transmission	(26)
Volume—delivery	(40)
Weather—delivery	(45)
Other	8
Total increase	$ 155

Distribution pricing

The increase in retail electric revenues net of purchased power expense as a result of distribution pricing in 2009 compared to the same period in 2008, reflected the impact of the 2007 Rate Case. The ICC issued an order in the 2007 Rate Case approving a $274 million increase in ComEd's annual revenue requirement. The order became effective September 16, 2008 resulting in increased distribution revenues in 2009 compared to 2008. See Note 2 of the Combined Notes to the Consolidated Financial Statements for additional information.

Energy efficiency and demand response programs

As a result of the Illinois Settlement Legislation, utilities are required to provide energy efficiency and demand response programs beginning June 1, 2008 and are allowed recovery of the costs of these programs from customers on a full and current basis through a reconcilable automatic adjustment clause. In 2009, ComEd recognized $59 million of revenue associated with these programs, compared to $25 million in 2008. These amounts were offset by equal amounts in operating and maintenance expense for regulatory required programs. See Note 2 and Note 19 of the Combined Notes to the Consolidated Financial Statements for additional information.

2007 City of Chicago Settlement

ComEd paid $8 million and $18 million in 2009 and 2008, respectively, under the terms of its 2007 Settlement Agreement with the City of Chicago. Payments are recorded as a reduction in revenues; therefore, the lower payment in 2009 resulted in a net increase in revenues net of purchased power expense for 2009 compared to 2008. See Note 2 of the Combined Notes to Consolidated Financial Statements for more information.

Transmission

Transmission revenues net of purchased power expense decreased primarily due to a FERC order issued in 2008, which approved incentive recovery treatment of ComEd's largest transmission project. The cumulative recognition in 2008 of the 2007 effects of this order resulted in higher revenues in 2008 compared to 2009. This was partially offset by the impact of higher transmission rates effective June 1, 2008 and June 1, 2009, resulting from ComEd's FERC approved formula rate. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

Volume—Delivery

The decrease in revenues net of purchased power expense as a result of lower delivery volume, exclusive of the effects of weather, in 2009 as compared to 2008, reflected decreased average usage per customer and fewer customers in the ComEd service territory.

Weather—Delivery

Revenues net of purchased power expense were lower in 2009 compared to 2008 due to unfavorable weather conditions. The demand for electricity is affected by weather conditions. Very warm weather in summer months and very cold weather in other months are referred to as "favorable weather conditions" because these weather conditions result in increased customer usage and delivery of electricity. Conversely, mild weather reduces demand. Degree days are quantitative indices that reflect the demand for energy needed to heat or cool a home or business. In ComEd's service territory, heating degree days decreased by 4% and cooling degree days decreased by 29% in 2009 compared to the same period in 2008.

Other

Other revenues were higher in 2009 compared to 2008. Other revenues include revenues related to late payment charges, assistance provided to other utilities through mutual assistance programs and recoveries of environmental remediation costs associated with MGP sites.

The changes in ComEd's electric revenue net of purchased power expense for 2008 compared to 2007 consisted of the following:

	Increase (Decrease)
2007 Distribution Rate Case	$ 75
Transmission	54
Rate relief program	27
Energy efficiency and demand response programs	25
Wholesale contracts	6
2007 City of Chicago Settlement	5
Volume—delivery	2
Weather—delivery	(38)
Other	41
Total increase	$ 197

2007 Distribution Rate Case

The ICC issued an order in the 2007 Rate Case approving a $274 million increase in ComEd's annual revenue requirement. The order became effective September 16, 2008 resulting in a $75 million increase in revenues for 2008 compared to 2007. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

Transmission

Transmission revenues net of purchased power expense increased primarily due to a FERC order issued in 2008, which approved incentive recovery treatment of ComEd's largest transmission project. The cumulative recognition in 2008 of the 2007 effects of this order resulted in higher revenues in 2008 compared to 2007. In addition, transmission rates increased effective May 1, 2007 and June 1, 2008 resulting from ComEd's FERC approved formula rate. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

Rate relief program

ComEd funded less rate relief credits to customers in 2008 compared to 2007. Credits provided to customers are recorded as a reduction to operating revenues; therefore, the reduction in credits resulted in an increase in revenues net of purchased power expense for 2008 compared to 2007. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

Energy efficiency and demand response programs

As a result of the Illinois Settlement Legislation, utilities are required to provide energy efficiency and demand response programs beginning June 1, 2008. During the year ended December 31, 2008, ComEd recognized $25 million of revenue associated with these programs. This amount was offset by an equal amount of operating and maintenance expense. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

Wholesale Contracts

ComEd's revenues net of purchased power expense include a $6 million increase primarily due to the expiration of certain wholesale contracts in 2007.

2007 City of Chicago Settlement

ComEd paid $18 million and $23 million in 2008 and 2007, respectively, under the terms of its 2007 settlement agreement with the City of Chicago. Payments are recorded as a reduction in revenues; therefore, the lower payment resulted in a net increase in revenues for 2008 compared to 2007. See Note 2 of the Combined Notes to Consolidated Financial Statements for more information.

Volume—Delivery

While ComEd's delivery volumes, exclusive of the effects of weather increased slightly compared to 2007 on a full year basis, during the fourth quarter of 2008 ComEd experienced a decrease in volumes.

Weather—Delivery

Revenues net of purchased power expense were lower due to unfavorable weather conditions in 2008 compared to the same period in 2007. Cooling degree days were 25% lower for 2008 compared to 2007, partially offset by an 11% increase in heating degree days.

Operating and Maintenance Expense

The changes in operating and maintenance expense for 2009 compared to 2008, consisted of the following:

	Increase (Decrease)
Pension and non-pension postretirement benefits expense	$ 51
Severance	19
Allowance for uncollectible accounts expense [(a)]	14
Injuries and damages	(1)
Rate Relief Programs	(6)
Corporate allocations	(7)
Fringe benefits	(7)
Wages and salaries	(26)
Contracting and materials	(32)
2007 Rate Case disallowances [(b)]	(22)
Incremental storm-related costs	(40)
Other	(12)
Decrease in operating and maintenance expense	$ (69)

(a) The allowance for uncollectible accounts expense increased in part as a result of the current overall negative economic conditions, partially mitigated by ComEd's increased collection activities in 2009.

(b) In September 2008, as a result of the 2007 Rate Case order, ComEd recorded $37 million of fixed asset disallowances; $35 million was recorded as operating and maintenance expense and $2 million was recorded as depreciation expense. In addition, ComEd established regulatory assets of $13 million associated with reversing previously incurred expenses. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

The changes in operating and maintenance expense for 2008 compared to 2007, consisted of the following:

	Increase (Decrease)
2007 Rate Case order [(a)]	$ 22
Wages and salaries	15
Allowance for uncollectible accounts expense [(b)]	12
Storm-related costs	8
Corporate allocations	6
Injuries and damages	(9)
Contracting	(23)
Post rate freeze period transition expenses incurred in 2007	(26)
Other	1
Increase in operating and maintenance expense	$ 6

(a) In September 2008, as a result of the 2007 Rate Case order, ComEd recorded $37 million of fixed asset disallowances; $35 million was recorded as operating and maintenance expense and $2 million was recorded as depreciation expense. In addition, ComEd established regulatory assets of $13 million associated with reversing previously incurred operating and maintenance expenses. See Note 2 of the Combined Notes to the Consolidated Financial Statements for more information.

(b) The allowance for uncollectible accounts expense increased during 2008 due to increased customer account charge-offs and the impact of rate relief credits that reduced this expense during 2007.

Operating and maintenance expense for regulatory required programs

Operating and maintenance expenses for regulatory required programs are costs for various legislative and/or regulatory programs that are recoverable from customers on a full and current basis through a reconcilable automatic adjustment clause. An equal and offsetting amount has been reflected in operating revenues during the period. To fulfill a requirement of the Illinois Settlement Legislation, ComEd initiated the ICC approved energy efficiency and demand response programs in June 2008. In 2009, expenses related to energy efficiency and demand response programs and purchased power administration costs consisted of $59 million and $4 million, respectively, compared to $25 million and $3 million, respectively, for 2008. See Note 2 and Note 19 of the Combined Notes to the Consolidated Financial Statements for additional information.

Depreciation and Amortization Expense

The changes in depreciation and amortization expense for 2009 compared to 2008 and 2008 compared to 2007, consisted of the following:

	Increase (Decrease) 2009 vs. 2008	Increase (Decrease) 2008 vs. 2007
Depreciation expense associated with higher plant balances	$ 25 [(a)]	$ 19
2007 Rate Case asset disallowances	(2)	2
Other amortization expense	7	3
Increase in depreciation and amortization expense	$ 30	$ 24

(a) Depreciation and amortization expense increased in 2009 compared to 2008 due to higher plant balances and changes to useful lives of assets based on a depreciation rate study, which became effective January 1, 2009.

Taxes Other Than Income

Year ended December 31, 2009 Compared to Year Ended December 31, 2008. Taxes other than income decreased for 2009 compared to 2008 primarily as a result of $9 million of property tax settlements recorded in 2009. These settlements will result in lower rates prospectively.

Year ended December 31, 2008 Compared to Year Ended December 31, 2007. Taxes other than income decreased for 2008 compared to 2007 primarily as a result of a $14 million refund of 2005 Illinois distribution tax received in 2008.

Interest Expense, Net

The changes in interest expense for 2009 compared to 2008 and 2008 compared to 2007 consisted of the following:

	Increase (Decrease) 2009 vs. 2008	Increase (Decrease) 2008 vs. 2007
Uncertain income tax positions remeasurement [a]	$ (6)	$ —
Interest expense on debt (including financing trusts) [b] [c]	(20)	29
Interest expense related to uncertain tax positions [d]	6	3
Other [e]	(9)	(2)
(Decrease) increase in interest expense, net	$ (29)	$ 30

(a) During 2009, ComEd recorded $66 million of interest benefit associated with the remeasurement of income tax positions, specifically related to the 1999 Sale of Fossil Generating Assets, of which, $6 million was recorded as a reversal of interest expense with the remainder recorded in Other, net. See Note 10 of the Combined Notes to Consolidated Financial Statements for more information.

(b) In 2008, interest expense included a $7 million charge to reverse previously recognized AFUDC resulting from the January 18, 2008 FERC order granting incentive treatment on ComEd's largest transmission project.

(c) ComEd Financing II and ComEd Transitional Funding Trust were dissolved in 2008.

(d) During the first quarter of 2008, ComEd recorded an increase in interest expense of $6 million related to a settlement with the IRS of a research and development claim. See Note 10 of the Combined Notes of the Consolidated Financial Statements for more information.

(e) Primarily reflects the decrease in interest for short term borrowings in 2009.

Other, Net

The changes in Other, net for 2009 compared to 2008 and 2008 compared to 2007 consisted of the following:

	Increase (Decrease) 2009 vs. 2008	Increase (Decrease) 2008 vs. 2007
Interest income related to uncertain tax positions	$ 59 [a]	$ (36)
Gain on disposal of assets and investments	5	—
Other-than-temporary impairment of investments	(7)	—
Other	4	(4)
Increase (decrease) in Other, net	$ 61	$ (40)

(a) During 2009, ComEd recorded $66 million of interest benefit associated with the remeasurement of income tax positions, specifically related to the 1999 Sale of Fossil Generating Assets, of which, $6 million was recorded as a reversal of interest expense with the remainder recorded in Other, net. See Note 10 of the Combined Notes to the Financial Statements for more information.

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Effective Income Tax Rate

ComEd's effective income tax rate for the years ended December 31, 2009, 2008 and 2007 was 38.0%, 38.9% and 32.7%, respectively. The benefit recorded for the indirect cost capitalization method change in 2007 decreased the effective income tax rate for that year. See Note 10 of the Combined Notes to Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

ComEd Electric Operating Statistics and Revenue Detail

Retail Deliveries (in GWh)	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Full service [(a)]					
Residential	26,619	28,389	(6.2)%	29,374	(3.4)%
Small commercial & industrial	13,633	14,937	(8.7)%	16,468	(9.3)%
Large commercial & industrial	1,216	1,045	16.4%	1,949	(46.4)%
Public authorities & electric railroads	421	578	(27.2)%	766	(24.5)%
Total full service	41,889	44,949	(6.8)%	48,557	(7.4)%
Delivery only [(b)]					
Residential	2	—	n.m	—	n.m
Small commercial & industrial	18,601	18,550	0.3%	17,380	6.7%
Large commercial & industrial	25,452	27,764	(8.3)%	27,122	2.4%
Public authorities & electric railroads	816	636	28.3%	518	22.8%
Total delivery only	44,871	46,950	(4.4)%	45,020	4.3%
Total retail deliveries	86,760	91,899	(5.6)%	93,577	(1.8)%

(a) Reflects deliveries to customers purchasing electricity from ComEd.

(b) Reflects customers electing to purchase electricity from an alternative electric generation supplier.

n.m. Not meaningful.

Electric Revenue	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Full service [(a)]					
Residential	$ 3,115	$ 3,284	(5.1)%	$ 3,161	3.9%
Small commercial & industrial	1,335	1,542	(13.4)%	1,619	(4.8)%
Large commercial & industrial	73	90	(18.9)%	154	(41.6)%
Public authorities & electric railroads	44	52	(15.4)%	67	(22.4)%
Total full service	4,567	4,968	(8.1)%	5,001	(0.7)%
Delivery only [(b)]					
Residential	—	—	n.m	—	n.m
Small commercial & industrial	325	289	12.5%	261	10.7%
Large commercial & industrial	314	295	6.4%	276	6.9%
Public authorities & electric railroads	13	7	85.7%	5	40.0%
Total delivery only	652	591	10.3%	542	9.0%
Total electric retail revenues	5,219	5,559	(6.1)%	5,543	0.3%
Other revenue [(d)]	555	577	(3.8)%	561	2.9%
Total electric and other revenue	$ 5,774	$ 6,136	(5.9)%	$ 6,104	0.5%

(a) Reflects deliveries to customers purchasing electricity from ComEd, which include the cost of electricity and the cost of transmission and distribution of the electricity.

(b) Reflects revenue under tariff rates from customers electing to purchase electricity from an alternative electric generation supplier.
(c) There were a minimal number of residential customers being served by alternative electric generation suppliers with total activity of less than $1 million for the years 2009, 2008, 2007.
(d) Other revenues primarily include transmission revenues from PJM. Other items also include late payment charges and mutual assistance program revenues.
n.m. Not meaningful.

Results of Operations—PECO

	2009	2008	Favorable (unfavorable) 2009 vs. 2008 variance	2007	Favorable (unfavorable) 2008 vs. 2007 variance
Operating revenues	$ 5,311	$ 5,567	$ (256)	$ 5,613	$ (46)
Purchased power expense and fuel expense	2,746	3,018	272	2,983	(35)
Revenue net of purchased power expense [a] and fuel expense	2,565	2,549	16	2,630	(81)
Other operating expenses					
Operating and maintenance	640	731	91	630	(101)
Depreciation and amortization	952	854	(98)	773	(81)
Taxes other than income	276	265	(11)	280	15
Total other operating expenses	1,868	1,850	(18)	1,683	(167)
Operating income	697	699	(2)	947	(248)
Other income and deductions					
Interest expense, net	(187)	(226)	39	(248)	22
Equity in losses of unconsolidated affiliates	(24)	(16)	(8)	(7)	(9)
Other, net	13	18	(5)	45	(27)
Total other income and deductions	(198)	(224)	26	(210)	(14)
Income before income taxes	499	475	24	737	(262)
Income taxes	146	150	4	230	80
Net income	353	325	28	507	(182)
Preferred security dividends	4	4	—	4	—
Net income on common stock	$ 349	$ 321	$ 28	$ 503	$ (182)

(a) PECO evaluates its operating performance using the measures of revenue net of purchased power expense for electric sales and revenue net of fuel expense for gas sales. PECO believes revenue net of purchased power expense and revenue net of fuel expense are useful measurements of its performance because they provide information that can be used to evaluate its net revenue from operations. PECO has included the analysis below as a complement to the financial information provided in accordance with GAAP. However, revenue net of purchased power expense and revenue net of fuel expense figures are not a presentation defined under GAAP and may not be comparable to other companies' presentations or more useful than the GAAP information provided elsewhere in this report.

Net Income

Year ended December 31, 2009 Compared to Year Ended December 31, 2008. The increase in net income was driven primarily by increased operating revenue net of purchased power and fuel expense and decreased interest expense, which was partially offset by increased operating expenses. The increase in revenue net of purchased power and fuel expense was primarily related to increased gas distribution rates effective January 1, 2009, which were partially offset by reduced electric load.

PECO's operating expenses increased as a result of increased scheduled CTC amortization expense and pension and other postretirement benefits expense due to lower than expected pension and postretirement plan asset returns in 2008. The increased operating expenses were partially offset by decreased allowance for uncollectible accounts expense.

PECO also experienced a decrease in gross receipts tax expense primarily due to a rate reduction.

Year ended December 31, 2008 Compared to Year Ended December 31, 2007. PECO's net income for 2008 compared to 2007 decreased due to lower operating revenue net of purchased power and fuel expense, reflecting unfavorable weather conditions, as well as higher operating and maintenance expenses primarily driven by an increase in the allowance for uncollectible accounts expense and increased scheduled CTC amortization partially offset by decreased interest expense.

Operating Revenues Net of Purchased Power and Fuel Expense

There are certain drivers to revenue that are fully offset by their impact on purchased power expense and fuel expense, such as commodity procurement costs and customer choice programs. Gas revenues and fuel expense are affected by fluctuations in natural gas procurement costs. PECO's purchased natural gas cost rates charged to customers are subject to quarterly adjustments designed to recover or refund the difference between the actual cost of purchased natural gas and the amount included in rates in accordance with the PAPUC's PGC. Therefore, fluctuations in natural gas procurement costs have no impact on gas revenue net of fuel expense. The average purchased gas cost rate per mmcf was $8.80, $11.31 and $10.23 for the years ended December 31, 2009, 2008 and 2007, respectively. PECO's electric generation rates charged to customers are capped until December 31, 2010 in accordance with the 1998 restructuring settlement under the Competition Act. Under PECO's full requirements PPA with Generation, purchased power costs are based on the rates charged to customers. Electric revenues and purchased power expense fluctuate in relation to customer class usage as each customer class is charged a different capped electric generation rate; however, there is no impact on electric revenue net of purchased power expense.

Electric revenues and purchased power expense are also affected by fluctuations in participation in the Customer Choice Program. All PECO customers have the choice to purchase energy from a competitive electric generation supplier. This choice does not impact the volume of deliveries, but affects revenue collected from customers related to supplied energy and generation service. The number of retail customers purchasing energy from a competitive electric generation supplier was 21,700, 24,800 and 29,200 at December 31, 2009, 2008 and 2007, respectively, representing 1%, 2% and 2% of total retail customers, respectively.

The changes in PECO's electric revenue net of purchased power expense and gas revenue net of fuel expense for the year ended December 31, 2009 compared to the same period in 2008 consisted of the following:

	Increase (Decrease)		
	Electric	Gas	Total
Weather	$ (24)	$ 3	$ (21)
Gas distribution rate increase	—	77	77
Volume	(67)	(2)	(69)
Pricing	22	—	22
Other	11	(4)	7
Total increase (decrease)	$ (58)	$ 74	$ 16

Weather

The demand for electricity and gas is affected by weather conditions. With respect to the electric business, very warm weather in summer months and, with respect to the electric and gas businesses, very cold weather in winter months are referred to as "favorable weather conditions" because these weather conditions result in increased deliveries of electricity and gas. Conversely, mild weather reduces demand. Electric revenues net of purchased power expense were lower due to the impact of unfavorable 2009 weather conditions in PECO's service territory and gas revenues net of fuel expense were higher due to the impact of unfavorable weather conditions in PECO's service territory in the winter months of 2008. Heating degree days were 3% higher and cooling degree days were 8% lower. Heating degree days and cooling degrees days are quantitative indices that reflect the demand for energy needed to heat or cool a home or business.

Gas distribution rate increase

The increase in gas revenues net of fuel expense reflected increased distribution rates effective January 1, 2009 resulting from the settlement of the 2008 gas distribution rate case.

Volume

The decrease in revenues net of purchased power and fuel expense as a result of lower delivery volume, exclusive of the effects of weather, reflected decreased electric usage per customer across all customer classes as well as decreased gas usage across the small commercial and industrial customer class.

Pricing

The increase in electric revenues net of purchased power expense as a result of pricing reflected the impact of lower PECO electric distribution rates in 2008 due to the refund of the 2007 PURTA settlement to customers. The rate change had no impact on operating income because it was offset by the amortization of the regulatory liability related to the 2007 PURTA settlement reflected in taxes other than income.

Other

The increase in other electric revenues net of purchased power expense reflected an increase in revenues associated with shifts in volume among customer classes, which resulted in a different profile of rates as different customer classes are charged different rates.

The changes in PECO's electric revenue net of purchased power expense and gas revenue net of fuel expense for the year ended December 31, 2008 compared to the same period in 2007 consisted of the following:

	Increase (Decrease)		
	Electric	Gas	Total
Weather	$ (48)	$ (6)	$ (54)
Settlement of PJM billing dispute	(10)	—	(10)
Volume	14	—	14
Pricing	(29)	—	(29)
Transmission	(11)	—	(11)
Other	10	(1)	9
Total increase (decrease)	$ (74)	$ (7)	$ (81)

Weather

Revenues net of purchased power and fuel expense were lower due to the impact of unfavorable 2008 weather conditions in PECO's service territory. Heating and cooling degree days were 3% and 11% lower, respectively.

Settlement of PJM Billing Dispute

PECO's purchased power expense increased $10 million due to the impact of the favorable settlement of a PJM billing dispute with PPL during 2007.

Volume

The increase in electric revenues net of purchased power expense as a result of higher delivery volume, exclusive of the effects of weather, reflected increased electric usage per customer, primarily in the residential electric customer class and an increased number of electric customers in all customer classes.

Pricing

The decrease in electric revenues net of purchased power expense as a result of pricing reflected lower PECO electric distribution rates in 2008 due to the refund of the 2007 PURTA settlement to customers. The rate change had no impact on operating income because it was offset by the amortization of the regulatory liability related to the 2007 PURTA settlement reflected in taxes other than income.

Transmission

The decrease in electric revenues net of purchased power expense reflected decreased transmission revenue earned by PECO as a transmission owner for the use of PECO's transmission facilities in PJM. This revenue is based on the prior year's summer peak, and the summer peak in 2007 was lower than in 2006. Transmission expenses increased due to increased allocated costs from PJM. Transmission expenses represent wholesale transmission costs and other costs allocated by PJM, including charges for transmission stabilization, default charges and RTEP costs.

Other

The increase in other electric revenues net of purchased power expense reflected an increase in revenues associated with volume shifts among customer classes, which resulted in a different profile of rates as different customer classes are charged different rates.

Operating and Maintenance Expense

The decrease in operating and maintenance expense for 2009 compared to 2008 consisted of the following:

	Increase (Decrease)
Allowance for uncollectible accounts expense	$ (97)
Incremental storm-related costs	(9)
Materials and supplies	(3)
Pension and OPEB expense	11
Wages and salaries	5
Severance	3
Other	(1)
Decrease in operating and maintenance expense	$ (91)

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The increase in operating and maintenance expense for 2008 compared to 2007 consisted of the following:

	Increase (Decrease)
Allowance for uncollectible accounts expense	$ 89
Wages and salaries	9
Fringe benefits	4
Contracting	1
Injuries and damages expense	(2)
Increase in operating and maintenance expense	$ 101

Allowance for uncollectible accounts expense

The decrease in allowance for uncollectible accounts expense for the year ended December 31, 2009 compared to 2008 primarily reflects improved accounts receivable aging as a result of enhancements to credit processes and increased collection and termination activities initiated in September 2008 and continuing through 2009. The credit process enhancements and increased collection and termination activities resulted in increased allowance for uncollectible accounts expense for the year ended December 31, 2008 compared to 2007, primarily due to updated reserve estimates to reflect the anticipated increases in customer account charge-offs associated with these activities as well as the further deterioration in actual and projected collections of PECO's higher risk customer accounts receivable.

Depreciation and Amortization Expense

The increase in depreciation and amortization expense for 2009 compared to 2008 and 2008 compared to 2007 consisted of the following:

	Increase (Decrease) 2009 vs. 2008	Increase (Decrease) 2008 vs. 2007
CTC amortization [(a)]	$ 90	$ 78
Other	8	3
Increase in depreciation and amortization expense	$ 98	$ 81

(a) The increase in PECO's scheduled CTC amortization recorded is in accordance with its 1998 restructuring settlement under the Competition Act.

Taxes Other Than Income

The increase in taxes other than income for 2009 compared to 2008 and the decrease in 2008 compared to 2007 consisted of the following:

	Increase (Decrease) 2009 vs. 2008	Increase (Decrease) 2008 vs. 2007
PURTA amortization [(a)]	$ 34	$ (36)
Reduction of reserve related to PURTA tax appeal [(b)]	—	17
Sales and use tax [(c)]	—	3
Taxes on utility revenues	(22)	2
Other	(1)	(1)
Increase (decrease) in taxes other than income	$ 11	$ (15)

(a) The increase was due to the impact of amortization of the regulatory liability recorded during 2008 in connection with the 2007 PURTA settlement, which began in January 2008 and was fully amortized in January 2009. The impact of the amortization on operating income in 2008 was offset by lower revenues due to a reduction in the distribution rates to refund the PURTA taxes to customers.

(b) On March 27, 2007, PECO prevailed in a Pennsylvania Supreme Court case in which PECO had contested the assessment of PURTA taxes applicable to 1997. As a result, PECO reduced the reserve associated with this matter.

(c) The decrease in tax expense for 2009 compared to 2008 was due to a gross receipts tax rate reduction that became effective on January 1, 2009.

Interest Expense, Net

The decrease in interest expense, net for 2009 compared to 2008 and 2008 compared to 2007 was primarily due to a decrease in the outstanding debt balance owed to PETT, partially offset by an increase in interest expense associated with a higher amount of outstanding long-term first and refunding mortgage bonds.

Other, Net

The decrease in Other, net for 2009 compared to 2008 was primarily due to the impact of interest income recorded in 2008 related to the SSCM settlement. See Note 19 of the Combined Notes to the Consolidated Financial Statements for additional details of the components of Other, net.

The decrease in Other, net for 2008 compared to 2007 was primarily due to the impacts of interest income recorded in 2007 related to the SSCM settlement, partially offset by an increase in interest income related to uncertain income tax positions. See Note 19 of the Combined Notes to the Consolidated Financial Statements for additional details of the components of Other, net.

Effective Income Tax Rate

PECO's effective income tax rates for the years ended December 31, 2009, 2008 and 2007 were 29.3%, 31.6% and 31.2%, respectively. See Note 10 of the Combined Notes to the Consolidated Financial Statements for additional information regarding the components of the effective income tax rates.

PECO Electric Operating Statistics and Revenue Detail

Retail Deliveries (in GWh)	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Full service [(a)]					
Residential	12,871	13,287	(3.1)%	13,446	(1.2)%
Small commercial & industrial	8,044	8,211	(2.0)%	[illegible]	(0.9)%
Large commercial & industrial	15,832	16,474	(3.9)%	16,522	(0.3)%
Public authorities & electric railroads	930	909	2.3%	930	(2.3)%
Total full service	37,677	38,881	(3.1)%	39,186	(0.8)%
Delivery only [(b)]					
Residential	22	30	(26.7)%	42	(28.6)%
Small commercial & industrial	353	469	(24.7)%	571	(17.9)%
Large commercial & industrial	16	3	n.m.	14	(78.6)%
Total delivery only	391	502	(22.1)%	627	(19.9)%
Total retail deliveries	38,068	39,383	(3.3)%	39,813	(1.1)%

(a) Full service reflects deliveries to customers purchasing electricity directly from PECO.

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

n.m. Not meaningful

Electric Revenue	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Full service [(a)]					
Residential	$ 1,857	$ 1,916	(3.1)%	$ 1,948	(1.6)%
Small commercial & industrial	1,015	1,028	(1.3)%	1,042	(1.3)%
Large commercial & industrial	1,307	1,406	(7.0)%	1,386	1.4%
Public authorities & electric railroads	90	87	3.4%	89	(2.2)%
Total full service	4,269	4,437	(3.8)%	4,465	(0.6)%
Delivery only [(b)]					
Residential	2	2	0.0%	4	(50.0)%
Small commercial & industrial	19	25	(24.0)%	30	(16.7)%
Total delivery only	21	27	(22.2)%	34	(20.6)%
Total electric retail revenues	4,290	4,464	(3.9)%	4,499	(0.8)%
Other revenue (c)	259	282	(8.2)%	276	2.2%
Total electric and other revenue	$ 4,549	$ 4,746	(4.2)%	$ 4,775	(0.6)%

(a) Full service reflects deliveries to customers purchasing electricity directly from PECO, which includes the cost of energy, the cost of the transmission and the distribution of the energy and a CTC.

(b) Delivery only revenue reflects revenue from customers electing to receive generation service from a competitive electric generation supplier, which includes a distribution charge and a CTC.

(c) Other revenue includes transmission revenue from PJM and other wholesale energy sales.

PECO's Gas Sales Statistics and Revenue Detail

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

Deliveries to customers (in mmcf)	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Retail sales	57,103	56,110	1.8%	58,968	(4.8)%
Transportation	27,206	27,624	(1.5)%	27,632	(0.0)%
Total	84,309	83,734	0.7%	86,600	(3.3)%

Revenue	2009	2008	% Change 2009 vs. 2008	2007	% Change 2008 vs. 2007
Retail sales	$ 732	$ 795	(7.9)%	$ 784	1.4%
Transportation	21	19	10.5%	17	11.8%
Resales and other	9	7	28.6%	37	(81.1)%
Total gas revenue	$ 762	$ 821	(7.2)%	$ 838	(2.0)%

Liquidity and Capital Resources

The Registrants' operating and capital expenditures requirements are provided by internally generated cash flows from operations as well as funds from external sources in the capital markets and through bank borrowings. The Registrants' businesses are capital intensive and require considerable capital resources. Each Registrant's access to external financing on reasonable terms depends on its credit ratings and current overall capital market business conditions, including that of the utility industry in general. If these conditions deteriorate to the extent that the Registrants no longer have access to the capital markets at reasonable terms, Exelon, Generation, ComEd and PECO have access to unsecured revolving credit facilities with aggregate bank commitments of $957 million, $4.8 billion, $952 million and $574 million, respectively. The Registrants' credit facilities largely extend through October 2012 for Exelon, Generation and PECO and February 2011 for ComEd. Exelon, Generation, and PECO utilize their credit facilities to support their commercial paper programs, provide for other short-term borrowings and to issue letters of credit. ComEd uses its credit facilities to provide for short-term borrowings and to issue letters of credit. See the "Credit Matters" section below for further discussion. The Registrants expect cash flows to be sufficient to meet operating expenses, financing costs and capital expenditure requirements.

The Registrants primarily use their capital resources, including cash, to fund capital requirements, including construction expenditures, retire debt, pay dividends, fund pension obligations and invest in new and existing ventures. The Registrants spend a significant amount of cash on capital improvements and construction projects that have a long-term return on investment. Additionally, ComEd and PECO operate in rate-regulated environments in which the amount of new investment recovery may be limited and where such recovery takes place over an extended period of time. See Note 9 of the Combined Notes to Consolidated Financial Statements for further discussion of the Registrants' debt and credit agreements.

Cash Flows from Operating Activities

General

Generation's cash flows from operating activities primarily result from the sale of electric energy to wholesale customers. Generation's future cash flows from operating activities may be affected by future demand for and market prices of energy and its ability to continue to produce and supply power at competitive costs as well as to obtain collections from customers. ComEd's and PECO's cash flows from operating activities primarily result from the transmission and distribution of electricity and, in the case of PECO, gas distribution services to an established and diverse base of retail customers. ComEd's and PECO's future cash flows may be affected by the economy, weather conditions, future legislative initiatives, future regulatory proceedings with respect to their rates or operations, and their ability to achieve operating cost reductions. See Notes 2 and 18 of the Combined Notes to Consolidated Financial Statements for further discussion of regulatory and legal proceedings and proposed legislation.

Pension and Other Postretirement Benefits

The funded status of the pension and other postretirement benefit obligations refers to the difference between plan assets and Exelon's estimated obligations under the plans. The funded status may change over time due to several factors, including contribution levels, assumed discount rates and actual and assumed rates of return on plan assets. During 2008, the unfunded status of Exelon's plans increased significantly, primarily due to lower than expected asset returns. Exelon has continued to monitor financial market conditions and their impact on the plans during 2009. The unfunded balance of the plans decreased to $5.83 billion as of December 31, 2009 as compared to $6.38 billion at December 31, 2008. This decrease was primarily a result of a $350 million discretionary pension contribution made during the third quarter, as well as significantly improved asset returns in 2009 compared to 2008. While a decrease in discount rates and other factors resulted in an increase in the pension and other postretirement obligation, it was more than offset by the significant increase in asset values.

The calculation of funding requirements for pension plans requires election of a methodology to determine the actuarial value of assets and the interest rate used to measure the pension liabilities. Recent pension funding guidance has modified some of those elections.

On December 23, 2008, President Bush signed the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), which allows the use of average assets, including expected returns (subject to certain limitations) for a 24-month period prior to the measurement date, in the determination of funding requirements, among other provisions. This option is referred to as asset smoothing. Exelon has elected to utilize asset smoothing for its largest pension plan and market value of assets for its remaining plans. These elections are expected to provide Exelon the opportunity to defer certain contributions to later years and potentially mitigate future contributions through investment market recovery.

In March and September 2009, the U.S. Treasury Department provided guidance on the selection of the corporate bond yield curve for determining the interest rate used to calculate plan liabilities and determine pension funding requirements. There are other legislative and regulatory funding relief proposals also being discussed. Exelon is monitoring the progress of these initiatives and evaluating their potential impact on funding requirements and strategies.

Management considers various factors when making funding decisions, including actuarially determined minimum contribution requirements under ERISA, as amended, and contributions required to avoid benefit restrictions for the pension plans. Regulatory requirements and the amount deductible for income tax purposes are among the factors considered in determining funding for the other postretirement benefit plans.

During September 2009, Exelon made a discretionary pension contribution of $350 million to its largest pension plan, of which Generation, ComEd and PECO contributed $154 million, $153 million and $17 million, respectively. The contribution, combined with funding elections, is expected to reduce future contribution requirements. See the "Contractual Obligations and Off-Balance Sheet Arrangements" section below for management's estimated pension contributions.

Tax Matters

During 2008, Generation benefited from a provision in the Energy Policy Act of 2005 which allowed companies an income tax deduction for a "special transfer" of funds from a non-tax qualified NDT fund to a qualified NDT fund. As a result of interpretative guidance published by the IRS with respect to this provision in the Energy Policy Act of 2005, Generation completed a special transfer in the first quarter of 2008, which resulted in net positive cash flow of approximately $280 million in total for 2008 and 2009 combined.

In addition, Exelon, through ComEd, has taken certain tax positions to defer the tax gain on the 1999 sale of its fossil generating assets. The IRS has disallowed the deferral of the gain on this sale. As more fully described in Note 10 of the Combined Notes to Consolidated Financial Statements, a fully successful IRS challenge to Exelon's and ComEd's positions would accelerate income tax payments and increase interest expense related to the deferred tax gain that becomes currently payable.

The ARRA of 2009 was enacted in the first quarter of 2009 and included an extension of the incentive from the Economic Stimulus Act of 2008 that allows companies to claim an accelerated depreciation deduction for Federal income tax purposes equal to 50% of the cost basis of certain property placed in service during 2009. Exelon reduced its tax liability by approximately $340 million as a result of this special tax depreciation provision.

In 2009, Exelon received approval from the IRS to change its method of accounting for repair costs associated with Generation's power plants. The new tax method of accounting resulted in net positive cash flow of approximately $420 million for 2009. Although the IRS granted Exelon approval to change its method of accounting, the approval did not affirm the methodology used to calculate the deduction. Exelon has requested the IRS to review its methodology through its Pre-Filing Agreement program.

Given the current economic environment, state and local governments are facing increasing financial challenges, which may increase the risk of additional income tax levies, property taxes, and other taxes.

The following table provides a summary of the major items affecting Exelon's cash flows from operations for the years ending December 31, 2009 and 2008:

	2009	2008	Variance
Net income	$ 2,707	$ 2,737	$ (30)
Add (subtract):			
Non-cash operating activities [a]	3,930	3,400	530
Pension and non-pension postretirement benefit contributions	(588)	(230)	(358)
Income taxes	(29)	(38)	9
Changes in working capital and other noncurrent assets and liabilities [b]	(82)	(221)	139
Option premiums received/(paid), net	(40)	(124)	84
Counterparty collateral, net	196	1,027	(831)
Net cash flows provided by operations	$ 6,094	$ 6,551	$ (457)

(a) Represents depreciation, amortization and accretion, net mark-to-market gains on derivative transactions, deferred income taxes, provision for uncollectible accounts, pension and non-pension postretirement benefit expense, equity in earnings and losses of unconsolidated affiliates and investments, decommissioning-related items, stock compensation expense, impairment of long-lived assets, and other non-cash charges.

(b) Changes in working capital and other noncurrent assets and liabilities exclude the changes in commercial paper, income taxes and the current portion of long-term debt.

Cash flows provided by operations for 2009 and 2008 by Registrant were as follows:

	2009	2008
Exelon	$ 6,094	$ 6,551
Generation	3,930	4,445
ComEd	1,020	1,079
PECO	1,166	969

Changes in Exelon's, Generation's, ComEd's and PECO's cash flows from operations were generally consistent with changes in each Registrant's respective results of operations, as adjusted by changes in working capital in the normal course of business. In addition, significant operating cash flow impacts for the Registrants for 2009 and 2008 were as follows:

Generation

- During 2009 and 2008, Generation had net collections of counterparty collateral of $195 million and $1,029 million, respectively. Net collections in 2009 and 2008 were primarily due to market conditions that resulted in favorable changes to Generation's net mark-to-market position. Depending upon whether Generation is in a net mark-to-market liability or asset position, collateral may be required to be posted or collected from its counterparties. This collateral may be in various forms, such as cash, which may be obtained through the issuance of commercial paper, or letters of credit.

- During 2007, Generation, along with ComEd and other generators and utilities, reached an agreement with various representatives from the State of Illinois to address concerns about higher electric bills in Illinois. Generation committed to contributing approximately $747 million over four years. As part of the agreement, Generation contributed cash of approximately $118 million in 2009 and $274 million 2008.

- During 2009 and 2008, Generation's accounts receivable from ComEd for energy purchases related to its SFC, ICC-approved RFP contracts and financial swap contract (decreased) increased by ($58) million and $99 million, respectively.

- During 2009 and 2008, Generation's accounts receivable from PECO under the PPA increased by $48 million and $5 million, respectively.

- During 2009 and 2008, Generation had net payments of approximately $40 million and $124 million, respectively, related to purchases and sales of options. The level of option activity in a given year may vary due to several factors, including changes in market conditions as well as changes in hedging strategy.

ComEd

- During the years ended December 31, 2009 and 2008, ComEd's payables to Generation for energy purchases related to its SFC, ICC-approved RFP contracts and financial swap contract (decreased) increased by $(58) million and $99 million, respectively. During the years ended December 31, 2009 and 2008, ComEd's payables to other energy suppliers for energy purchases (decreased) increased by $(68) million and $41 million, respectively.

PECO

- During the years ended December 31, 2009 and 2008, PECO's payables to Generation under the PPA increased by $48 million and $5 million, respectively.

- During the years ended December 31, 2009 and 2008, PECO's payables to other energy suppliers for energy purchases decreased by $43 million and $12 million, respectively. The 2009 decrease in payables to other energy suppliers is primarily due to an agreement executed in February 2009 between PECO, Generation and PJM that changed the way that PECO and Generation administer their PPA for default service.

Cash Flows used in Investing Activities

Cash flows used in investing activities for 2009 and 2008 by Registrant were as follows:

	2009	2008
Exelon	$ (3,458)	$ (3,378)
Generation	(2,220)	(1,967)
ComEd	(821)	(958)
PECO	(377)	(377)

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Capital expenditures by Registrant and business segment for 2009 and projected amounts for 2010 are as follows:

	2009	2010
Generation [(a)]	$ 1,977	$ 1,975
ComEd	854	935
PECO	388	500
Other [(b)]	54	30
Total Exelon capital expenditures	$ 3,273	$ 3,440

(a) Includes nuclear fuel.

(b) Other primarily consists of corporate operations and BSC.

Projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Generation. Approximately 43% of the projected 2010 capital expenditures at Generation are for the acquisition of nuclear fuel, with the remaining amounts reflecting additions and upgrades to existing facilities (including material condition improvements during nuclear refueling outages). Included in the projected 2010 capital expenditures are a series of planned power uprates across the company's nuclear fleet. See "EXELON CORPORATION—Executive Overview," for more information on nuclear uprates.

ComEd and PECO. Approximately 70% and 84% of the projected 2010 capital expenditures at ComEd and PECO, respectively, are for continuing projects to maintain and improve company operations, including enhancing reliability and adding capacity to the transmission and distribution systems. The remaining amounts are for capital additions to support new business, customer growth and AMI and Smart Grid technologies. PECO's projected 2010 capital expenditures do not include estimated costs for transmission system reliability upgrades that could be required by PJM related to Generation's announced plant retirements. See Note 4 of the Combined Notes to Consolidated Financial Statements for additional information. ComEd and PECO are each continuing to evaluate their total capital spending requirements. ComEd and PECO anticipate that they will fund their capital expenditures with internally generated funds and borrowings.

Cash Flows from Financing Activities

Cash flows used in financing activities for 2009 and 2008 by Registrant were as follows:

	2009	2008
Exelon	$ [illegible]	$ (2,213)
Generation	(1,746)	(1,470)
ComEd	(155)	(161)
PECO	(525)	(587)

Debt. Debt activity for 2009 and 2008 by Registrant was as follows:

Company	Issuance of long-term debt in 2009	Use of proceeds
Generation	$46 million of 3-year term rate Pollution Control Notes at 5.00% with a final maturity of December 1, 2042	Used to refinance $46 million of unenhanced tax-exempt variable rate debt that was repurchased in February 23, 2009 (a)
Generation	$1.5 billion of Senior Notes, consisting of $600 million Senior Notes, 5.20% due October 1, 2019 and $900 million Senior Notes, 6.25% due October 1, 2039	Used to finance the purchase and optional redemption of Generation's 6.95% bonds due 2011 and for general corporate purposes, including a distribution to Exelon to fund the purchase and optional redemption of Exelon's 6.75% Notes due 2011 and to fund Generation's September 2009 repurchase of variable-rate long-term tax-exempt debt. The distributions were used to finance the purchase and optional redemption of Exelon's 6.75% bonds due 2011.
ComEd	$50 million tax-exempt variable rate (b) First Mortgage Bonds, Series 2008 D, due March 1, 2020	Used to repay credit (c) facility borrowings incurred to repurchase bonds
ComEd	$91 million tax-exempt variable rate (b) First Mortgage Bonds, Series 2008 F, due March 1, 2017	Used to repay credit (c) facility borrowings incurred to repurchase bonds
ComEd	$50 million tax-exempt variable rate (b) First Mortgage Bonds, Series 2008 E, due May 1, 2021	Used to repay credit (a) facility borrowings incurred to repurchase bonds
PECO	$250 million of First and Refunding Mortgage Bonds, 5.00% due October 1, 2014	Used to refinance short-term debt and for other general corporate purposes

(a) Repurchase due to failed remarketing.

(b) Remarketed in May 2009 with letter of credit issued under credit facility.

(c) Repurchase required due to expiration of existing letter of credit.

Company	Issuance of long-term debt during the 2008	Use of proceeds
ComEd	$450 million of First Mortgage 6.45% Bonds, Series 107, due January 15, 2038	Used to retire $295 million of First Mortgage Bonds, Series 99, to call and refinance $155 million of trust preferred securities and for other general corporate purposes.
ComEd	$700 million of First Mortgage 5.80% Bonds, Series 108, due March 15, 2018	Used to repay a portion of borrowings under ComEd's revolving credit facility, to provide for the retirement at scheduled maturity in May 2008 of $120 million of First Mortgage bonds, Series 83, and for general corporate purposes.
ComEd	$50 million tax-exempt variable rate First Mortgage Bonds, Series 2008 D, due March 1, 2020 (a)(b)	Used to refinance $50 million tax-exempt variable auction-rate pollution control bonds secured by First Mortgage Bonds, Series 2003 C, due March 1, 2020
ComEd	$91 million tax-exempt variable rate First Mortgage Bonds, Series 2008 F, due March 1, 2017 (a)(b)	Used to refinance $91 million tax-exempt variable auction-rate pollution control bonds secured by First Mortgage Bonds, Series 2005, due March 1, 2017
ComEd	$50 million tax-exempt variable rate First Mortgage Bonds, Series 2008 E, due May 1, 2021 (a)(b)	Used to refinance a portion of the outstanding tax-exempt variable auction-rate pollution control bonds secured by First Mortgage Bonds, Series 2003, 2003 B and 2003 D, due May 15, 2017, November 1, 2019 and January 15, 2014
PECO	$150 million of First and Refunding Mortgage Bonds, 4.00% due December 1, 2012 (c)	Used to refinance First and Refunding Mortgage Bonds, variable rate due December 1, 2012
PECO	$500 million of First and Refunding Mortgage Bonds, 5.35% due March 1, 2018	Used to refinance commercial paper and for other general corporate purposes.
PECO	$300 million of First and Refunding Mortgage Bonds, 5.60% Series due October 15, 2013	Used to refinance short-term debt

(a) First Mortgage Bonds issued under the ComEd mortgage indenture to secure variable weekly-rate tax-exempt pollution control bonds that were issued to refinance variable auction-rate tax-exempt pollution control bonds.

(b) During the second quarter of 2008, ComEd established a $216 million letter of credit facility, of which $194 million was used to provide credit enhancement to variable-rate tax exempt bonds including $3 million of accrued interest. That facility expired on May 9, 2009, and the letters of credit are no longer outstanding.

(c) First and Refunding Mortgage Bonds issued under the PECO mortgage indenture to secure tax-exempt pollution control bonds and notes that were issued to refinance auction-rate tax-exempt pollution control bonds.

Company	Retirement of long-term debt in 2009
Exelon Corporate	$500 million of 6.75% Senior Notes due May 1, 2011
Generation	$700 million of 6.95% Senior Notes due June 15, 2011
Generation	$46 million of Pollution Control Notes with variable interest rates, due December 1, 2042 (a)
Generation	$51 million of Pollution Control Notes with variable interest rates, due April 1, 2021
Generation	$39 million of Pollution Control Notes with variable interest rates, due April 1, 2021
Generation	$30 million of Pollution Control Notes with variable interest rates, due December 1, 2029
Generation	$92 million of Pollution Control Notes with variable interest rates, due October 1, 2030
Generation	$69 million of Pollution Control Notes with variable interest rates, due October 1, 2030
Generation	$14 million of Pollution Control Notes with variable interest rates, due October 1, 2034
Generation	$13 million of Pollution Control Notes with variable interest rates, due October 1, 2034
Generation	$10 million of 6.33% notes payable, due August 8, 2009
Generation	$1 million scheduled payments of 7.83% Kennett Square capital lease until September 20, 2020
ComEd	$91 million tax-exempt variable-rate First Mortgage Bonds, Series 2008 F, due March 1, 2017 (b)
ComEd	$50 million tax-exempt variable-rate First Mortgage Bonds, Series 2008 D, due March 1, 2020 (b)
ComEd	$50 million tax-exempt variable-rate First Mortgage Bonds, Series 2008 E, due May 1, 2021 (c)
ComEd	$16 million of 5.70% First Mortgage Bonds, Series 1994 B, due January 15, 2009
ComEd	$1 million of 4.625-4.75% sinking fund debentures, due at various dates
PECO	$319 million of 7.65% PETT Transition Bonds, due September 1, 2009
PECO	$390 million of 6.52% PETT Transition Bonds, due September 1, 2010

(a) Repurchased due to a failed remarketing and remarketed in February 2009.

(b) First Mortgage Bonds issued under the ComEd mortgage indenture to secure variable weekly-rate tax-exempt pollution controls bonds. Repurchased due to expiration of existing letter of credit and remarketed in May 2009.

(c) First Mortgage Bonds issued under the ComEd mortgage indenture to secure variable weekly-rate tax-exempt pollution controls bonds. Repurchased due to a failed remarketing and remarketed in May 2009.

Company	Retirement of long-term debt in 2008
Exelon Corporate	$21 million of 6.00-8.00% notes payable for investments in synthetic fuel-producing facilities, due at various dates
Generation	$10 million scheduled payments of 6.33% notes payable until August 8, 2009
Generation	$3 million scheduled payments of 7.83% Kennett Square Capital Lease until September 20, 2020
ComEd	$295 million of 3.70% First Mortgage Bonds, Series 99 due February 1, 2008
ComEd	$274 million of 5.74% ComEd Transitional Funding Trust, due December 25, 2008
ComEd	$155 million of 8.50% Subordinated Debentures of ComEd Financing II, due January 15, 2027
ComEd	$120 million of 8.00% First Mortgage Bonds, Series 83 due May 15, 2008
ComEd	$100 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2002, due April 15, 2013 (a)
ComEd	$91 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2005, due March 1, 2017 (a)
ComEd	$50 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2003 C, due March 1, 2020 (a)
ComEd	$42 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2003 B, due November 1, 2019 (a)
ComEd	$40 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2003, due May 15, 2017 (a)
ComEd	$20 million tax-exempt variable auction-rate First Mortgage Bonds, Series 2003 D, due January 15, 2014 (a)
ComEd	$2 million of 3.875-4.75% Sinking fund debentures due at various dates
PECO	$50 million First and Refunding Mortgage Bonds, variable rate due December 1, 2012 (b)
PECO	$50 million First and Refunding Mortgage Bonds, variable rate due December 1, 2012 (b)
PECO	$50 million First and Refunding Mortgage Bonds, variable rate due December 1, 2012 (b)
PECO	$4 million (b) First and Refunding Mortgage Bonds, variable rate due December 1, 2012
PECO	$450 million of 3.5% First and Refunding Mortgage Bonds, due May 1, 2008
PECO	$207 million of 6.13% PETT Transition Bonds, due September 1, 2008
PECO	$369 million of 7.625% PETT Transition Bonds, due March 1, 2009
PECO	$33 million of 7.65% PETT Transition Bonds, due September 1, 2009

(a) First Mortgage Bonds issued under the ComEd mortgage indenture to secure variable auction-rate tax-exempt pollution control bonds.

(b) First and Refunding Mortgage Bonds issued under the PECO mortgage indenture to secure tax-exempt pollution control bonds and notes that were issued to refinance auction rate tax-exempt pollution control bonds.

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

Dividends. Cash dividend payments and distributions during 2009 and 2008 by Registrant were as follows:

	2009	2008
Exelon	$ 1,385	$ 1,335
Generation	2,276	1,545
ComEd	240	—
PECO	316	484

On January 26, 2010, the Exelon Board of Directors declared a quarterly dividend of $0.525 per share on Exelon's common stock, which is payable on March 10, 2010 to shareholders of record at the end of the day on February 16, 2010.

Share Repurchases. During 2008, Exelon purchased $500 million of common stock under Exelon's accelerated share repurchase program, including the impact of the settlement of a forward contract indexed to Exelon's own common stock.

Short-Term Borrowings. During 2009, Exelon and PECO repaid $151 million and $95 million of commercial paper, respectively. During 2009, ComEd incurred $95 million of outstanding borrowings under its credit agreement. During 2008, Exelon and PECO repaid $95 million and $151 million, net, of commercial paper, respectively. During 2008, ComEd repaid $310 million of outstanding borrowings under its credit agreement.

Retirement of Long-Term Debt to Financing Affiliates. Retirement of long-term debt to financing affiliates during 2009 and 2008 by Registrant were as follows:

	2009	2008
Exelon	$ 709	$ 1,038
ComEd	—	429
PECO	709	609

Contributions from Parent/Member. Contributions from Parent/Member (Exelon) during 2009 and 2008 by Registrant were as follows:

	2009	2008
Generation	$ 57	$ 56
ComEd	8	14
PECO[(a)]	347	320

(a) $320 million and $284 million for the twelve months ended December 31, 2009 and 2008, respectively, reflect payments received to reduce the receivable from parent.

Other. Other significant financing activities for Exelon for 2009 and 2008 were as follows:

- Exelon received proceeds from employee stock plans of $42 million and $130 million during 2009 and 2008, respectively.

- Exelon's other financing activities during 2009 and 2008 include $5 million and $60 million, respectively, of excess tax benefits, which represent the tax deduction in excess of the tax benefit related to compensation cost recognized for stock options exercised.

Credit Matters

Recent Market Conditions

The Registrants fund liquidity needs for capital investment, working capital, energy hedging and other financial commitments through cash flows from continuing operations, public debt offerings, commercial paper markets and large, diversified credit facilities. The credit facilities include $7.3 billion in aggregate total commitments of which $6.7 billion was available as of December 31, 2009, and of which no financial institution has more than 10% of the aggregate commitments for Exelon, Generation and PECO and 12% for ComEd. Generation also has additional letter of credit facilities that will expire in the second quarter of 2010, which are used to enhance variable rate long-term tax-exempt debt totaling $213 million. Generation intends to extend or replace the expiring letters of credit with new letters of credit at reasonable terms or remarket the bonds with an interest rate term not requiring letter of credit support. If Generation is unable to remarket these bonds at reasonable terms, Generation will repurchase them. Exelon, Generation and PECO had access to the commercial paper market during 2009 and they were able to fund their short-term liquidity needs with commercial paper at favorable rates compared to 2008, when necessary. ComEd utilized its credit facility to fund its short-term liquidity needs and provide credit enhancement for $191 million of variable rate tax-exempt bonds. Due to an upgrade in ComEd's commercial paper rating on July 22, 2009 and improvements in the commercial paper market, ComEd is expected to be able to access the commercial paper market as an additional source of liquidity. However, ComEd did not issue commercial paper in 2009 due to more favorable rates on credit facility draws. The Registrants routinely review the sufficiency of their liquidity position, including appropriate sizing of credit facility commitments, by performing various stress test scenarios, such as commodity price movements, increases in margin-related transactions, changes in hedging levels, and the impacts of hypothetical credit downgrades. The Registrants have continued to closely monitor events in the financial markets and the financial institutions associated with the credit facilities, including monitoring credit ratings and outlooks, credit default swap levels, capital raising and merger activity. See PART I. ITEM 1A Risk Factors for further information regarding the effects of uncertainty in the capital and credit markets.

The Registrants believe their cash flow from operations, access to credit markets and their credit facilities provide sufficient liquidity. If Generation lost its investment grade credit rating as of December 31, 2009, it would have been required to provide incremental collateral of approximately $880 million, which is well within its current available credit facility capacities of approximately $4.7 billion. The $880 million includes $673 million of collateral obligations for derivatives, non-derivatives, normal purchase normal sales contracts and applicable payable and receivables, net of the contractual right of offset under master netting agreements and $207 million of financial assurances that Generation would be required to provide NEIL related to annual retrospective premium obligations. If ComEd lost its investment grade credit rating as of December 31, 2009, it would have been required to provide incremental collateral of approximately $207 million, which is well within its current available credit facility capacity of approximately $546 million. If PECO lost its investment grade credit rating as of December 31, 2009, it would have been required to provide collateral of $5 million pursuant to PJM's credit policy and could have been required to provide collateral of approximately $49 million related to its natural gas procurement contracts, which is well within PECO's current available credit facility capacity of $564 million.

Exelon Credit Facilities

Exelon meets its short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool, and ComEd meets its short-term liquidity requirements primarily through borrowings under its credit facility. While short-term borrowing costs have not been significant to date, further uncertainty in the credit markets may result in increased costs for commercial paper borrowings. Continued uncertainty in the credit markets

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could limit the ability of the Registrants to issue commercial paper, which may increase their reliance on their respective revolving credit agreements for short-term liquidity purposes. The Registrants may use their respective credit facilities for general corporate purposes, including meeting short-term funding requirements and the issuance of letters of credit. See Note 9 of the Combined Notes to the Consolidated Financial Statements for further information regarding the Registrants' credit facilities.

ComEd's $952 million credit facility agreement expires on February 16, 2011. ComEd expects to extend or replace that facility during 2010 and intends to increase the available commitments to total $1 billion.

On October 23, 2009, Exelon entered into new credit facility agreements totaling $67 million with minority and community banks located primarily within its service territory. The credit agreements were for Generation, ComEd and PECO in the amounts of $7 million, $30 million and $30 million, respectively. These agreements are solely utilized for issuing letters of credit. As of December 31, 2009, Generation, ComEd and PECO had issued letters of credit under these agreements totaling $5 million, $24 million and $29 million, respectively.

The following table reflects the Registrants' commercial paper programs and revolving credit agreements at December 31, 2009.

Commercial Paper Programs

Commercial Paper Issuer	Maximum Program Size (a)	Outstanding Commercial Paper at December 31, 2009	Average Interest Rate on Commercial Paper Borrowings for the twelve months ended December 31, 2009
Exelon Corporate	$ 957	$ —	0.72%
Generation	4,834	—	—
ComEd (b)	952	—	—
PECO	574	—	0.67%
Total	$ 7,317	$ —	0.71%

(a) Equals aggregate bank commitments under revolving credit agreements.

(b) Prior to July 22, 2009, ComEd was unable to access the commercial paper market given the market environment. On July 22, 2009, ComEd's commercial paper rating was upgraded giving it limited access to the commercial paper market. However, ComEd did not issue commercial paper due to more favorable rates on credit facility draws.

In order to maintain their respective commercial paper programs in the amounts indicated above, each Registrant must have revolving credit facilities in place at least equal to the amount of its commercial paper program. While the amount of its commercial paper outstanding does not reduce available capacity under a Registrant's credit agreement, a Registrant can not issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

Revolving Credit Agreements

Borrower	Aggregate Bank Commitment (a)	Outstanding Borrowings/ Facility Draws	Outstanding Letters of Credit	Available Capacity under Revolving Credit Agreements as of December 31, 2009	Average Interest Rate on Borrowings for twelve months ended December 31, 2009
Exelon Corporate	$ 957	$ —	$ 5	$ 952	—
Generation	4,834	—	167	4,667	—
ComEd	952	155	251	546	0.79%
PECO	574	—	10	564	—
Total	$ 7,317	$ 155	$ 433	$ 6,729	0.79%

(a) Excludes $67 million of credit facility agreements arranged with minority and community banks in October 2009 which are solely utilized to issue letters of credit and expire on October 23, 2010.

Interest rates on advances under the credit facilities are based on either prime or the LIBOR plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. In the cases of Exelon, Generation and PECO, the maximum LIBOR adder is 65 basis points; and in the case of ComEd, it is 162.5 basis points.

Each credit agreement requires the affected borrower to maintain a minimum cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The interest coverage ratios exclude revenues and interest expenses attributable to securitization debt, certain changes in working capital, distributions on preferred securities of subsidiaries and interest on nonrecourse debt. The following table summarizes the minimum thresholds reflected in the credit agreements for the twelve months ended December 31, 2009:

	Exelon	Generation	ComEd	PECO
Credit agreement threshold	2.50 to 1	3.00 to 1	[illegible]	2.00 to 1

At December 31, 2009, the interest coverage ratios at the Registrants were as follows:

	Exelon	Generation	ComEd	PECO
Interest coverage ratio	13.97	35.65	5.52	5.65

An event of default under any Registrant's credit facility will not constitute an event of default under any of the other Registrants' credit facilities, except that a bankruptcy or other event of default in the payment of principal, premium or interest on any indebtedness having a principal amount in excess of $100 million in the aggregate by Generation (including Generation's credit facility) will constitute an event of default under the Exelon credit facility.

Security Ratings

The Registrants' access to the capital markets, including the commercial paper market, and their respective financing costs in those markets may depend on the securities ratings of the entity that is accessing the capital markets.

Listed below are the Registrants' securities ratings as of December 31, 2009.

	Securities	Moody's	S&P	Fitch
Exelon	Senior unsecured debt	Baa1	BBB-	BBB+
	Commercial paper	P2	A2	F2
Generation	Senior unsecured debt	A3	BBB	BBB+
	Commercial paper	P2	A2	F2
ComEd	Senior unsecured debt	Baa3	BBB	BBB-
	Senior secured debt	Baa1	A-	BBB
	Commercial paper	P3	A2	B
PECO	Senior unsecured debt	A3	BBB	A-
	Senior secured debt	A2	A-	A
	Commercial paper	P2	A2	F2
	Transition bonds[(a)]	Aaa	AAA	AAA

(a) Issued by PETT, an unconsolidated affiliate of PECO.

None of the Registrants' borrowings are subject to default or prepayment as a result of a downgrading of securities although such a downgrading of a Registrant's securities could increase fees and interest charges under that Registrant's credit agreements.

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

On July 21, 2009, following Exelon's termination of efforts to acquire NRG, Fitch affirmed Exelon's and Generation's current ratings and removed both Registrants from Ratings Watch Negative. Both Registrants were assigned a Stable ratings outlook. On July 22, 2009, S&P affirmed the ratings for Exelon, Generation and PECO and removed each Registrant from CreditWatch Negative. S&P also raised ComEd's corporate credit rating to BBB from BBB-, its senior secured rating to A- from BBB+, its senior unsecured rating to BBB from BBB-, and its short-term rating to A2 from A3. S&P also removed ComEd's ratings from CreditWatch Negative. The outlook for all ratings is Stable. On July 23, 2009, Moody's confirmed Exelon's and Generation's current ratings and PECO's long-term debt rating. The outlook for Exelon's and Generation's debt rating is Stable. PECO's long-term debt rating was placed on Negative outlook and its short-term rating was downgraded to P2 from P1.

On August 3, 2009, Moody's changed its methodology widening the notching between most senior secured debt ratings and senior unsecured debt ratings of investment grade regulated utilities. As a result, ComEd's senior secured ratings increased to Baa1 from Baa2.

On January 25, 2010, Fitch upgraded ComEd's senior secured debt ratings to BBB+ from BBB and its senior unsecured debt ratings to BBB from BBB-. ComEd's commercial paper rating increased to F3 from B. Fitch also affirmed the ratings of Exelon, Generation and PECO and their ratings outlook as Stable. Fitch cited ComEd's financial improvement over the past year and a more settled regulatory and legislative environment in Illinois as contributing factors for the upgrade.

As part of the normal course of business, the Registrants enter into contracts that contain express provisions or otherwise permit the Registrants and their counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Registrants are downgraded by a credit rating agency, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include the posting of collateral. Refer to Note 8 of the Combined Notes to Consolidated Financial Statements for additional information on collateral provisions.

Other Credit Matters

Capital Structure

At December 31, 2009, the capital structures of the Registrants consisted of the following:

	Exelon Consolidated	Generation	ComEd	PECO (a)
Long-term debt (b)	46%	35%	39%	40%
Long-term debt to affiliates	3	—	2	11
Common equity	50	—	58	47
Member's equity	—	65	—	—
Preferred securities	—	—	—	2
Commercial paper and notes payable	1	—	1	—

(a) As of December 31, 2009, PECO's capital structure, excluding the impacts of the deduction from shareholders' equity of the $180 million receivable from Exelon (which amount is deducted for GAAP purposes as reflected in the table above) would consist of 48% common equity, 2% preferred securities and 50% long-term debt, including long-term debt to unconsolidated affiliates.

(b) Includes approximately $805 million, $206 million and $599 million owed to unconsolidated affiliates of Exelon, ComEd and PECO, respectively, that qualify as special purpose entities under the applicable authoritative guidance. These special purpose entities were created for the sole purposes of issuing transition bonds to securitize intangible transition property consisting of CTCs of PECO or mandatorily redeemable trust preferred securities of ComEd and PECO. See Note 1 of the Combined Notes to Consolidated Financial Statements for additional information regarding the authoritative guidance for VIEs.

Intercompany Money Pool

To provide an additional short-term borrowing option that will generally be more favorable to the borrowing participants than the cost of external financing, Exelon operates an intercompany money pool. As of January 10, 2006, ComEd voluntarily suspended its participation in the money pool. Generation, PECO, and BSC may participate in the intercompany money pool as lenders and borrowers, and Exelon may participate as a lender. Funding of, and borrowings from, the intercompany money pool are predicated on whether the contributions and borrowings result in economic benefits. Interest on borrowings is based on short-term market rates of interest or, if from an external source, specific borrowing rates. Maximum amounts contributed to and borrowed from the intercompany money pool by participant during 2009 are described in the following table in addition to the net contribution or borrowing as of December 31, 2009:

	Maximum Contributed	Maximum Borrowed	December 31, 2009 Contributed (Borrowed)
Generation	$ 138	$ —	$ —
PECO	106	—	—
BSC	—	140	(15)
Exelon Corporate	103	N/A	15

Shelf Registrations

The Registrants filed automatic shelf registration statements that are not required to specify the amount of securities to be offered thereon. As of December 31, 2009, the Registrants each had current shelf registration statements for the sale of unspecified amounts of securities that were effective with the SEC. The ability of each Registrant to sell securities off its shelf registration statement or to access the private placement markets will depend on a number of factors at the time of the proposed sale, including other required regulatory approvals, as applicable, the current financial condition of the Registrant, its securities ratings and market conditions.

Regulatory Authorizations

The issuance by ComEd of long-term debt or equity securities requires the prior authorization of the ICC. The issuance by PECO of long-term debt or equity securities requires the prior authorization of the PAPUC. ComEd and PECO normally obtain the required approvals on a periodic basis to cover their anticipated financing needs for a period of time or in connection with a specific financing. As of December 31, 2009, ComEd had $389 million in long-term debt refinancing authority from the ICC and $399 million in new money long-term debt financing authority. As of December 31, 2009, PECO had $1.9 billion in long-term debt financing authority from the PAPUC.

FERC has financing jurisdiction over ComEd's and PECO's short-term financings and all of Generation's financings. As of December 31, 2009, ComEd and PECO had short-term financing authority from FERC that expires on December 31, 2011 of $2.5 billion and $1.5 billion, respectively. Generation currently has blanket financing authority that it received from FERC in connection with its market-based rate authority. See Note 2 of the Combined Notes to Consolidated Financial Statements for additional information.

Exelon's ability to pay dividends on its common stock depends on the payment to it of dividends by its operating subsidiaries. The payments of dividends to Exelon by its subsidiaries in turn depend on their results of operations and cash flows and other items affecting retained earnings. The Federal Power Act declares it to be unlawful for any officer or director of any public utility "to participate in the making or paying of any dividends of such public utility from any funds properly included in capital account." In addition, under Illinois law, ComEd may not pay any dividend on its stock, unless, among other things, its earnings and earned surplus are sufficient to declare and pay a dividend after provision is made for reasonable and proper reserves, or unless ComEd has specific authorization from the ICC. At December 31, 2009, Exelon had retained earnings of $8,134 million, including Generation's undistributed earnings of $2,169 million, ComEd's retained earnings of $304 million consisting of retained earnings appropriated for future dividends of $1,943 million partially offset by $1,639 million of unappropriated retained deficit, and PECO's retained earnings of $426 million. See Note 18 of the Combined Notes to Consolidated Financial Statements for additional information regarding fund transfer restrictions.

Investments in Synthetic Fuel-Producing Facilities

Exelon, through three separate wholly owned subsidiaries, owned interests in two limited liability companies and one limited partnership that owned synthetic fuel-producing facilities. Prior to December 31, 2007, Section 45K (formerly Section 29) of the IRC provided tax credits for the sale of synthetic fuel produced from coal. The ability to earn these synthetic fuel tax credits expired on December 31, 2007 and, as such, the synthetic fuel-producing facilities that Exelon had interests in ceased operations on or before December 31, 2007.

In March 2008, the IRS published the 2007 Oil Reference Price which resulted in a 67% phase-out of tax credits for calendar year 2007 that reduced Exelon's earned after-tax credits of $258 million to $85 million for the year ended December 31, 2007. Exelon generated approximately $220 million of cash over the life of these investments. As a result of the phase-out of tax credits in 2008 and the timing of the realization of tax benefits earned in prior years, Exelon collected approximately $200 million of cash in 2008, which includes $44 million collected in the first quarter of 2008 related to the settlement of derivatives that were entered into in the normal course of trading operations in 2005 to economically hedge a portion of the exposure to a phase-out of the tax credits.

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Contractual Obligations and Off-Balance Sheet Arrangements

Exelon

The following table summarizes Exelon's future estimated cash payments under existing contractual obligations, including payments due by period.

	Total	Payment due within 2010	2011-2012	2013-2014	Due 2015 and beyond	All Other
Long-term debt [(a)]	$ 12,428	$ 1,052	$ 1,422	$ 1,319	$ 8,635	$ —
Interest payments on long-term debt [(b)]	8,457	666	1,195	1,019	5,577	—
Liability and interest for uncertain tax positions [(c)]	372	1	—	—	—	371
Capital leases	38	2	5	6	25	—
Operating leases	713	67	130	111	405	—
Purchase power obligations [(d)]	2,433	396	636	296	1,105	—
Fuel purchase agreements	10,679	1,237	2,335	2,073	5,034	—
Other purchase obligations [(e)]	1,128	570	399	148	11	—
City of Chicago agreement—2003 [(f)]	18	6	12	—	—	—
Spent nuclear fuel obligation	1,017	—	—	—	1,017	—
Pension minimum funding requirement [(g)]	3,596	243	894	1,658	801	—
Other postretirement benefits minimum funding requirement [(h)]	228	48	93	87	—	—
Total contractual obligations	$ 41,107	$ 4,288	$ 7,121	$ 6,717	$ 22,610	$ 371

(a) Includes $415 million and $390 million due in 2010 and thereafter, respectively, to ComEd and PECO financing trusts.

(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2009 and do not reflect anticipated future refinancing, early redemptions or debt issuances. Variable rate interest obligations are estimated based on rates as of December 31, 2009. Includes estimated interest payments due to ComEd and PECO financing trusts.

(c) As of December 31, 2009, Exelon's liability for uncertain tax positions and related net interest payable were $371 million and $0 million, respectively. Exelon was unable to reasonably estimate the timing of liability and interest payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions. Exelon has other unrecognized tax positions that were not recorded on the Consolidated Balance Sheet in accordance with authoritative guidance. See Note 10 of the Combined Notes to Consolidated Financial Statements for further information regarding unrecognized tax positions.

(d) Net capacity purchases include PPAs and other capacity contracts that are accounted for as operating leases. Amounts presented represent Generation's expected payments under these arrangements at December 31, 2009. Expected payments include certain capacity charges that are contingent on plant availability. Expected payments exclude renewable PPA contracts that are contingent in nature. These obligations do not include ComEd's SFCs as these contracts do not require purchases of fixed or minimum quantities. See Notes 2 and 18 of the Combined Notes to Consolidated Financial Statements.

(e) Commitments for services, materials and information technology.

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

(g) These amounts represent Exelon's estimated minimum pension contributions to its qualified plans required under ERISA and the Pension Protection Act of 2006 as well as discretionary contributions necessary to avoid benefit restrictions. These amounts represent estimates that are based on assumptions that are subject to change. The minimum required contributions for years after 2015 are currently not reliably estimable. Exelon may choose to make additional discretionary contributions.

(h) These amounts represent estimated minimum other postretirement benefit contributions required under a PAPUC rate order. These minimum contributions represent estimates that are based on assumptions that are subject to change. The minimum required contribution for years after 2014 are currently not reliably estimable. Exelon may contribute more than the minimum funding requirements; however, these amounts are not included above as such amounts are discretionary.

Exelon's commitments as of December 31, 2009, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2010	2011-2012	2013-2014	2015 and beyond
Letters of credit (non-debt)[(a)]	$ 297	$ 289	$ 8	$ —	$ —
Letters of credit (long-term debt)—interest coverage[(b)]	14	11	3	—	—
Surety bonds[(c)]	76	7	—	—	69
Performance guarantees[(d)]	96	—	—	95	1
Energy marketing contract guarantees[(e)]	218	193	25	—	—
Nuclear insurance premiums[(f)]	2,204	—	—	—	2,204
Lease guarantees[(g)]	125	—	—	15	110
2007 City of Chicago Settlement[(h)]	6	3	3	—	—
Midwest Generation Capacity Reservation Agreement guarantee[(i)]	10	4	6	—	—
Rate relief commitments—settlement legislation[(j)]	25	25	—	—	—
Construction commitments[(k)]	196	51	68	77	—
Total commitments	$ 3,267	$ 583	$ 113	$ 187	$ 2,384

(a) Letters of credit (non-debt)—Exelon and certain of its subsidiaries maintain non-debt letters of credit to provide credit support for certain transactions as requested by third parties. As of December 31, 2009, guarantees of $9 million have been issued to provide support for certain letters of credit as required by third parties.

(b) Letters of credit (long-term debt) interest coverage—Reflects the interest coverage portion of letters of credit supporting floating-rate pollution control bonds. The principal amounts of the floating-rate pollution control bonds of $213 million at Generation and $191 million at ComEd are reflected in long-term debt in Exelon's Consolidated Balance Sheet.

(c) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

(d) Performance guarantees—Guarantees issued to ensure execution under specific contracts with unaffiliated third parties.

(e) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.

(f) Nuclear insurance premiums—Represent the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act as well as the current aggregate annual retrospective premium obligation that could be imposed by NEIL. See Note 18 of the Combined Notes to Consolidated Financial Statements for additional details on Generation's nuclear insurance premiums.

(g) Lease guarantees—Guarantees issued to ensure payments on building leases.

(h) 2007 City of Chicago Settlement—In December 2007, ComEd entered into an agreement with the City of Chicago. Under the terms of the agreement, ComEd will pay $55 million over six years, of which $8 million, $18 million and $23 million was paid in December 2009, 2008 and 2007, respectively. See Note 2 of the Combined Notes to Consolidated Financial Statements for additional details on the 2007 City of Chicago Settlement.

(i) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with the City of Chicago entered into on February 20, 2003, Midwest Generation assumed from the City of Chicago a Capacity Reservation Agreement that the City of Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse the City of Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement.

(j) See Notes 2 and 18 of the Combined Notes to Consolidated Financial Statements for additional detail on Generation's and ComEd's rate relief commitments.

(k) See Note 18 of the Combined Notes to Consolidated Financial Statements for additional detail on ComEd's and PECO's construction commitments.

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Generation

The following table summarizes Generation's future estimated cash payments under existing contractual obligations, including payments due by period.

(in millions)	Total	Payment due within 2010	Payment due within 2011-2012	Payment due within 2013-2014	Due 2015 and beyond	All Other
Long-term debt	$ 2,959	$ 24	$ —	$ 500	$ 2,435	$ —
Interest payments on long-term debt (a)	2,515	161	321	295	1,738	—
Liability and interest for uncertain tax positions (b)	117	1	—	—	—	116
Capital leases	38	2	5	6	25	—
Operating leases	425	27	52	48	298	—
Purchase power obligations (c)	2,433	396	636	296	1,105	—
Fuel purchase agreements	10,105	1,085	2,162	1,950	4,908	—
Other purchase obligations (d)	636	263	257	105	11	—
Spent nuclear fuel obligation	1,017	—	—	—	1,017	—
Total contractual obligations	$ 20,245	$ 1,959	$ 3,433	$ 3,200	$ 11,537	$ 116

(a) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2009 and do not reflect anticipated future refinancing, early redemptions or debt issuances. Variable rate interest obligations are estimated based on rates as of December 31, 2009.

(b) As of December 31, 2009, Generation's liability for uncertain tax positions and related net interest payable were $100 million and $17 million, respectively. Generation was unable to reasonably estimate the timing of liability and interest payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

(c) Net capacity purchases include PPAs and other capacity contracts that are accounted for as operating leases. Amounts presented represent Generation's expected payments under these arrangements at December 31, 2009. Expected payments include certain capacity charges that are contingent on plant availability. Expected payments exclude renewable PPA contracts that are contingent in nature. See Note 18 of the Combined Notes to Consolidated Financial Statements.

(d) Commitments for services, materials and information technology.

Generation's commitments as of December 31, 2009, representing commitments potentially triggered by future events, were as follows:

	Total	Expiration within 2010	Expiration within 2011-2012	Expiration within 2013-2014	2015 and beyond
Letters of credit (non-debt) (a)(b)	$ 172	$ 172	$ —	$ —	$ —
Letters of credit (long-term debt)—interest coverage (c)	11	11	—	—	—
Surety bonds (d)	3	—	—	—	3
Performance guarantees (e)	96	—	—	95	1
Energy marketing contract guarantees (f)	218	193	25	—	—
Nuclear insurance premiums (g)	2,204	—	—	—	2,204
Rate relief commitments—settlement legislation (h)	24	24	—	—	—
Total commitments	$ 2,728	$ 400	$ 25	$ 95	$ 2,208

(a) Letters of credit (non-debt)—Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties. Guarantees of $8 million have been issued to provide support for certain letters of credit as required by third parties.

(b) The amount includes letters of credit that are posted to ComEd related to the Illinois procurement auction.

(c) Letters of credit (long-term debt)—interest coverage—Reflects the interest coverage portion of letters of credit supporting floating-rate pollution control bonds. The principal amount of the floating-rate pollution control bonds of $213 million is reflected in long-term debt in Generation's Consolidated Balance Sheet.

(d) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.
(e) Performance guarantees—Guarantees issued to ensure execution under specific contracts with unaffiliated third parties.
(f) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.
(g) Nuclear insurance premiums—Represent the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act as well as the current aggregate annual retrospective premium obligation that could be imposed by NEIL. See Note 18 of the Combined Notes to Consolidated Financial Statements for additional details on Generation's nuclear insurance premiums.
(h) See Notes 2 and 18 of the Combined Notes to Consolidated Financial Statements for additional detail on Generation's rate relief commitments.

Mystic Development, LLC (Mystic), a former affiliate of Exelon New England, had a long-term agreement through January 2020 with Distrigas of Massachusetts Corporation (Distrigas) for gas supply, primarily for the Boston Generating units. Under the agreement, gas purchase prices from Distrigas were indexed to the New England gas markets. Exelon New England had guaranteed Mystic's financial obligations to Distrigas under the long-term supply agreement. Exelon New England's guarantee to Distrigas remained in effect following the transfer of ownership interest in Boston Generating in May 2004. Under the authoritative guidance for guarantees, approximately $13 million was included as a liability within Exelon's and Generation's Consolidated Balance Sheets as of December 31, 2007 related to this guarantee. In April 2008, Distrigas, Exelon New England and Mystic entered into agreements that terminated the guarantee, which resulted in Generation's elimination of the guarantee liability and the recognition of $13 million of income.

Generation has an obligation to decommission its nuclear power plants. NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in specified minimum amounts at the end of the life of the facility to decommission the facility. During 2008, the value of the NDT funds declined significantly due to unrealized losses as a result of adverse financial market conditions. Despite this decline in value, Generation believes that the NDT funds for the nuclear generating stations formerly owned by ComEd, PECO and AmerGen, the expected earnings thereon and, in the case of the former PECO stations, the amounts collected from PECO's customers will ultimately be sufficient to fully fund Generation's decommissioning obligations for its nuclear generating stations in accordance with NRC regulations. However, NRC minimum funding requirements may require Generation to take steps to address the funded status of the NDT funds. Generation is required to provide to the NRC a biennial report by unit (annually for Generation's five units that have been retired or are within five years of the current approved license life) addressing Generation's ability to meet the NRC-estimated funding levels. Depending on the value of the NDT funds, Generation may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or make additional contributions to the NDT funds, which could be significant, to ensure that the NDTs are adequately funded and that NRC minimum funding requirements are met. See Note 11 of the Combined Notes to Consolidated Financial Statements for a further discussion of matters regarding the adequacy of Generation's NDT funds to meet its decommissioning obligations, the obligations imposed on Generation related to the potential excess or shortfall of NDT funds, the impact on Generation's accounting for its former ComEd units as a result of a shortfall of NDT funds and other matters related to Generation's NDT funds and decommissioning obligations.

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ComEd

The following table summarizes ComEd's future estimated cash payments under existing contractual obligations, including payments due by period.

	Total	Payment due within 2010	2011-2012	2013-2014	Due 2015 and beyond	All Other
Long-term debt [(a)]	$ 4,944	$ 213	$ 797	$ 269	$ 3,665	$ —
Interest payments on long-term debt [(b)]	3,473	280	506	423	2,264	—
Liability and interest for uncertain tax positions [(c)]	279	—	—	—	—	279
Operating leases	95	17	32	26	20	—
2003 City of Chicago agreement [(d)]	18	6	12	—	—	—
Electric supply procurement	645	615	30	—	—	—
REC purchase commitments	8	8	—	—	—	—
Other purchase obligations [(e)]	115	99	16	—	—	—
Total contractual obligations	$ 9,577	$ 1,238	$ 1,383	$ 718	$ 5,949	$ 279

(a) Includes $206 million due after 2015 to a ComEd financing trust.

(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2009 and do not reflect anticipated future refinancing, early redemptions or debt issuances. Variable rate interest obligations are estimated based on rates as of December 31, 2009. Includes estimated interest payments due to the ComEd financing trust.

(c) As of December 31, 2009, ComEd's liability for uncertain tax positions and related net interest payable were $251 million and $28 million, respectively. ComEd was unable to reasonably estimate the timing of liability and interest payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

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

(e) Other purchase commitments include commitments for services, materials and information technology.

ComEd's commitments as of December 31, 2009, representing commitments potentially triggered by future events, were as follows:

	Total	Expiration within 2010	2011-2012	2013-2014	2015 and beyond
Letters of credit (non-debt) [(a)]	$ 80	$ 80	$ —	$ —	$ —
Letters of credit (long-term debt)—interest coverage [(b)]	3	—	3	—	—
2007 City of Chicago Settlement [(c)]	6	3	3	—	—
Midwest Generation Capacity Reservation Agreement guarantee [(d)]	10	4	6	—	—
Surety bonds [(e)]	2	2	—	—	—
Rate relief commitments—settlement legislation [(f)]	1	1	—	—	—
Construction commitments [(g)]	91	16	23	52	—
Total commitments	$ 193	$ 106	$ 35	$ 52	$ —

(a) Letters of credit (non-debt)—ComEd maintains non-debt letters of credit to provide credit support for certain transactions as requested by third parties.

(b) Letters of credit (long-term debt)—interest coverage—Reflects the interest coverage portion of letters of credit supporting floating-rate pollution control bonds. The principal amount of the floating-rate pollution control bonds of $191 million is reflected in long-term debt in ComEd's Consolidated Balance Sheet.

(c) 2007 City of Chicago Settlement—In December 2007, ComEd entered into an agreement with the City of Chicago. Under the terms of the agreement, ComEd will pay $55 million over six years, of which $8 million, $18 million and $23 million was paid in December 2009, 2008 and 2007, respectively.

(d) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with the City of Chicago entered into on February 20, 2003, Midwest Generation assumed from the City of Chicago a Capacity Reservation Agreement that the City of Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse the City of Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement.
(e) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.
(f) See Notes 2 and 18 of the Combined Notes to Consolidated Financial Statements for additional detail on ComEd's rate relief commitments.
(g) See Note 18 of the Combined Notes to Consolidated Financial Statements for additional detail on ComEd's construction commitments.

PECO

The following table summarizes PECO's future estimated cash payments under existing contractual obligations, including payments due by period.

		Payment due within				
	Total	2010	2011-2012	2013-2014	Due 2015 and beyond	All Other
Long-term debt [(a)]	$ 2,824	$ 415	$ 625	$ 550	$ 1,234	$ —
Interest payments on long-term debt [(b)]	1,549	154	243	176	976	—
Liability and interest for uncertain tax positions [(c)]	1	—	—	—	—	1
Operating leases	73	15	30	27	1	—
Fuel purchase agreements [(d)]	574	152	173	123	126	—
Electric supply procurement	938	—	888	50	—	—
AEC purchase commitments	37	9	19	9	—	—
Other purchase obligations [(e)]	233	149	52	32	—	—
Total contractual obligations	$ 6,229	$ 894	$ 2,030	$ 967	$ 2,337	$ 1

(a) Includes $415 million and $184 million due in 2010, and thereafter, respectively, to PECO financing trusts.

(b) Interest payments are estimated based on final maturity dates of debt securities outstanding at December 31, 2009 and do not reflect anticipated future refinancing, early redemptions or debt issuances. Includes estimated interest payments due to PECO financing trusts.

(c) As of December 31, 2009, PECO's liability for uncertain tax positions was $1 million. PECO was unable to reasonably estimate the timing of certain liability payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

(d) Represents commitments to purchase natural gas and related transportation and storage capacity and services.

(e) Commitments for services, materials and information technology.

PECO's commitments as of December 31, 2009, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2010	2011-2012	2013-2014	2015 and beyond
Letters of credit (non-debt) [(a)]	$ 39	$ 32	$ 7	$ —	$ —
Surety bonds [(b)]	3	3	—	—	—
Construction commitments [(c)]	105	35	45	25	—
Total commitments	$ 147	$ 70	$ 52	$ 25	$ —

(a) Letters of credit (non-debt)—PECO maintains non-debt letters of credit to provide credit support for certain transactions as requested by third parties.

(b) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

(c) See Note 18 of the Combined Notes to Consolidated Financial Statements for additional detail on PECO's construction commitments.

For additional information regarding:

- commercial paper, see Note 9 of the Combined Notes to Consolidated Financial Statements.
- long-term debt, see Note 9 of the Combined Notes to Consolidated Financial Statements.
- liabilities related to uncertain tax positions, see Note 10 of the Combined Notes to Consolidated Financial Statements.
- capital lease obligations, see Note 9 of the Combined Notes to Consolidated Financial Statements.
- operating leases, energy commitments, fuel purchase agreements, construction commitments and rate relief commitments, see Note 18 of the Combined Notes to Consolidated Financial Statements.
- the nuclear decommissioning and SNF obligations, see Notes 11 and 12 of the Combined Notes to Consolidated Financial Statements.
- regulatory commitments, see Note 2 of the Combined Notes to Consolidated Financial Statements.

Variable Interest Entities

Generation. Generation's wholesale operations include the physical delivery and marketing of power obtained through its generating capacity, and long-, intermediate- and short-term contracts. Generation also has contracts to purchase fuel supplies for nuclear and fossil generation. These contracts and Generation's membership in NEIL are not consolidated in Exelon's and Generation's financial statements pursuant to the provisions of the authoritative guidance for VIEs. See Note 1 of the Combined Notes to Consolidated Financial Statements for further information.

Financing Trusts of ComEd and PECO. The financing trust of ComEd, ComEd Financing III, and the financing trusts of PECO, namely PECO Trust III, PECO Trust IV and PETT, are not consolidated in Exelon's, ComEd's and PECO's financial statements. Amounts of $206 million and $599 million, respectively, owed by ComEd and PECO to these financing trusts were recorded as long-term debt to financing trusts and PETT within the Consolidated Balance Sheets as of December 31, 2009. See Note 1 of the Combined Notes to Consolidated Financial Statements for further information.

Nuclear Insurance Coverage

Generation carries property damage, decontamination and premature decommissioning insurance for each station loss resulting from damage to Generation's nuclear plants, subject to certain exceptions. Additionally, Generation carries business interruption insurance in the event of a major accidental outage at a nuclear station. Finally, Generation participates in the Master Worker Program, which provides coverage for worker tort claims filed for bodily injury caused by a nuclear energy accident. See Note 18 of the Combined Notes to Consolidated Financial Statements for additional discussion of nuclear insurance. For its types of insured losses, Generation is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on Exelon's and Generation's results of operations, cash flows or financial positions.

PECO Accounts Receivable Agreement

PECO is party to an agreement with a financial institution under which it sold an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable, which PECO accounted for as a sale as of December 31, 2009. Under authoritative guidance effective January 1, 2010, this agreement will be accounted for as a secured borrowing. See Note 1 of the Combined Notes to Consolidated Financial Statements for additional information. PECO retains the servicing responsibility for the sold receivables and has recorded a servicing liability. The agreement terminates on September 16, 2010 unless extended in accordance with its terms. As of December 31, 2009, PECO was in compliance with the requirements of the agreement. In the event the agreement is not extended, PECO has sufficient short-term liquidity and will seek alternate financing. See Note 7 of the Combined Notes to Consolidated Financial Statements for additional information regarding the servicing liability.

New Accounting Pronouncements

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

In November 2008, the SEC issued a roadmap for the potential use of IFRS in the U.S. IFRS is a set of accounting standards developed by the International Accounting Standards Board, whose mission is to develop a single set of global financial reporting standards for general purpose financial statements. The roadmap indicates that the SEC will reconvene in 2011 to evaluate progress towards certain identified milestones and decide whether a mandatory IFRS conversion should be required for all U.S. issuers beginning with large accelerated filers in 2014. Further guidance from the SEC is expected in 2010. Exelon is currently evaluating the potential impact IFRS may have on its financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Registrants are exposed to market risks associated with adverse changes in commodity prices, counterparty credit, interest rates and equity prices. Exelon's RMC approves risk management policies and objectives for risk assessment, control and valuation, counterparty credit approval and the monitoring and reporting of risk exposures. The RMC is chaired by the chief risk officer and includes the chief financial officer, general counsel, treasurer, vice president of strategy, vice president of audit services and officers representing Exelon's business units. The RMC reports to the Exelon Board of Directors on the scope of the risk management activities.

Commodity Price Risk (Exelon, Generation, ComEd and PECO)

To the extent the amount of energy Exelon generates differs from the amount of energy it has contracted to sell, Exelon has price risk from commodity price movements. Commodity price risk is associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies, and other factors. Exelon seeks to mitigate its commodity price risk through the purchase and sale of electricity, fossil fuel, and other commodities. Within Exelon, Generation has the most exposure to commodity price risk. PECO has transferred substantially all of its near term electricity commodity price risk to Generation through a PPA that expires at the end of 2010. PECO's commodity price risk following the expiration of its generation rate caps and the PPA is addressed by its DSP Program, which allows for full cost recovery. As a mechanism to reduce commodity price risk relating to natural gas, PECO has implemented a natural gas procurement policy that is designed to achieve a reasonable balance of long-term and short-term gas purchases under different pricing approaches in order to achieve system supply reliability at the least cost. PECO's actual costs of natural gas are recovered from customers through the PAPUC's PGC, which allows PECO to adjust rates quarterly to reflect realized natural gas prices. ComEd has transferred most of its near term commodity price risk to generating companies through the ICC approved procurement processes and a significant portion of its longer term commodity price risk to Generation through the five-year financial swap contract that expires on May 31, 2013. The Illinois Settlement Legislation provides for the pass-through of procurement costs by ComEd to its customers.

Generation

Generation's energy contracts are accounted for under derivative accounting guidance. Economic hedges may qualify for the normal purchases and normal sales exception, which is discussed in Critical Accounting Policies and Estimates. Economic hedges that do not qualify for the normal purchases and normal sales exception are recorded as assets or liabilities on the balance sheet at fair value. Changes in the derivatives recorded at fair value are recognized in results of operations unless specific hedge accounting criteria are met and the derivatives are designated as cash flow hedges, in which case, changes in fair value are recorded in OCI and gains and losses are recognized in results of operations when the underlying transaction occurs. Changes in the fair value of derivative contracts that do not meet the hedge criteria or are not designated as such are recognized in current results of operations.

Normal Operations and Hedging Activities. Electricity available from Generation's owned or contracted generation supply in excess of Generation's obligations to customers, including ComEd's and PECO's retail load, is sold into the wholesale markets. To reduce price risk caused by market fluctuations, Generation enters into physical contracts as well as financial derivative contracts, including forwards, futures, swaps and options, with approved counterparties to hedge anticipated exposures. Generation believes these instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices. Generation expects the settlement of the majority of its economic hedges will occur during 2010 through 2012 and the ComEd financial swap contract during 2010 through 2013.

The economic hedge activity resulted in a net mark-to-market energy contract asset position, excluding the rights of offset for derivative instruments subject to master netting agreements and the application of collateral, of $2,691 million at December 31, 2009, comprised of a net energy contract asset for cash flow hedges of $1,912 million and a net energy contract asset for other derivatives of $779 million. The net mark-to-market asset position for the portfolio at December 31, 2009 is a result of forward market prices decreasing relative to the contracted price of the derivative instruments, the majority of which are hedges of future power sales. Activity associated with the cash flow hedges is recognized through accumulated OCI until the period in which the associated physical sale of power occurs. At that time, the cash flow hedge's mark-to-market position is reversed and reclassified as results of operations, which when combined with the impacts of the actual physical power sale, results in the ultimate recognition of net revenues at the contracted price.

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions which have not been hedged. Generation hedges commodity risk on a ratable basis over the three years leading to the spot market. As of December 31, 2009, the percentage of expected generation hedged was 91%-94%, 69%-72%, and 37%-40% for 2010, 2011, and 2012, respectively. The percentage of expected generation hedged is the amount of equivalent sales divided by the expected generation. Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted capacity. Equivalent sales represent all hedging products, which include cash flow hedges, other derivatives and certain non-derivative contracts including sales to ComEd and PECO to serve their retail load.

A portion of Generation's hedging strategy may be accomplished with fuel products based on assumed correlations between power and fuel prices, which routinely change in the market. During peak periods, Generation's amount hedged declines to meet its energy and capacity commitments to ComEd and PECO. Market price risk exposure is the risk of a change in the value of unhedged positions. The forecasted market price exposure for Generation's non-trading portfolio associated with a $5 reduction in the annual average Ni-Hub and PJM-West around-the-clock energy price based on December 31, 2009 market conditions and hedged position would be a decrease in pre-tax net income of approximately $40 million, $285 million and $497 million, respectively, for 2010, 2011, and 2012. Power price sensitivities are derived by adjusting the power price assumptions while keeping all other price inputs constant. Generation expects to actively manage its portfolio to mitigate market price exposure for its unhedged position. Actual results could differ depending on the specific timing of, and markets affected by, price changes as well as future changes in Generation's portfolio.

Proprietary Trading Activities. Generation uses financial contracts for proprietary trading purposes. Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure. These activities are accounted for on a mark-to-market basis. The proprietary trading activities are a complement to Generation's energy marketing portfolio but represent a very small portion of Generation's overall energy marketing activities. For example, the limit on open positions in electricity for any forward month represents less than one percent of Generation's owned and contracted supply of electricity. Generation expects this level of proprietary trading activity to continue in the future. The proprietary trading activities included volumes of 7,578 GWh, 8,891 GWh, and 20,323 GWh for the years ended December 31, 2009, 2008, and 2007, respectively. Trading portfolio activity for the year ended December 31, 2009 resulted in pre-tax gains of $1 million due to net mark-to-market losses of $83 million and realized gains of $84 million. Generation uses a 95% confidence interval, one day holding period and one-tailed statistical measure in calculating its Value-at-Risk (VaR). The daily VaR on proprietary trading activity averaged $120,000 of exposure over the last 18 months. Because of the relative size of the proprietary trading portfolio in comparison to Generation's total gross margin from continuing operations for the year ended December 31, 2009 of $6,771 million, Generation has not segregated proprietary trading activity in the following tables. The trading portfolio is subject to a risk management policy that includes stringent risk management limits, including volume, stop-loss and VaR limits to manage exposure to market risk. Additionally, the Exelon risk management group and Exelon's RMC monitor the financial risks of the proprietary trading activities.

ComEd

The financial swap contract between Generation and ComEd was deemed prudent by the Illinois Settlement Legislation, thereby ensuring that ComEd will be entitled to receive full cost recovery in rates. The change in fair value each period is recorded by ComEd with an offset to a regulatory asset or liability.

The contracts that ComEd has entered into as part of the initial ComEd auction and the RFP contracts are deemed to be derivatives that qualify for the normal purchases and normal sales exception under derivative accounting guidance. ComEd does not enter into derivatives for speculative or trading purposes. See Note 8 of the Combined Notes to Consolidated Financial Statements for additional information regarding derivatives.

PECO

Generation and PECO have entered into a long-term full-requirements PPA under which PECO obtains all of its electric supply from Generation through 2010. The PPA is not considered a derivative. Pursuant to the PECO's PAPUC-approved DSP Program, PECO began to procure electric supply in 2009 for the post-transition period beginning on January 1, 2011. PECO has entered into block contracts and full requirements fixed price contracts to procure electric supply for its residential, small commercial and medium commercial procurement classes. The full requirements fixed price contracts qualify for the normal purchases and normal sales scope exception. PECO records the fair value of the block contracts on its Consolidated Balance Sheets. However, since these block contracts were executed in accordance with the PAPUC-approved DSP Program and PECO will receive full cost recovery in rates, PECO did not elect hedge accounting and the fair value of the contracts is recorded by PECO as a regulatory asset or liability. See Note 8 of the Combined Notes to Consolidated Financial Statements for additional information regarding derivatives.

PECO has also entered into derivative natural gas contracts to hedge its long-term price risk in the natural gas market. All of PECO's natural gas supply and management agreements that are derivatives qualify for the normal purchases and normal sales exception.

Trading and Non-Trading Marketing Activities. The following detailed presentation of Exelon's, Generation's, ComEd's and PECO's trading and non-trading marketing activities is included to address the recommended disclosures by the energy industry's Committee of Chief Risk Officers (CCRO).

The following table provides detail on changes in Exelon's, Generation's, ComEd's and PECO's mark-to-market net asset or liability balance sheet position from January 1, 2008 to December 31, 2009. It indicates the drivers behind changes in the balance sheet amounts. This table incorporates the mark-to-market activities that are immediately recorded in earnings as well as the settlements from OCI to earnings and changes in fair value for the hedging activities that are recorded in accumulated OCI on the Consolidated Balance Sheets. This table excludes all normal purchases and normal sales contracts.

	Generation	ComEd	PECO	Intercompany Eliminations (e)	Exelon
Total mark-to-market energy contract net assets (liabilities) at January 1, 2008 (a)(b)	$ (564)	$ 456	$ —	$ —	$ (108)
Total change in fair value during 2008 of contracts recorded in result of operations	602	—	—	—	602
Reclassification to realized at settlement of contracts recorded in results of operations	(131)	—	—	—	(131)
Ineffective portion recognized in income	44	—	—	—	44
Reclassification to realized at settlement from accumulated OCI (b)(c)(f)	544	—	—	(24)	520
Effective portion of changes in fair value—recorded in OCI (d)	1,784	—	—	(888)	896
Changes in fair value—energy derivatives	—	(912)		912	—
Changes in collateral	(1,024)	—	—	—	(1,024)
Changes in net option premium paid/(received) (g)	124	—	—	—	124
Other income statement reclassifications (h)	(5)	—	—	—	(5)
Other balance sheet reclassifications	(11)	—	—	—	(11)
Total mark-to-market energy contract net assets (liabilities) at December 31, 2008 (a)(g)	$ 1,363	$ (456)	$ —	$ —	$ 907
Total change in fair value during 2009 of contracts recorded in result of operations	137	—	—	—	137
Reclassification to realized at settlement of contracts recorded in results of operations	(24)	—	—	—	(24)
Ineffective portion recognized in income	(15)	—	—	—	(15)
Reclassification to realized at settlement from accumulated OCI (b)(c)(f)	(1,559)	—	—	267	(1,292)
Effective portion of changes in fair value—recorded in OCI (d)	2,052	—	—	(784)	1,268
Changes in fair value—energy derivatives	—	(515)	(4)	517	(2)
Changes in collateral	(194)	—	—	—	(194)
Changes in net option premium paid/(received) (g)	40	—	—	—	40
Other income statement reclassifications (h)	(46)	—	—	—	(46)
Other balance sheet reclassifications	15	—	—	—	15
Total mark-to-market energy contract net assets (liabilities) at December 31, 2009 (a)(g)	$ 1,769	$ (971)	$ (4)	$ —	$ 794

(a) Amounts are shown net of collateral paid to and received from counterparties.

(b) For Generation, includes $267 million loss and $24 million gain of reclassifications from accumulated OCI to net income related to the settlement of the five-year financial swap contract with ComEd for the years ended December 31, 2009 and 2008, respectively.

(c) For Generation, includes $782 million and $888 million gain of changes in fair value of the five-year financial swap with ComEd for the years ended December 31, 2009 and 2008, respectively, and $2 million gain of changes in fair value of the block contracts with PECO for the year ended December 31, 2009.

(d) For ComEd, the changes in fair value are recorded as a change in regulatory assets or liabilities. As of December 31, 2009 and December 31, 2008, ComEd recorded a regulatory asset of $971 million and $456 million, respectively, related to the mark-to-market derivative liability on the financial swap with Generation. During 2009 and 2008 this includes $782 million and $888 million of changes in fair value, respectively, and $267 million of gains and $24 million of losses, respectively, of reclassifications from regulatory asset to purchased power expense due to settlements. For PECO, the changes in fair value are recorded in a regulatory asset or liability. As of December 31, 2009, PECO recorded a $4 million regulatory asset related to the fair value of its mark-to-market derivative liability for its block contracts, which includes $2 million related to PECO's block contracts with Generation.

(e) Amounts related to the five-year financial swap between Generation and ComEd are eliminated in consolidation. Amounts related to the block contracts between Generation and PECO are also eliminated in consolidation.

(f) For Generation, includes $15 million and $44 million of changes in cash flow hedge ineffectiveness, of which none was related to Generation's financial swap contract with ComEd for the years ended December 31, 2009 and December 31, 2008, respectively.

(g) Exelon and Generation retrospectively reclassified certain assets and liabilities with respect to option premiums into the mark-to-market net asset and liability accounts. Refer to Note 8 of the Combined Notes to the Consolidated Financial Statements for further discussion.

(h) Includes $46 million and $5 million of amounts reclassified to realized at settlement of contracts recorded to results of operations related to option premiums due to the settlement of the underlying transactions for the years ended December 31, 2009 and 2008, respectively.

The following tables detail the balance sheet classification of the mark-to-market energy contract net assets (liabilities) recorded as of December 31, 2009 and 2008:

	December 31, 2009				
	Generation (a)(b)	ComEd (a)	PECO (a)	Intercompany Eliminations (c)	Exelon
Current assets	$ 678	$ —	$ —	$ (302)	$ 376
Noncurrent assets	1,310	—	—	(671)	639
Total mark-to-market energy contract assets	1,988	—	—	(973)	1,015
Current liabilities	(198)	(302)	—	302	(198)
Noncurrent liabilities	(21)	(669)	(4)	671	(23)
Total mark-to-market energy contract liabilities	(219)	(971)	(4)	973	(221)
Total mark-to-market energy contract net assets (liabilities)	$ 1,769	$ (971)	$ (4)	$ —	$ 794

(a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of $302 million and $669 million, respectively, related to the fair value of Generation's and ComEd's five-year financial swap contract. Includes a noncurrent asset for Generation and a noncurrent liability for PECO of $2 million related to the fair value of PECO's block contracts with Generation.

(b) Current and noncurrent assets are shown net of collateral of $502 million and $376 million, respectively, and current liabilities are shown net of collateral of $69 million. The allocation of collateral had no impact to noncurrent liabilities. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was $947 million at December 31, 2009.

(c) Amounts related to the five-year financial swap between Generation and ComEd and the block contracts between Generation and PECO are eliminated in consolidation.

	December 31, 2008			
	Generation (a)(b)(d)	ComEd (a)	Intercompany Elimination (c)	Exelon (d)
Current assets	$ 591	$ —	$ (111)	$ 480
Noncurrent assets	1,007	—	(345)	662
Total mark-to-market energy contract assets	1,598	—	(456)	1,142
Current liabilities	(212)	(111)	111	(212)
Noncurrent liabilities	(23)	(345)	345	(23)
Total mark-to-market energy contract liabilities	(235)	(456)	456	(235)
Total mark-to-market energy contract net assets (liabilities)	$ 1,363	$ (456)	$ —	$ 907

(a) Includes current and noncurrent asset for Generation and current and noncurrent liability for ComEd of $111 million and $345 million, respectively, related to the fair value of Generation's and ComEd's five-year financial swap contract.

(b) Current and noncurrent assets are shown net of collateral of $355 million and $333 million, respectively, and current liabilities are shown net of collateral of $65 million. The allocation of collateral had no impact to noncurrent liabilities. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was $753 million at December 31, 2008.

(c) Amounts related to the five-year financial swap between Generation and ComEd are eliminated in consolidation.

(d) Exelon and Generation reclassified certain assets and liabilities with respect to option premiums into the mark-to-market net asset and liability accounts to conform with current year presentation. Refer to Note 8 of the Combined Notes to the Consolidated Financial Statements for further discussion.

Fair Values

The majority of Generation's contracts are non-exchange-traded contracts valued using prices provided by external sources, primarily price quotations available through brokers or over-the-counter, on-line exchanges. Prices reflect the average of the bid-ask, mid-point prices obtained from all sources that Generation believes provide the most liquid market for the commodity. The terms for which such price information is available vary by commodity, region and product. The remainder of the contracts, which are primarily option contracts, represents contracts for which external valuations are not available. These contracts are valued using the Black model, an industry standard option valuation model.

The fair values reflect the level of forward prices and volatility factors as of December 31, 2009 and may change as a result of changes in these factors. Management uses its best estimates to determine the fair value of commodity and derivative contracts Generation, ComEd and PECO hold and sell. These estimates consider various factors including closing exchange and over-the-counter price quotations, time value, volatility factors and credit exposure. It is possible, however, that future market prices could vary from those used in recording assets and liabilities from the swap between Generation and ComEd, energy marketing, trading activities and such variations could be material. Refer to Note 8 of the Combined Notes to Consolidated Financial Statements for further information regarding valuation.

The following tables, which present maturity and source of fair value of mark-to-market energy contract net assets (liabilities), provides two fundamental pieces of information. First, the tables provide the source of fair value used in determining the carrying amount of the Registrants' total mark-to-market asset or (liability). Second, the tables provide the maturity, by year, of the Registrants' net assets (liabilities), giving an indication of when these mark-to-market amounts will settle and either generate or require cash.

	Maturities Within						
	2010	2011	2012	2013	2014	2015 and Beyond	Total Fair Value
Normal Operations, qualifying cash flow hedge contracts [(a)(c)]:							
Prices provided by external sources	$ 379	$ 225	$ 59	$ 4	$ 1	$ —	$ 668
Prices based on model or other valuation methods	—	(2)	(1)	(5)	—	—	(8)
Total	$ 379	$ 223	$ 58	$ (1)	$ 1	$ —	$ 660
Normal Operations, other derivative contracts [(b)(c)]:							
Actively quoted prices	$ (4)	$ —	$ —	$ —	$ —	$ —	$ (4)
Prices provided by external sources	(172)	272	74	—	—	—	174
Prices based on model or other valuation methods	(25)	(4)	(7)	—	—	—	(36)
Total	$ (201)	$ 268	$ 67	$ —	$ —	$ —	$ 134

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

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

(c) Amounts are shown net of collateral paid to and received from counterparties and offset against mark-to-market assets and liabilities of $947 million at December 31, 2009.

Generation

	Maturities Within						
	2010	2011	2012	2013	2014	2015 and Beyond	Total Fair Value
Normal Operations, qualifying cash flow hedge contracts [(a)(c)]:							
Prices provided by external sources	$ 379	$ 225	$ 59	$ 4	$ 1	$ —	$ 668
Prices based on model or other valuation methods	302	313	271	81	—	—	967
Total	$ 681	$ 538	$ 330	$ 85	$ 1	$ —	$ 1,635
Normal Operations, other derivative contracts [(b)(c)]:							
Actively quoted prices	$ (4)	$ —	$ —	$ —	$ —	$ —	$ (4)
Prices provided by external sources	(172)	272	74	—	—	—	174
Prices based on model or other valuation methods	(25)	(4)	(7)	—	—	—	(36)
Total	$ (201)	$ 268	$ 67	$ —	$ —	$ —	$ 134

(a) Mark-to-market gains and losses on contracts that qualify as cash flow hedges are recorded in OCI. Includes $971 million gain associated with the five-year financial swap with ComEd and $2 million related to the fair value of the PECO block contracts.

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

(c) Amounts are shown net of collateral paid to and received from counterparties and offset against mark-to-market assets and liabilities of $947 million at December 31, 2009.

ComEd

	Maturities Within 2010	2011	2012	2013	2014	2015 and Beyond	Total Fair Value
Prices based on model or other valuation methods (a)	$ 302	$ 311	$ 272	$ 86	$ —	$ —	$ 971

(a) Represents ComEd's net liabilities associated with the five-year financial swap with Generation.

PECO

	Maturities Within 2010	2011	2012	2013	2014	2015 and Beyond	Total Fair Value
Prices based on model or other valuation methods (a)	$ —	$ 4	$ —	$ —	$ —	$ —	$ 4

(a) Represents PECO's net liabilities associated with its block contracts executed under its DSP Program. Includes $2 million related to the fair value of PECO's block contracts with Generation.

Cash Flow Hedges

The table below provides details of effective cash flow hedges included in the balance sheet as of December 31, 2009. The data in the table gives an indication of the magnitude of the hedges Generation has in place; however, since not all hedges are recorded in OCI, the table does not provide an all-encompassing picture of Generation's hedges. The table also includes a rollforward of accumulated OCI related to cash flow hedges from January 1, 2008 to December 31, 2009, providing insight into the drivers of the changes (new hedges entered into during the period and changes in the value of existing hedges).

	Income Statement Location	Total Cash Flow Hedge OCI Activity, Net of Income Tax: Generation Energy Related Hedges	Exelon Total Cash Flow Hedges
Accumulated OCI derivative loss at January 1, 2008		$ (548)[a]	$ (292)
Effective portion of changes in fair value		1,101[b]	567
Reclassifications from accumulated OCI to net income	Operating Revenue	328[a]	314
Ineffective portion recognized in income	Purchased Power	(26)	(26)
Accumulated OCI derivative gain at December 31, 2008		$ 855[a]	$ 563
Effective portion of changes in fair value		1,227[b]	757
Reclassifications from accumulated OCI to net income	Operating Revenue	(939)[a]	(778)
Ineffective portion recognized in income	Purchased Power	9	9
Accumulated OCI derivative gain at December 31, 2009		$ 1,152[a],[d]	$ 551

(a) Includes $585 million gain, $275 million gain and $275 million loss, net of taxes, related to the fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2009, 2008, and 2007, respectively, and $1 million of gains, net of taxes, related to the fair value of the block contracts with PECO for the year ended December 31, 2009.

(b) Includes $471 million and $535 million gains, net of taxes, of the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2009 and 2008, respectively, and $1 million of gain, net of taxes, of the effective portion of changes in fair value of the block contracts with PECO for the year ended December 31, 2009.
(c) Includes $161 million loss and $15 million gain, net of taxes, of reclassifications from accumulated OCI to net income related to the settlements of the five-year financial swap contract with ComEd for the years ended December 31, 2009 and 2008, respectively.
(d) Excludes $5 million gain, net of taxes, related to interest rate swaps settled for the year ended December 31, 2009. See Note 9 of the Combined Notes to Consolidated Financial Statements for further information.

Credit Risk (Exelon, Generation, ComEd and PECO)

Generation

In September 2006, Generation participated in and won portions of the ComEd and Ameren electricity supply auctions. Beginning in 2007 and as a result of the auctions, Generation's sales to counterparties other than ComEd and PECO increased due to the expiration of the PPA with ComEd on December 31, 2006. Illinois Settlement Legislation passed during 2007 established a new procurement process in place of the procurement auctions. Generation participated in the 2008 ComEd RFP procurement process and will continue to have credit risk in connection with contracts for sale of electricity resulting from the ICC-approved competitive procurement process. Generation has credit risk associated with counterparty performance on energy contracts which includes, but is not limited to, the risk of financial default or slow payment. Therefore, Generation's credit risk profile has changed based on the credit worthiness of the new and existing counterparties, including ComEd and Ameren. For additional information on the Illinois auction and the various regulatory proceedings, see Note 2 of the Combined Notes to Consolidated Financial Statements.

Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allows for cross product netting. In addition to payment netting language in the enabling agreement, the credit department establishes margining thresholds and collateral requirements for each counterparty, which are defined in each contract. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. The credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis. See the Collateral section below for additional information.

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The following tables provide information on Generation's credit exposure for all derivative instruments, normal purchase normal sales agreements and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of December 31, 2009. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties and an indication of the maturity of a company's credit risk by credit rating of the counterparties. The figures in the tables below do not include credit risk exposure from uranium procurement contracts or exposure through RTOs, ISOs and NYMEX and ICE commodity exchanges, which are discussed below. Additionally, the figures in the tables below do not include exposures with affiliates, including net receivables with ComEd and PECO of $123 million and $174 million, respectively. See Note 21 of the Combined Notes to Consolidated Financial Statements for further information.

Rating as of December 31, 2009	Total Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number of Counterparties Greater than 10% of Net Exposure	Net Exposure of Counterparties Greater than 10% of Net Exposure
Investment grade	$ 1,183	$ 464	$ 719	1	$ 76
Non-investment grade	15	5	10	—	—
No external ratings					
Internally rated—investment grade	34	5	29	—	—
Internally rated—non-investment grade	1	1	—	—	—
Total	$ 1,233	$ 475	$ 758	1	$ 76

Rating as of December 31, 2009	Maturity of Credit Risk Exposure: Less than 2 Years	2-5 Years	Exposure Greater than 5 Years	Total Exposure Before Credit Collateral
Investment grade	$ 1,071	$ 112	$ —	$ 1,183
Non-investment grade	15	—	—	15
No external ratings				
Internally rated—investment grade	22	12	—	34
Internally rated—non-investment grade	1	—	—	1
Total	$ 1,109	$ 124	$ —	$ 1,233

Net Credit Exposure by Type of Counterparty	As of December 31, 2009
Financial institutions	$ 259
Investor-owned utilities, marketers and power producers	431
Other	68
Total	$ 758

ComEd

Credit risk for ComEd is managed by credit and collection policies, which are consistent with state regulatory requirements. ComEd is currently obligated to provide service to all electric customers within its franchised territory. ComEd records a provision for uncollectible accounts, based upon historical experience, to provide for the potential loss from nonpayment by these customers. ComEd will monitor nonpayment from customers and will make any necessary adjustments to the provision for uncollectible accounts. In February 2010, the ICC approved ComEd's tariffs to adjust rates annually through a rider mechanism to reflect increases or decreases in annual uncollectible accounts expense. The Illinois Settlement Legislation prohibits utilities, including ComEd, from terminating electric service to a residential electric space heat customer due to nonpayment between December 1 of any year through March 1 of the following year. ComEd's ability to disconnect non space-heating residential customers is also impacted by certain weather restrictions, at any time of year, under the Illinois Public Utilities Act. ComEd will monitor the impact of its disconnection practices and will make any necessary adjustments to the provision for uncollectible accounts. ComEd did not have any customers representing over 10% of its revenues as of December 31, 2009. See Note 2 of the Combined Notes to the Consolidated Financial Statements for additional information regarding ComEd's recently approved tariffs to adjust rates annually through a rider mechanism to reflect increases or decreases in annual uncollectible accounts expense.

ComEd's power procurement contracts provide suppliers with a certain amount of unsecured credit. The credit position is based on the price of energy in the spot market compared to the benchmark prices. The benchmark prices are the future prices of energy projected through the contract term and are set at the point of contract execution. If the price of energy in the spot market exceeds the benchmark price, the suppliers are required to post collateral for the secured credit portion. The unsecured credit used by the suppliers represents ComEd's credit exposure. As of December 31, 2009, ComEd's credit exposure to energy suppliers was immaterial and did not exceed the unsecured levels allowed by contract.

PECO

Credit risk for PECO is managed by credit and collection policies, which are consistent with state regulatory requirements. PECO is currently obligated to provide service to all retail electric customers within its franchised territory. PECO records a provision for uncollectible accounts, primarily based upon historical experience, to provide for the potential loss from nonpayment by these customers. In accordance with PAPUC regulations, after November 30 and before April 1, an electric distribution utility or natural gas distribution utility shall not terminate service to customers with household incomes at or below 250% of the Federal poverty level. PECO's provision for uncollectible accounts will continue to be affected by changes in prices as well as changes in PAPUC regulations. PECO did not have any customers representing over 10% of its revenues as of December 31, 2009.

PECO has a PPA with Generation under which Generation has agreed to supply PECO with all of PECO's electric supply needs through 2010. Generation supplies electricity to PECO from its portfolio of generation assets, PPAs and other market sources at prices that are currently below current market prices. The price for this electricity is essentially equal to the energy revenues earned from customers as specified by PECO's 1998 restructuring settlement mandated by the Competition Act. As noted under Item 1A. Risk Factors, PECO could be negatively affected if Generation could not perform under the PPA.

PECO's supplier master agreements that govern the terms of its DSP Program contracts, which define a supplier's performance assurance requirements, allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from S&P, Fitch or Moody's and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. If the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of December 31, 2009, PECO's credit exposure to suppliers under its electric procurement contracts was immaterial and did not exceed unsecured levels allowed by the supplier master agreements. As of December 31, 2009, PECO had no net credit exposure to energy suppliers.

PECO does not obtain collateral from suppliers under its natural gas supply and management agreements. As of December 31, 2009, PECO had credit exposure of $13 million under its natural gas supply and management contracts.

Collateral (Generation, ComEd and PECO)

Generation

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

Generation sells output through bilateral contracts. The bilateral contracts are subject to credit risk, which relates to the ability of counterparties to meet their contractual payment obligations. Any failure to collect these payments from counterparties could have a material impact on Exelon's and Generation's results of operations, cash flows and financial position. As market prices rise above contracted price levels, Generation is required to post collateral with purchasers; as market prices fall below contracted price levels, counterparties are required to post collateral with Generation. In order to post collateral, Exelon depends on access to bank credit lines which serve as liquidity sources to fund collateral requirements. Since the banking industry issues started to surface in mid-2007, credit markets have tightened. Exelon will be required to renew most of its credit facilities in the 2011-2012 timeframe. The cost and availability to renew may be substantially different than when Exelon originally negotiated the existing liquidity facilities.

As of December 31, 2009, Generation was holding $965 million of cash collateral deposits received from counterparties and Generation had sent $12 million of cash collateral to counterparties. Net cash collateral deposits received of $947 million were offset against mark-to-market assets and liabilities. As of December 31, 2009, $6 million of cash collateral received was not offset against net mark-to-market assets and liabilities. As of December 31, 2008, Generation was holding $758 million of cash collateral deposits received from counterparties, of which $753 million was offset against mark-to-market assets and liabilities. As of December 31, 2008, $5 million of cash collateral received was not offset against net mark-to-market assets and liabilities. See Note 18 of the Combined Notes to Consolidated Financial Statements for information regarding the letters of credit supporting the cash collateral.

ComEd

Beginning in 2007, under the Illinois auction rules and the SFCs that Generation and other suppliers entered into with ComEd, collateral postings will be one-sided from Generation and the other suppliers only. Therefore, if market prices fall below ComEd's benchmark price levels, ComEd is not required to post collateral; however, if market prices rise above the benchmark price levels with ComEd, Generation and the other suppliers may be required to post collateral once certain unsecured credit limits are exceeded. Under the terms of the 5-year financial swap contract with ComEd, there are no immediate collateral provisions on either party. However, the swap contract also provides that: (1) if ComEd is downgraded below investment grade by Moody's or S&P, or (2) if Generation is downgraded below investment grade by Moody's or S&P, collateral postings would be required by the applicable party depending on how market prices compare to the benchmark price levels. Under the terms of the financial swap contract, collateral postings will never exceed $200 million from either ComEd or Generation. As of December 31, 2009, there was no cash collateral or letters of credit posted between any suppliers, including Generation, and ComEd associated with the SFCs.

Illinois Settlement Legislation passed during 2007 established a new procurement process in place of the procurement auctions. Beginning in June 2009, under the terms of ComEd's standard block energy contracts, collateral postings are only required from the supplier, including Generation, should exposures between market prices and benchmark prices exceed unsecured credit limits outlined in the agreement. The terms of ComEd's procurement contracts provide that collateral requirements of the suppliers are affected by their security ratings. As stipulated in the Illinois Settlement Legislation as well as the ICC-approved procurement tariff, ComEd is permitted to recover its costs of procuring power and energy plus any prudent costs that a utility incurs in arranging and providing for the supply of electric power and energy. Thus all costs associated with collateral postings are recoverable from retail customers through ComEd's procurement tariff. See Note 8 of the Combined Notes to Consolidated Financial Statements for further information.

PECO

If PECO lost its investment grade credit rating as of December 31, 2009, it would have been required to provide collateral of $5 million pursuant to PJM's credit policy.

PECO's supplier master agreements that govern the terms of its DSP program contracts do not contain provisions that would require PECO to post collateral.

PECO's natural gas procurement contracts contain provisions that require PECO to post collateral. This collateral may be posted in the form of cash or credit support with threshold's contingent upon PECO's credit rating from Moody's and S&P. The collateral and credit support requirements vary by contract and by counterparty. As of December 31, 2009, PECO was not required to post any additional collateral for any of these agreements. If PECO lost its investment grade credit rating as of December 31, 2009, PECO could have been required to provide collateral of approximately $49 million related to its natural gas procurement contracts, which is well within its current available credit facility capacity of $564 million.

RTOs and ISOs.

Generation, ComEd and PECO participate in all, or some, of the established, real-time energy markets that are administered by PJM, ISO-NE, New York ISO, MISO, Southwest Power Pool, Inc. and the ERCOT. In these areas, power is traded through bilateral agreements between buyers and sellers and on the spot markets that are operated by the RTOs or ISOs, as applicable. In areas where there is no spot market, electricity is purchased and sold solely through bilateral agreements. For sales into the spot markets administered by an RTO or ISO, the RTO or ISO maintains financial assurance policies that are established and enforced by those administrators. The credit policies of the RTOs and ISOs may under certain circumstances require that losses arising from the default of one member on spot market transactions be shared by the remaining participants. Non-performance or non-payment by a major counterparty could result in a material adverse impact on the Registrants' results of operations, cash flows and financial positions.

Exchange Traded Transactions.

Generation enters into commodity transactions on NYMEX and ICE. The NYMEX and ICE clearinghouse acts as the counterparty to each trade. Transactions on the NYMEX and ICE must adhere to comprehensive collateral and margining requirements. As a result, transactions on NYMEX and ICE are significantly collateralized and have limited counterparty credit risk.

Generation and PECO

Fuel Procurement. Generation procures coal through annual, short-term and spot-market purchases and natural gas through annual, monthly and spot-market purchases. Nuclear fuel assemblies are obtained through long-term contracts for uranium concentrates and long-term contracts for conversion services, enrichment services and fuel fabrication services. The supply markets for coal, natural gas, uranium concentrates and certain nuclear fuel services are subject to price fluctuations and availability restrictions. Supply market conditions may make Generation's procurement contracts subject to credit risk related to the potential non-performance of counterparties to deliver the contracted commodity or service at the contracted prices. Approximately 56% of Generation's uranium concentrate requirements from 2010 through 2014 are supplied by three producers. In the event of non-performance by these or other suppliers, Generation believes that replacement uranium concentrates can be obtained, although at prices that may be unfavorable when compared to the prices under the current supply agreements. Non-performance by these counterparties could have a material impact on Exelon's and Generation's results of operations, cash flows and financial positions. See Note 18 of the Combined Notes to Consolidated Financial Statements for additional information regarding uranium and coal supply agreement matters.

PECO procures natural gas from suppliers under both short-term and long-term contracts. PECO's natural gas procurement plan is reviewed and approved annually on a prospective basis by the PAPUC. PECO's counterparty credit risk under its natural gas supply agreements is mitigated by its ability to recover its natural gas costs through the PAPUC PGC that allows PECO to adjust rates quarterly to reflect realized natural gas prices.

Exelon

Exelon's consolidated balance sheets, as of December 31, 2009, included a $602 million net investment in direct financing leases. The investment in direct financing leases represents the estimated residual value of leased assets at the end of the respective lease terms of $1.5 billion, less unearned income of $890 million. The lease agreements provide the lessees with fixed purchase options at the end of the lease terms. If the lessees do not exercise the fixed purchase options, Exelon has the ability to require the lessees to return the leasehold interests or to arrange a service contract with a third party for a period following the lease term. If Exelon chooses the service contract option, the leasehold interests will be returned to Exelon at the end of the term of the service contract. In any event, Exelon will be subject to residual value risk if the lessees do not exercise the fixed purchase options. Lessee performance under the lease agreements is supported by collateral and credit enhancement measures including letters of credit, surety bonds and credit swaps. Management regularly evaluates the credit worthiness of Exelon's counterparties to these direct financing leases. During 2008 and 2009, the entity providing the credit enhancement for one of the lessees did not meet the credit rating requirements of the lease. Consequently, Exelon has indefinitely extended a waiver and reduction of the rating requirement, which Exelon may terminate by giving 90 days notice to the lessee.

Interest-Rate Risk (Exelon, Generation and ComEd)

The Registrants use a combination of fixed-rate and variable-rate debt to manage interest-rate exposure. The Registrants may also use interest rate swaps when deemed appropriate to adjust exposure based upon market conditions. Additionally, the Registrants may use forward-starting interest rate swaps and treasury rate locks to lock in interest-rate levels in anticipation of future financings. These strategies are employed to achieve a lower cost of capital. At December 31, 2009, Exelon had $100 million of notional amounts of fair value hedges outstanding. A hypothetical 10% increase in the interest rates associated with variable-rate debt would result in less than a $1 million decrease in Exelon's, Generation's and ComEd's pre-tax earnings for the year ended December 31, 2009. This calculation holds all other variables constant and assumes only the discussed changes in interest rates.

Equity Price Risk (Exelon and Generation)

Exelon and Generation maintain trust funds, as required by the NRC, to fund certain costs of decommissioning Generation's nuclear plants. As of December 31, 2009, Generation's decommissioning trust funds are reflected at fair value on its Consolidated Balance Sheets. The mix of securities in the trust funds is designed to provide returns to be used to fund decommissioning and to compensate Generation for inflationary increases in decommissioning costs; however, the equity securities in the trust funds are exposed to price fluctuations in equity markets, and the value of fixed-rate, fixed-income securities are exposed to changes in interest rates. Generation actively monitors the investment performance of the trust funds and periodically reviews asset allocation in accordance with Generation's NDT fund investment policy. A hypothetical 10% increase in interest rates and decrease in equity prices would result in a $412 million reduction in the fair value of the trust assets. This calculation holds all other variables constant and assumes only the discussed changes in interest rates and equity prices. See Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion of equity price risk as a result of the current capital and credit market conditions.

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

Generation

General

Generation operates in a single business segment and its operations consist of owned and contracted electric generating facilities, wholesale energy marketing operations and competitive retail sales operations.

Executive Overview

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

Results of Operations

Year Ended December 31, 2009 Compared To Year Ended December 31, 2008 and Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

A discussion of Generation's results of operations for 2009 compared to 2008 and 2008 compared to 2007 is set forth under "Results of Operations—Generation" in "EXELON CORPORATION—Results of Operations" of this Form 10-K.

Liquidity and Capital Resources

Generation's business is capital intensive and requires considerable capital resources. Generation's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financing, including the issuance of long-term debt, commercial paper, participation in the intercompany money pool or capital contributions from Exelon. Generation's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to where Generation no longer has access to the capital markets at reasonable terms, Generation has access to revolving credit facilities of $4.8 billion that Generation currently utilizes to support its commercial paper program and to issue letters of credit.

See the "EXELON CORPORATION—Liquidity and Capital Resources" and Note 9 of the Combined Notes to the Financial Statements of this Form 10-K for further discussion.

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Credit Matters

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

Contractual Obligations and Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

New Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Generation

Generation is exposed to market risks associated with commodity price, credit, interest rates and equity price. These risks are described above under "Quantitative and Qualitative Disclosures about Market Risk—Exelon."

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

ComEd

General

ComEd operates in a single business segment and its operations consist of the purchase and regulated retail and wholesale sale of electricity and distribution and transmission services in northern Illinois, including the City of Chicago.

Executive Overview

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

Results of Operations

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 and Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

A discussion of ComEd's results of operations for 2009 compared to 2008 and for 2008 compared to 2007 is set forth under "Results of Operations—ComEd" in "EXELON CORPORATION—Results of Operations" of this Form 10-K.

Liquidity and Capital Resources

ComEd's business is capital intensive and requires considerable capital resources. ComEd's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financing, including the issuance of long-term debt, or credit facility borrowings. ComEd's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. At December 31, 2009, ComEd had access to a revolving credit facility with aggregate bank commitments of $952 million. See the "Credit Matters" section of "Liquidity and Capital Resources" for additional discussion.

See the "EXELON CORPORATION—Liquidity and Capital Resources" and Note 9 of the Combined Notes to the Financial Statements of this Form 10-K for further discussion.

Capital resources are used primarily to fund ComEd's capital requirements, including construction, retirement of debt, and contributions to Exelon's pension plans. Additionally, ComEd operates in rate-regulated environments in which the amount of new investment recovery may be limited and where such recovery takes place over an extended period of time.

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Credit Matters

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

Contractual Obligations and Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

New Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ComEd

ComEd is exposed to market risks associated with commodity price, credit and interest rates. These risks are described above under "Quantitative and Qualitative Disclosures about Market Risk— Exelon."

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

PECO

General

PECO operates in two business segments that are aggregated into one reportable segment, and its operations consist of the purchase and regulated retail sale of electricity and the provision of distribution and transmission services in southeastern Pennsylvania including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution service in Pennsylvania in the counties surrounding the City of Philadelphia.

Executive Overview

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

Results of Operations

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 and Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

A discussion of PECO's results of operations for 2009 compared to 2008 and for 2008 compared to 2007 is set forth under "Results of Operations—PECO" in "EXELON CORPORATION—Results of Operations" of this Form 10-K.

Liquidity and Capital Resources

PECO's business is capital intensive and requires considerable capital resources. PECO's capital resources are primarily provided by internally generated cash flows from operations and, to the extent necessary, external financing, including the issuance of long-term debt, commercial paper, or participation in the intercompany money pool. PECO's access to external financing at reasonable terms is dependent on its credit ratings and general business conditions, as well as that of the utility industry in general. If these conditions deteriorate to where PECO no longer has access to the capital markets at reasonable terms, PECO has access to a revolving credit facility. At December 31, 2009, PECO had access to a revolving credit facility with aggregate bank commitments of $574 million. See the "Credit Matters" section of "Liquidity and Capital Resources" for additional discussion.

Capital resources are used primarily to fund PECO's capital requirements, including construction, retirement of debt, the payment of dividends and contributions to Exelon's pension plans. Additionally, PECO operates in a rate-regulated environment in which the amount of new investment recovery may be limited and where such recovery takes place over an extended period of time.

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Credit Matters

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

Contractual Obligations and Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

New Accounting Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PECO

PECO is exposed to market risks associated with credit and interest rates. These risks are described above under "Quantitative and Qualitative Disclosures about Market Risk—Exelon."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control Over Financial Reporting

The management of Exelon Corporation (Exelon) is responsible for establishing and maintaining adequate internal control over financial reporting. Exelon's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Exelon's management conducted an assessment of the effectiveness of Exelon's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, Exelon's management concluded that, as of December 31, 2009, Exelon's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 5, 2010

Management's Report on Internal Control Over Financial Reporting

The management of Exelon Generation Company (Generation) is responsible for establishing and maintaining adequate internal control over financial reporting. Generation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Generation's management conducted an assessment of the effectiveness of Generation's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, Generation's management concluded that, as of December 31, 2009, Generation's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 5, 2010

Management's Report on Internal Control Over Financial Reporting

The management of Commonwealth Edison Company (ComEd) is responsible for establishing and maintaining adequate internal control over financial reporting. ComEd's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ComEd's management conducted an assessment of the effectiveness of ComEd's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, ComEd's management concluded that, as of December 31, 2009, ComEd's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 5, 2010

Management's Report on Internal Control Over Financial Reporting

The management of PECO Energy Company (PECO) is responsible for establishing and maintaining adequate internal control over financial reporting. PECO's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PECO's management conducted an assessment of the effectiveness of PECO's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, PECO's management concluded that, as of December 31, 2009, PECO's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 5, 2010

Report of Independent Registered Public Accounting Firm

To The Shareholders and the Board of Directors of Exelon Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(1)(i) present fairly, in all material respects, the financial position of Exelon Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index appearing under Item 15(a)(1)(ii) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, Exelon Corporation changed its method of accounting for nuclear decommissioning trust fund investments as of January 1, 2008.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 5, 2010

Report of Independent Registered Public Accounting Firm

To the Member and the Board of Directors of Exelon Generation Company, LLC:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(2)(i) present fairly, in all material respects, the financial position of Exelon Generation Company, LLC and its subsidiaries (Generation) at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(2)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, Generation changed its method of accounting for nuclear decommissioning trust fund investments as of January 1, 2008.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 5, 2010

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Commonwealth Edison Company:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(3)(i) present fairly, in all material respects, the financial position of Commonwealth Edison Company and its subsidiaries (ComEd) at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(3)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 5, 2010

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of PECO Energy Company:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(4)(i) present fairly, in all material respects, the financial position of PECO Energy Company and its subsidiaries (PECO) at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(4)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 5, 2010

Exelon Corporation and Subsidiary Companies
Consolidated Statements of Operations

(In millions, except per share data)	For the Years Ended December 31, 2009	2008	2007
Operating revenues	$ 17,318	$ 18,859	$ 18,916
Operating expenses			
Purchased power	3,215	4,270	5,282
Fuel	2,066	2,312	2,360
Operating and maintenance	4,612	4,538	4,289
Operating and maintenance for regulatory required programs	63	28	—
Depreciation and amortization	1,834	1,634	1,520
Taxes other than income	778	778	797
Total operating expenses	12,568	13,560	14,248
Operating income	4,750	5,299	4,668
Other income and deductions			
Interest expense, net	(654)	(699)	(647)
Interest expense to affiliates, net	(77)	(133)	(203)
Equity in losses of unconsolidated affiliates and investments	(27)	(26)	(106)
Other, net	426	(407)	460
Total other income and deductions	(332)	(1,265)	(496)
Income from continuing operations before income taxes	4,418	4,034	4,172
Income taxes	1,712	1,317	1,446
Income from continuing operations	2,706	2,717	2,726
Discontinued operations			
Income (loss) from discontinued operations (net of taxes of $0, $1 and $3, respectively)	1	(1)	6
Gain on disposal of discontinued operations (net of taxes of $0, $14 and $2, respectively)	—	21	4
Income from discontinued operations, net	1	20	10
Net income	$ 2,707	$ 2,737	$ 2,736
Average shares of common stock outstanding:			
Basic	659	658	670
Diluted	662	662	676
Earnings per average common share—basic:			
Income from continuing operations	$ 4.10	$ 4.13	$ 4.06
Income from discontinued operations	—	0.03	0.02
Net income	$ 4.10	$ 4.16	$ 4.08
Earnings per average common share—diluted:			
Income from continuing operations	$ 4.09	$ 4.10	$ 4.03
Income from discontinued operations	—	0.03	0.02
Net income	$ 4.09	$ 4.13	$ 4.05
Dividends per common share	$ 2.10	$ 2.03	$ 1.76

See the Combined Notes to Consolidated Financial Statements

Exelon Corporation and Subsidiary Companies
Consolidated Statements of Cash Flows

(In millions)	For the Years Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income	$ 2,707	$ 2,737	$ 2,736
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion, including nuclear fuel amortization	2,601	2,308	2,183
Impairment of long-lived assets	223	—	—
Deferred income taxes and amortization of investment tax credits	756	374	(104)
Net fair value changes related to derivatives	(95)	(515)	102
Net realized and unrealized (gains) losses on nuclear decommissioning trust fund investments	(207)	363	(70)
Other non-cash operating activities	652	870	734
Changes in assets and liabilities:			
Accounts receivable	234	67	(585)
Inventories	51	(109)	9
Accounts payable, accrued expenses and other current liabilities	(254)	(44)	146
Option premiums (paid) received, net	(40)	(124)	27
Counterparty collateral received (posted), net	196	1,027	(516)
Income taxes	(29)	(38)	160
Pension and non-pension postretirement benefit contributions	(588)	(230)	(204)
Other assets and liabilities	(113)	(135)	(122)
Net cash flows provided by operating activities	6,094	6,551	4,496
Cash flows from investing activities			
Capital expenditures	(3,273)	(3,117)	(2,674)
Proceeds from nuclear decommissioning trust fund sales	22,905	17,202	7,312
Investment in nuclear decommissioning trust funds	(23,144)	(17,487)	(7,527)
Proceeds from sales of investments	41	—	95
Purchases of investments	(28)	—	—
Change in restricted cash	35	29	(45)
Other investing activities	6	(5)	(70)
Net cash flows used in investing activities	(3,458)	(3,378)	(2,909)
Cash flows from financing activities			
Changes in short-term debt	(56)	(405)	311
Issuance of long-term debt	1,987	2,265	1,621
Retirement of long-term debt	(1,773)	(1,398)	(262)
Retirement of long-term debt to financing affiliates	(709)	(1,038)	(1,020)
Dividends paid on common stock	(1,385)	(1,335)	(1,180)
Proceeds from employee stock plans	42	130	215
Purchase of treasury stock	—	(436)	(1,208)
Purchase of forward contract in relation to certain treasury stock	—	(64)	(79)
Other financing activities	(3)	68	102
Net cash flows used in financing activities	(1,897)	(2,213)	(1,500)
Increase in cash and cash equivalents	739	960	87
Cash and cash equivalents at beginning of period	1,271	311	224
Cash and cash equivalents at end of period	$ 2,010	$ 1,271	$ 311

See the Combined Notes to Consolidated Financial Statements

Exelon Corporation and Subsidiary Companies

Consolidated Balance Sheets

(In millions)	December 31, 2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,010	$ 1,271
Restricted cash and investments	40	75
Accounts receivable, net		
Customer	1,563	1,928
Other	486	324
Mark-to-market derivative assets	376	480
Inventories, net		
Fossil fuel	198	315
Materials and supplies	559	528
Other	209	209
Total current assets	5,441	5,130
Property, plant and equipment, net	27,341	25,813
Deferred debits and other assets		
Regulatory assets	4,872	5,940
Nuclear decommissioning trust funds	6,669	5,500
Investments	704	670
Investments in affiliates	20	45
Goodwill	2,625	2,625
Mark-to-market derivative assets	649	679
Other	859	1,144
Total deferred debits and other assets	16,398	16,603
Total assets	$ 49,180	$ 47,546

See the Combined Notes to Consolidated Financial Statements

Exelon Corporation and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 155	$ 211
Long-term debt due within one year	639	29
Long-term debt to PECO Energy Transition Trust due within one year	415	319
Accounts payable	1,345	1,416
Mark-to-market derivative liabilities	198	212
Accrued expenses	923	1,151
Deferred income taxes	152	77
Other	411	396
Total current liabilities	4,238	3,811
Long-term debt	10,995	11,397
Long-term debt to PECO Energy Transition Trust	—	805
Long-term debt to other financing trusts	390	390
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,750	4,939
Asset retirement obligations	3,434	3,734
Pension obligations	3,625	4,111
Non-pension postretirement benefit obligations	2,180	2,255
Spent nuclear fuel obligation	1,017	1,015
Regulatory liabilities	3,492	2,520
Mark-to-market derivative liabilities	23	23
Other	1,309	1,412
Total deferred credits and other liabilities	20,830	20,009
Total liabilities	36,453	36,412
Commitments and contingencies		
Preferred securities of subsidiary	87	87
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 660 and 658 shares outstanding at December 31, 2009 and December 31, 2008, respectively)	8,923	8,816
Treasury stock, at cost (35 and 35 shares held at December 31, 2009 and December 31, 2008, respectively)	(2,328)	(2,338)
Retained earnings	8,134	6,820
Accumulated other comprehensive loss, net	(2,089)	(2,251)
Total shareholders' equity	12,640	11,047
Total liabilities and shareholders' equity	$ 49,180	$ 47,546

See the Combined Notes to Consolidated Financial Statements

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Exelon Corporation and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2006	682,474	$ 8,314	$ (630)	$ 3,426	$ (1,103)	$ 10,007
Net income	—	—	—	2,736	—	2,736
Long-term incentive plan activity	6,455	328	—	—	—	328
Employee stock purchase plan issuances	254	16	—	—	—	16
Common stock purchases	—	(79)	(1,208)	—	—	(1,287)
Common stock dividends	—	—	—	(1,219)	—	(1,219)
Adoption of accounting for uncertain tax positions	—	—	—	(13)	—	(13)
Other comprehensive loss, net of income taxes of $(290)	—	—	—	—	(431)	(431)
Balance, December 31, 2007	689,183	$ 8,579	$ (1,838)	$ 4,930	$ (1,534)	$ 10,137
Net income	—	—	—	2,737	—	2,737
Long-term incentive plan activity	3,452	217	—	—	—	217
Employee stock purchase plan issuances	318	19	—	—	—	19
Common stock purchases	—	1	(500)	—	—	(499)
Common stock dividends	—	—	—	(1,007)	—	(1,007)
Adoption of the fair value option for financial assets and liabilities, net of income taxes of $286	—	—	—	160	(160)	—
Other comprehensive loss, net of income taxes of $(354)	—	—	—	—	(557)	(557)
Balance, December 31, 2008	692,953	$ 8,816	$ (2,338)	$ 6,820	$ (2,251)	$ 11,047
Net income	—	—	—	2,707	—	2,707
Long-term incentive plan activity	1,612	107	10	(5)	—	112
Common stock dividends	—	—	—	(1,388)	—	(1,388)
Other comprehensive income, net of income taxes of $119	—	—	—	—	162	162
Balance, December 31, 2009	694,565	$ 8,923	$ (2,328)	$ 8,134	$ (2,089)	$ 12,640

See the Combined Notes to Consolidated Financial Statements

Exelon Corporation and Subsidiary Companies
Consolidated Statements of Comprehensive Income

(In millions)	For the Years Ended December 31, 2009	2008	2007
Net Income	$ 2,707	$ 2,737	$ 2,736
Other comprehensive income (loss)			
Pension and non-pension postretirement benefit plans:			
Prior service benefit reclassified to periodic cost, net of income taxes of $(6), $(6) and $(4), respectively	(13)	(9)	(9)
Actuarial loss reclassified to periodic cost, net of income taxes of $74, $52 and $57, respectively	93	60	74
Transition obligation reclassified to periodic cost, net of income taxes of $2, $2 and $2, respectively	3	3	3
Pension and non-pension postretirement benefit plan valuation adjustment, net of income taxes of $47, $(959) and $1, respectively	86	(1,459)	19
Change in unrealized gain (loss) on cash flow hedges, net of income taxes of $(2), $563 and $(345), respectively	(12)	855	(513)
Change in unrealized gain (loss) on marketable securities, net of income taxes of $3, $(6) and $(1), respectively	5	(7)	(5)
Other comprehensive (loss) income	162	(557)	(431)
Comprehensive income	$ 2,869	$ 2,180	$ 2,305

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	For the Years Ended December 31, 2009	2008	2007
Operating revenues			
Operating revenues	$ 6,231	$ 7,168	$ 7,211
Operating revenues from affiliates	3,472	3,586	3,538
Total operating revenues	9,703	10,754	10,749
Operating expenses			
Purchased power	1,338	1,867	2,705
Fuel	1,594	1,705	1,746
Operating and maintenance	2,632	2,432	2,190
Operating and maintenance from affiliates	306	285	264
Depreciation and amortization	333	274	267
Taxes other than income	205	197	185
Total operating expenses	6,408	6,760	7,357
Operating income	3,295	3,994	3,392
Other income and deductions			
Interest expense	(113)	(136)	(161)
Equity in earnings (losses) of investments	(3)	(1)	1
Other, net	376	(469)	155
Total other income and deductions	260	(606)	(5)
Income from continuing operations before income taxes	3,555	3,388	3,387
Income taxes	1,433	1,130	1,362
Income from continuing operations	2,122	2,258	2,025
Discontinued operations			
Gain on disposal of discontinued operations (net of taxes of $0, $15 and $2, respectively)	—	20	4
Income from discontinued operations, net	—	20	4
Net income	$ 2,122	$ 2,278	$ 2,029

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	For the Years Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income	$ 2,122	$ 2,278	$ 2,029
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion, including nuclear fuel amortization	1,098	947	928
Impairment of long-lived assets	223	—	—
Deferred income taxes and amortization of investment tax credits	671	327	(31)
Net fair value changes related to derivatives	(95)	(515)	139
Net realized and unrealized (gains) losses on nuclear decommissioning trust fund investments	(207)	363	(70)
Other non-cash operating activities	104	332	256
Changes in assets and liabilities:			
Accounts receivable	172	79	(204)
Receivables from and payables to affiliates, net	(54)	(51)	288
Inventories	(29)	(60)	(38)
Accounts payable, accrued expenses and other current liabilities	(43)	(91)	(22)
Option premiums (paid) received, net	(40)	(124)	27
Counterparty collateral received (posted), net	195	1,029	(518)
Income taxes	79	115	269
Pension and non-pension postretirement benefit contributions	(265)	(103)	(99)
Other assets and liabilities	(1)	(81)	40
Net cash flows provided by operating activities	3,930	4,445	2,994
Cash flows from investing activities			
Capital expenditures	(1,977)	(1,699)	(1,269)
Proceeds from nuclear decommissioning trust fund sales	22,905	17,202	7,312
Investment in nuclear decommissioning trust funds	(23,144)	(17,487)	(7,527)
Proceeds from sales of investments	—	—	95
Changes in Exelon intercompany money pool	—	—	13
Change in restricted cash	17	25	(45)
Other investing activities	(21)	(8)	(3)
Net cash flows used in investing activities	(2,220)	(1,967)	(1,424)
Cash flows from financing activities			
Issuance of long-term debt	1,546	—	746
Retirement of long-term debt	(1,065)	(13)	(11)
Distribution to member	(2,276)	(1,545)	(2,357)
Contribution from member	57	86	54
Other financing activities	(8)	2	(3)
Net cash flows used in financing activities	(1,746)	(1,470)	(1,571)
Increase (decrease) in cash and cash equivalents	(36)	1,008	(1)
Cash and cash equivalents at beginning of period	1,135	127	128
Cash and cash equivalents at end of period	$ 1,099	$ 1,135	$ 127

See the Combined Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,099	$ 1,135
Restricted cash and cash equivalents	5	22
Accounts receivable, net		
Customer	495	673
Other	112	108
Mark-to-market derivative assets	376	480
Mark-to-market derivative assets with affiliate	302	111
Receivables from affiliates	297	277
Inventories, net		
Fossil fuel	102	143
Materials and supplies	470	435
Other	102	102
Total current assets	3,360	3,486
Property, plant and equipment, net	9,809	8,907
Deferred debits and other assets		
Nuclear decommissioning trust funds	6,669	5,500
Investments	46	33
Receivable from affiliate	1	1
Mark-to-market derivative assets	639	662
Mark-to-market derivative assets with affiliate	671	345
Prepaid pension asset	1,027	849
Other	184	201
Total deferred debits and other assets	9,237	7,591
Total assets	$ 22,406	$ 20,084

See the Combined Notes to Consolidated Financial Statements

Exelon Generation Company, LLC and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
LIABILITIES AND EQUITY		
Current liabilities		
Long-term debt due within one year	$ 26	$ 12
Accounts payable	826	792
Mark-to-market derivative liabilities	198	212
Accrued expenses	670	761
Payables to affiliates	80	78
Deferred income taxes	399	256
Other	63	57
Total current liabilities	2,262	2,168
Long-term debt	2,967	2,502
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,707	1,968
Asset retirement obligations	3,316	3,536
Pension obligations	—	63
Non-pension postretirement benefit obligations	659	576
Spent nuclear fuel obligation	1,017	1,015
Payables to affiliates	2,228	1,336
Mark-to-market derivative liabilities	21	23
Other	437	331
Total deferred credits and other liabilities	10,385	8,848
Total liabilities	15,614	13,518
Commitments and contingencies		
Equity		
Member's equity		
Membership interest	3,464	3,407
Undistributed earnings	2,169	2,323
Accumulated other comprehensive income, net	1,157	835
Total member's equity	6,790	6,565
Noncontrolling interest	2	1
Total equity	6,792	6,566
Total liabilities and equity	$ 22,406	$ 20,084

See the Combined Notes to Consolidated Financial Statements

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

	Member's Equity				
(In millions)	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Equity
Balance, December 31, 2006	$ 3,267	$ 1,800	$ 416	$ 1	$ 5,484
Net Income	—	2,029	—	—	2,029
Distribution to member	—	(2,357)	—	—	(2,357)
Allocation of tax benefit from member	54	—	—	—	54
Adoption of accounting for uncertain tax positions	—	(43)	—	—	(43)
Other comprehensive loss, net of income taxes of $(524)	—	—	(797)	—	(797)
Balance, December 31, 2007	$ 3,321	$ 1,429	$ (381)	$ 1	$ 4,370
Net Income	—	2,278	—	—	2,278
Distribution to member	—	(1,545)	—	—	(1,545)
Allocation of tax benefit from member	86	—	—	—	86
Adoption of the fair value option for financial assets and liabilities, net of taxes of $286	—	160	(160)	—	—
Adjustment of the adoption of accounting for uncertain tax positions	—	1	—	—	1
Other comprehensive loss, net of income taxes of $908	—	—	1,376	—	1,376
Balance, December 31, 2008	$ 3,407	$ 2,323	$ 835	$ 1	$ 6,566
Net Income	—	2,122	—	—	2,122
Distribution to member	—	(2,276)	—	—	(2,276)
Allocation of tax benefit from member	57	—	—	—	57
Transfer of AmerGen pension and non-pension postretirement benefit plans to Exelon, net of income taxes of $17	—	—	20	—	20
Other comprehensive income, net of income taxes of $199	—	—	302	—	302
Noncontrolling interest in income of consolidated entity	—	—	—	1	1
Balance, December 31, 2009	$ 3,484	$ 2,169	$ 1,157	$ 2	$ 6,792

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	For the Years Ended December 31, 2009	2008	2007
Net Income	$ 2,122	$ 2,278	$ 2,029
Other comprehensive income (loss)			
Pension and non-pension postretirement benefit plans:			
Pension and non-pension postretirement benefit plan valuation adjustment, net of income taxes of $0, $(18) and $3, respectively	—	(27)	5
Change in unrealized gain (loss) on cash flow hedges, net of income taxes of $199, $926 and $(525), respectively	302	1,403	(795)
Change in unrealized loss on marketable securities, net of income taxes of $0, $0 and $(2), respectively	—	—	(7)
Other comprehensive (loss) income	302	1,376	(797)
Comprehensive income	$ 2,424	$ 3,654	$ 1,232

See the Combined Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Statements of Operations

(in millions)	For the Years Ended December 31, 2009	2008	2007
Operating revenues			
Operating revenues	$ 5,772	$ 6,129	$ 6,099
Operating revenues from affiliates	2	7	5
Total operating revenues	5,774	6,136	6,104
Operating expenses			
Purchased power	1,609	2,077	2,270
Purchased power from affiliate	1,456	1,505	1,477
Operating and maintenance	863	929	895
Operating and maintenance from affiliate	165	168	196
Operating and maintenance for regulatory required programs	63	28	—
Depreciation and amortization	494	464	440
Taxes other than income	281	298	314
Total operating expenses	4,931	5,469	5,592
Operating income	843	667	512
Other income and deductions			
Interest expense	(306)	(327)	(265)
Interest expense to affiliates, net	(13)	(21)	(53)
Equity in losses of unconsolidated affiliates	—	(8)	(7)
Other, net	79	18	58
Total other income and deductions	(240)	(338)	(267)
Income before income taxes	603	329	245
Income taxes	229	128	80
Net income	$ 374	$ 201	$ 165

See the Combined Notes to Consolidated Financial Statements

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Commonwealth Edison Company and Subsidiary Companies
Consolidated Statements of Cash Flows

(In millions)	For the Years Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income	$ 374	$ 201	$ 165
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion	495	465	441
Deferred income taxes and amortization of investment tax credits	265	259	82
Other non-cash operating activities	309	264	206
Changes in assets and liabilities:			
Accounts receivable	29	(133)	(103)
Inventories	4	(4)	6
Accounts payable, accrued expenses and other current liabilities	(48)	43	120
Receivables from and payables to affiliates, net	(27)	112	(132)
Income taxes	(105)	(95)	(93)
Pension and non-pension postretirement benefit contributions	(214)	(56)	(53)
Other assets and liabilities	(62)	23	(119)
Net cash flows provided by operating activities	1,020	1,079	520
Cash flows from investing activities			
Capital expenditures	(854)	(953)	(1,040)
Proceeds from sales of investments	41	—	—
Purchases of investments	(28)	—	—
Other investing activities	20	(5)	25
Net cash flows used in investing activities	(821)	(958)	(1,015)
Cash flows from financing activities			
Changes in short-term debt	95	(310)	310
Issuance of long-term debt	191	1,324	705
Retirement of long-term debt	(208)	(760)	(147)
Retirement of long-term debt to financing affiliates	—	(429)	(349)
Contributions from parent	8	14	28
Dividends paid on common stock	(240)	—	—
Other financing activities	(1)	—	—
Net cash flows (used in) provided by financing activities	(155)	(161)	547
Increase (decrease) in cash and cash equivalents	44	(40)	52
Cash and cash equivalents at beginning of period	47	87	35
Cash and cash equivalents at end of period	$ 91	$ 47	$ 87

See the Combined Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 91	$ 47
Restricted cash	2	1
Accounts receivable, net		
Customer	676	798
Other	318	162
Inventories, net	71	75
Regulatory assets	358	169
Deferred income taxes	39	32
Other	24	25
Total current assets	1,579	1,309
Property, plant and equipment, net	12,125	11,655
Deferred debits and other assets		
Regulatory assets	1,086	858
Investments	28	34
Goodwill	2,625	2,625
Receivable from affiliates	1,920	1,291
Prepaid pension asset	907	847
Other	417	618
Total deferred debits and other assets	6,993	6,273
Total assets	$ 20,697	$ 19,237

See the Combined Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 155	$ 60
Long-term debt due within one year	213	17
Accounts payable	274	307
Accrued expenses	282	306
Payables to affiliates	177	179
Customer deposits	131	119
Mark-to-market derivative liability with affiliate	302	111
Other	63	54
Total current liabilities	1,597	1,153
Long-term debt	4,498	4,709
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,648	2,369
Asset retirement obligations	95	174
Non-pension postretirement benefits obligations	241	203
Regulatory liabilities	3,145	2,440
Mark-to-market derivative liability with affiliate	669	345
Other	716	903
Total deferred credits and other liabilities	7,514	6,434
Total liabilities	13,815	12,502
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid-in capital	4,990	4,982
Retained earnings	304	170
Accumulated other comprehensive loss, net	—	(5)
Total shareholders' equity	6,882	6,735
Total liabilities and shareholders' equity	$ 20,697	$ 19,237

See the Combined Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity

(In millions)	Common Stock	Other Paid-In Capital	Retained (Deficit) Earnings Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
Balance, December 31, 2006	$ 1,588	$ 4,906	$ (1,632)	$ 1,439	$ (3)	$ 6,298
Net income	—	—	165	—	—	165
Allocation of tax benefit from parent	—	28	—	—	—	28
Appropriation of retained earnings for future dividends	—	—	(171)	171	—	—
Adoption of accounting for uncertain tax positions	—	34	(1)	—	—	33
Other comprehensive income, net of income taxes of $3	—	—	—	—	4	4
Balance, December 31, 2007	$ 1,588	$ 4,968	$ (1,639)	$ 1,610	$ 1	$ 6,528
Net income	—	—	201	—	—	201
Allocation of tax benefit from parent	—	14	—	—	—	14
Appropriation of retained earnings for future dividends	—	—	(199)	199	—	—
Adjustment of the adoption of accounting for uncertain tax positions	—	—	(2)	—	—	(2)
Other comprehensive loss, net of income taxes of $(4)	—	—	—	—	(6)	(6)
Balance, December 31, 2008	1,588	4,982	(1,639)	1,809	(5)	6,735
Net income	—	—	374	—	—	374
Allocation of tax benefit from parent	—	8	—	—	—	8
Appropriation of retained earnings for future dividends	—	—	(374)	374	—	—
Common stock dividends	—	—	—	(240)	—	(240)
Other comprehensive income, net of income taxes of $3	—	—	—	—	5	5
Balance, December 31, 2009	$ 1,588	$ 4,990	$ (1,639)	$ 1,943	$ —	$ 6,882

See the Combined Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies
Consolidated Statements of Comprehensive Income

(In millions)	For the Years Ended December 31, 2009	2008	2007
Net income	$ 374	$ 201	$ 165
Other comprehensive income (loss)			
Change in unrealized gain on cash flow hedges, net of income taxes of $0, $0 and $2, respectively	—	—	4
Change in unrealized gain (loss) on marketable securities, net of income taxes of $3, $(4) and $1, respectively	5	(6)	—
Other comprehensive income (loss)	5	(6)	4
Comprehensive income	$ 379	$ 195	$ 169

See the Combined Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies
Consolidated Statements of Operations

(In millions)	For the Years Ended December 31, 2009	2008	2007
Operating revenues			
Operating revenues	$ 5,302	$ 5,553	$ 5,596
Operating revenues from affiliates	9	14	17
Total operating revenues	5,311	5,567	5,613
Operating expenses			
Purchased power	269	328	307
Purchased power from affiliate	2,005	2,083	2,059
Fuel	472	607	617
Operating and maintenance	545	641	513
Operating and maintenance from affiliate	95	90	117
Depreciation and amortization	952	854	773
Taxes other than income	276	265	280
Total operating expenses	4,614	4,868	4,666
Operating income	697	699	947
Other income and deductions			
Interest expense	(124)	(112)	(94)
Interest expense to affiliates, net	(63)	(114)	(154)
Equity in losses of unconsolidated affiliates	(24)	(16)	(7)
Other, net	13	18	45
Total other income and deductions	(198)	(224)	(210)
Income before income taxes	499	475	737
Income taxes	146	150	230
Net income	353	325	507
Preferred security dividends	4	4	4
Net income on common stock	$ 349	$ 321	$ 503

See the Combined Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies
Consolidated Statements of Cash Flows

(In millions)	For the Years Ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income	$ 353	$ 325	$ 507
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion	952	854	773
Deferred income taxes and amortization of investment tax credits	(210)	(220)	(186)
Other non-cash operating activities	141	194	86
Changes in assets and liabilities:			
Accounts receivable	36	(120)	(158)
Inventories	76	(45)	40
Accounts payable, accrued expenses and other current liabilities	(123)	46	78
Receivables from and payables to affiliates, net	45	(1)	(58)
Income taxes	(18)	(12)	(51)
Pension and non-pension postretirement benefit contributions	(52)	(38)	(31)
Other assets and liabilities	(34)	(14)	(20)
Net cash flows provided by operating activities	1,166	969	980
Cash flows from investing activities			
Capital expenditures	(388)	(392)	(339)
Change in restricted cash	1	1	1
Other investing activities	10	14	1
Net cash flows used in investing activities	(377)	(377)	(337)
Cash flows from financing activities			
Changes in short-term debt	(95)	(151)	151
Issuance of long-term debt	250	941	172
Retirement of long-term debt	—	(604)	(17)
Retirement of long-term debt to PECO Energy Transition Trust	(709)	(609)	(671)
Changes in Exelon intercompany money pool	—	—	(45)
Dividends paid on common stock	(312)	(480)	(562)
Dividends paid on preferred securities	(4)	(4)	(4)
Repayment of receivable from parent	320	284	306
Contributions from parent	27	36	32
Other financing activities	(2)	—	—
Net cash flows used in financing activities	(525)	(587)	(638)
Increase in cash and cash equivalents	264	5	5
Cash and cash equivalents at beginning of period	39	34	29
Cash and cash equivalents at end of period	$ 303	$ 39	$ 34

See the Combined Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 303	$ 39
Restricted cash	1	2
Accounts receivable, net		
Customer	392	457
Other	120	39
Inventories, net		
Fossil fuel	96	172
Materials and supplies	18	18
Deferred income taxes	65	78
Other	11	14
Total current assets	1,006	819
Property, plant and equipment, net	5,297	5,074
Deferred debits and other assets		
Regulatory assets	1,834	2,597
Investments	18	15
Investments in affiliates	13	39
Receivable from affiliates	311	47
Other	540	578
Total deferred debits and other assets	2,716	3,276
Total assets	$ 9,019	$ 9,169

See the Combined Notes to Consolidated Financial Statements

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PECO Energy Company and Subsidiary Companies
Consolidated Balance Sheets

(In millions)	December 31, 2009	December 31, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ —	$ 95
Long-term debt to PECO Energy Transition Trust due within one year	415	319
Accounts payable	164	204
Accrued expenses	74	120
Payables to affiliates	189	144
Customer deposits	65	74
Other	32	25
Total current liabilities	939	981
Long-term debt	2,221	1,971
Long-term debt to PECO Energy Transition Trust	—	805
Long-term debt to other financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,241	2,451
Asset retirement obligations	24	24
Non-pension postretirement benefits obligations	296	283
Regulatory liabilities	317	49
Mark-to-market derivative liabilities	2	—
Mark-to-market derivative liabilities with affiliate	2	—
Other	141	152
Total deferred credits and other liabilities	3,023	2,959
Total liabilities	6,367	6,900
Commitments and contingencies		
Preferred securities	87	87
Shareholders' equity		
Common stock	2,318	2,291
Receivable from parent	(180)	(500)
Retained earnings	426	369
Accumulated other comprehensive income, net	1	2
Total shareholders' equity	2,565	2,162
Total liabilities and shareholders' equity	$ 9,019	$ 9,169

See the Combined Notes to Consolidated Financial Statements

PECO Energy Company and Subsidiary Companies
Consolidated Statements of Changes in Stockholders' Equity

(In millions)	Common Stock	Receivable from Parent	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2006	$ 2,223	$ (1,090)	$ 584	$ 5	$ 1,722
Net Income	—	—	507	—	507
Common stock dividends	—	—	(562)	—	(562)
Preferred security dividends	—	—	(4)	—	(4)
Repayment of receivable from parent	—	306	—	—	306
Allocation of tax benefit from parent	32	—	—	—	32
Adoption of accounting for uncertain tax positions	—	—	23	—	23
Other comprehensive loss, net of income taxes of $(1)	—	—	—	(1)	(1)
Balance, December 31, 2007	$ 2,255	$ (784)	$ 548	$ 4	$ 2,023
Net Income	—	—	325	—	325
Common stock dividends	—	—	(480)	—	(480)
Preferred security dividends	—	—	(4)	—	(4)
Repayment of receivable from parent	—	284	—	—	284
Allocation of tax benefit from parent	36	—	—	—	36
Other comprehensive loss, net of income taxes of $(1)	—	—	—	(2)	(2)
Balance, December 31, 2008	$ 2,291	$ (500)	$ 389	$ 2	$ 2,182
Net Income	—	—	353	—	353
Common stock dividends	—	—	(312)	—	(312)
Preferred security dividends	—	—	(4)	—	(4)
Repayment of receivable from parent	—	320	—	—	320
Allocation of tax benefit from parent	27	—	—	—	27
Other comprehensive loss, net of income taxes of $(1)	—	—	—	(1)	(1)
Balance, December 31, 2009	$ 2,318	$ (180)	$ 426	$ 1	$ 2,565

See the Combined Notes to Consolidated Financial Statements

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PECO Energy Company and Subsidiary Companies
Consolidated Statements of Comprehensive Income

(In millions)	For the Years Ended December 31, 2009	2008	2007
Net Income	$ 353	$ 325	$ 507
Other comprehensive loss			
Amortization of realized loss on settled cash flow swaps, net of income taxes of $(1), $0 and $(1), respectively	(1)	(1)	(1)
Change in unrealized loss on marketable securities, net of income taxes of $0, $(1) and $0, respectively	—	(1)	—
Other comprehensive loss	(1)	(2)	(1)
Comprehensive income	$ 352	$ 323	$ 506

See the Combined Notes to Consolidated Financial Statements

Combined Notes to Consolidated Financial Statements
(Dollars in millions, except per share data unless otherwise noted)

1. Significant Accounting Policies (Exelon, Generation, ComEd and PECO)

Description of Business (Exelon, Generation, ComEd and PECO)

Exelon is a utility services holding company engaged, through its subsidiaries, in the generation and energy delivery businesses discussed below. The generation business consists of the electric generating facilities, the wholesale energy marketing operations and competitive retail supply operations of Generation. The energy delivery businesses include the purchase and regulated retail sale of electricity and the provision of transmission and distribution services by ComEd in northern Illinois, including the City of Chicago, and by PECO in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia.

Basis of Presentation (Exelon, Generation, ComEd and PECO)

Through its business services subsidiary, BSC, Exelon provides its subsidiaries with a variety of support services at cost, including legal, human resources, financial, information technology and supply management services. The costs of BSC, including support services, are directly charged or allocated to the applicable subsidiaries using a cost-causative allocation method. Corporate governance type costs that cannot be directly assigned are allocated based on a Modified Massachusetts formula, which is a method that utilizes a combination of gross revenues, total assets and direct labor costs for the allocation base. The results of Exelon's corporate operations are presented as "Other" within the consolidated financial statements and include intercompany eliminations unless otherwise disclosed.

Exelon owns 100% of all of its significant consolidated subsidiaries, either directly or indirectly, except for ComEd, of which Exelon owns more than 99%, and PECO, of which Exelon owns 100% of the common stock but none of PECO's preferred securities. Exelon has reflected the third-party interests in ComEd, which totaled less than $1 million at December 31, 2009 and December 31, 2008 as equity and PECO's preferred securities as preferred securities of subsidiaries in its consolidated financial statements.

Generation owns 100% of all of its significant consolidated subsidiaries, either directly or indirectly, except for Exelon SHC, Inc., of which Generation owns 99% and the remaining 1% is indirectly owned by Exelon, which is eliminated in Exelon's consolidated financial statements. AmerGen, a wholly owned subsidiary of Generation through January 8, 2009, owned and operated the Clinton, Three Mile Island (TMI) Unit No. 1 and Oyster Creek generating stations. Effective January 8, 2009, AmerGen was merged into Generation, and Generation now holds the operating licenses for Clinton, TMI and Oyster Creek and owns and operates those plants.

Each of Generation's, ComEd's and PECO's consolidated financial statements includes the accounts of their subsidiaries. All intercompany transactions have been eliminated.

Certain prior year amounts in Exelon's, Generation's and ComEd's Consolidated Statements of Cash Flows, in Exelon's and ComEd's Consolidated Statements of Operations and in Exelon's and Generation's Consolidated Balance Sheets have been reclassified between line items for comparative purposes. The reclassifications did not affect net income or cash flows from operating activities of the Registrants. See Note 8—Derivative Financial Instruments for further discussion of the reclassifications to Exelon's and Generation's Consolidated Balance Sheets. The Registrants performed an evaluation of subsequent events for the accompanying financial statements and notes included in Part 2, ITEM 8 of this report through February 5, 2010, the date this Report was issued, to determine whether the circumstances warranted recognition and disclosure of those events or transactions in the financial statements as of December 31, 2009.

Use of Estimates (Exelon, Generation, ComEd and PECO)

The preparation of financial statements of each of the Registrants in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, the accounting for nuclear decommissioning costs and other AROs, pension and other postretirement benefits, inventory reserves, allowance for uncollectible accounts, goodwill and asset impairments, derivative instruments, fixed asset depreciation, environmental costs, taxes and unbilled energy revenues.

Accounting for the Effects of Regulation (Exelon, ComEd and PECO)

Exelon, ComEd and PECO account for their regulated operations in accordance with accounting policies prescribed by the regulatory authorities having jurisdiction, principally the ICC and the PAPUC under state public utility laws and the FERC under various Federal laws. Exelon, ComEd and PECO apply the authoritative guidance for accounting for certain types of regulation, which requires ComEd and PECO to record in their consolidated financial statements the effects of rate regulation for utility operations that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable expectation that all costs will be recoverable from customers through rates. Exelon believes that it is probable that its currently recorded regulatory assets and liabilities will be recovered in future rates. However, Exelon, ComEd and PECO continue to evaluate their respective abilities to apply the authoritative guidance for accounting for certain types of regulation, including consideration of current events in their respective regulatory and political environments. If a separable portion of ComEd's or PECO's business was no longer able to meet the criteria discussed above, Exelon, ComEd and PECO would be required to eliminate from their consolidated financial statements the effects of regulation for that portion, which would have a material impact on their results of operations and financial positions. See Note 2—Regulatory Issues for additional information.

Segment Information (Generation, ComEd and PECO)

Exelon has three operating and reportable segments: Generation, ComEd and PECO. See Note 20—Segment Information for additional information regarding Exelon's segments. Generation, ComEd and PECO each represent a single reportable segment. PECO has two operating segments, electric and gas delivery, which are aggregated into one reportable segment primarily due to their similar economic characteristics and the regulatory environments in which they operate.

Variable Interest Entities (Exelon, Generation, ComEd and PECO)

Exelon's consolidated financial statements include the accounts of entities in which Exelon has a controlling financial interest, other than certain financing trusts of ComEd and PECO, and Generation's and PECO's proportionate interests in jointly owned electric utility property, after the elimination of intercompany transactions. A controlling financial interest is evidenced by either a voting interest greater than 50% or a risk and rewards model that identifies Exelon or one of its subsidiaries as the primary beneficiary of the VIE. Investments and joint ventures in which Exelon does not have a controlling financial interest and certain financing trusts of ComEd and PECO are accounted for under the equity or cost method of accounting.

Generation's wholesale operations include the physical delivery and marketing of power obtained through its generating capacity, and long-, intermediate- and short-term contracts. Generation also has contracts to purchase fuel supplies for nuclear and fossil generation. These contracts and Generation's membership in NEIL are discussed in further detail in Generation's Note 18—Commitments and Contingencies. Generation has evaluated these contracts and determined that either, it has no variable interest in an entity, or where Generation does have a variable interest in an entity, it is not the primary beneficiary and, therefore, consolidation is not required.

Several of Generation's long-term PPAs have been determined to be operating leases that have no residual value guarantees, bargain purchase options or other provisions that would cause these operating leases to be variable interests. For contracts where Generation has a variable interest, Generation has considered which interest holder has the power to direct the activities that most significantly impact the economics of the VIE and thus be considered the primary beneficiary and required to consolidate the entity. The primary beneficiary must also have exposure to significant losses or the right to receive significant benefits from the VIE. In general, the most significant activity of the VIEs is the operation and maintenance of the facilities providing the power to direct the entities' activities. Facilities represent power plants, sources of uranium and fossil fuels, or plants used in the uranium conversion, enrichment and fabrication process. Generation does not have control over the operation and maintenance of the facilities considered VIEs and it does not bear operational risk of the facilities. Furthermore, Generation has no debt or equity investments in the entities, under the contracts Generation receives less than the majority of the output of the remaining expected useful life of the facilities, and Generation does not provide any other financial support through liquidity arrangements, guarantees or other commitments other than purchase commitments described in Generation's Note 18—Commitments and Contingencies. Upon consideration of these factors, Generation does not consider it to be the primary beneficiary of these VIEs.

Generation has aggregated its contracts with VIEs into two categories, energy commitments and fuel purchase obligations, based on the similar risk characteristics and significance to Generation. As of the balance sheet date, the carrying amount of assets and liabilities in Generation's Consolidated Balance Sheet that relate to its involvement with VIEs are predominately related to working capital accounts and generally represent the amounts owed by Generation for the deliveries associated with the current billing cycle under the contracts. Further, Generation has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts, so there is no significant potential exposure to loss as a result of its involvement with the VIEs.

The financing trust of ComEd, ComEd Financing III, and the financing trusts of PECO, namely PECO Trust III, PECO Trust IV and PETT, are not consolidated in Exelon's, ComEd's and PECO's financial statements. PETT was created for the sole purpose of issuing debt obligations to securitize intangible transition property of PECO; and the other entities were created to issue mandatorily redeemable trust preferred securities.

ComEd and PECO have concluded that they do not have a variable interest in ComEd Financing III, PECO Trust III or PECO Trust IV as each Registrant financed its equity interest in the financing trusts through the issuance of subordinated debt. PECO has concluded that it is not the primary beneficiary of PETT because investors in the trust's securities, not PECO, bear the majority of risk of loss related to those securities. See further discussion regarding the future consolidation of VIEs below under New Accounting Pronouncements.

ComEd and PECO, as the sponsors of the financing trusts are obligated to pay the operating expenses of the trusts. ComEd's and PECO's balance sheets include payable to affiliate amounts due to their respective financing trusts as well as investments in their respective trusts. See Note 21—Related-Party Transactions regarding information on the amounts recorded with respect to the financing trusts within the Consolidated Financial Statements.

The maximum exposure to loss as a result of PECO's involvement with PETT was $7 million at December 31, 2009 and $30 million at December 31, 2008. PECO's maximum exposure to loss is determined based on the current carrying value of investments made in PETT. PECO has not provided any non-contractually required financial support to PETT during the years ended December 31, 2009 and December 31, 2008. PECO had net undistributed losses of equity method investments related to PETT of $97 million and $73 million at December 31, 2009 and 2008, respectively.

Revenues (Exelon, Generation, ComEd and PECO)

Operating Revenues. Operating revenues are recorded as service is rendered or energy is delivered to customers. At the end of each month, the Registrants accrue an estimate for the unbilled amount of energy delivered or services provided to customers. See Note 3—Accounts Receivable for further information.

RTOs and ISOs. In RTO and ISO markets that facilitate the dispatch of energy and energy-related products, Exelon and Generation report sales and purchases conducted on a net hourly basis in either revenues or purchased power on Exelon's and Generation's Consolidated Statements of Operations, the classification of which depends on the net hourly activity. ComEd nets its spot market purchases against its spot market sales on an hourly basis, with the result recorded in purchased power expense. In 2009 and 2008, ComEd recorded an immaterial amount associated with hours where it had net spot market sales. ComEd did not record any net spot market sales during 2007.

Option Contracts, Swaps, and Commodity Derivatives. Certain option contracts and swap arrangements that meet the definition of derivative instruments are recorded at fair value with subsequent changes in fair value recognized as revenue or expenses, unless hedge accounting is applied. Premiums received and paid on option contracts are recognized as revenue or expensed over the terms of the contracts. If the derivatives meet hedging criteria, changes in fair value are recorded in OCI. ComEd has not elected hedge accounting for its financial swap contract with Generation. Since ComEd is entitled to full recovery of the costs of the financial swap contract in rates, ComEd records the fair value of the swap as well as an offsetting regulatory asset or liability on its Consolidated Balance Sheets.

Trading Activities. Exelon and Generation account for their trading activities under the provisions of the authoritative guidance for accounting for contracts involved in energy trading and risk management activities, which requires revenue and energy costs related to energy trading contracts to be presented on a net basis in the income statement. Commodity derivatives used for trading purposes are accounted for using the mark-to-market method with unrealized gains and losses recognized in operating revenues.

Income Taxes (Exelon, Generation, ComEd and PECO)

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax benefits carried forward. Investment tax credits previously utilized for income tax purposes have been deferred on the Registrants' Consolidated Balance Sheets and are recognized in book income over the life of the related property. The Registrants account for uncertain income tax positions using a benefit recognition model with a two-step approach, a more-likely-than-not recognition criterion and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement, in accordance with the authoritative guidance for accounting for uncertain tax positions. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. The Registrants recognize accrued interest related to unrecognized tax benefits in interest expense or interest income in other income and deductions on their Consolidated Statements of Operations.

Pursuant to the IRC and relevant state taxing authorities, Exelon and its subsidiaries file consolidated or combined income tax returns for Federal and certain state jurisdictions where allowed or required. See Note 10—Income Taxes for further information.

Taxes Directly Imposed on Revenue-Producing Transactions (Exelon, ComEd and PECO)

Exelon, ComEd and PECO present any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on a gross (included in revenues and costs) basis. See Note 19—Supplemental Financial Information for ComEd's and PECO's utility taxes that are presented on a gross basis.

Losses on Reacquired and Retired Debt (Exelon, Generation, ComEd and PECO)

Consistent with rate recovery for ratemaking purposes, ComEd's and PECO's recoverable losses on reacquired long-term debt related to regulated operations are deferred and amortized to interest expense over the life of the new debt issued to finance the debt redemption or over the life of the original debt issuance if the debt is not refinanced. Losses on Exelon's and Generation's reacquired debt are recognized as incurred in the Registrants' Consolidated Statements of Operations.

Cash and Cash Equivalents (Exelon, Generation, ComEd and PECO)

The Registrants consider investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Investments (Exelon, Generation, ComEd and PECO)

As of December 31, 2009 and 2008, Exelon Corporate's restricted cash and investments primarily represented restricted funds for payment of medical, dental, vision and long-term disability benefits. As of December 31, 2009 and December 31, 2008, Generation's restricted cash and investments primarily represented restricted funds for qualifying design, engineering and construction costs related to pollution control notes issued by Generation for an emissions-control facilities project and for payment of certain environmental liabilities. As of December 31, 2009 and 2008, PECO's restricted cash primarily represented funds from the sales of assets that were subject to PECO's mortgage indenture.

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

Restricted cash and investments not available to satisfy current liabilities are classified as noncurrent assets. As of December 31, 2009 and 2008, Exelon and Generation had restricted cash and investments in the NDT funds classified as noncurrent assets. As of December 31, 2009 and 2008, ComEd had short-term investments in Rabbi trusts classified as noncurrent assets.

Allowance for Uncollectible Accounts (Exelon, Generation, ComEd and PECO)

The allowance for uncollectible accounts reflects the Registrants' best estimates of losses on the accounts receivable balances. The allowance is based on accounts receivable agings, historical experience and other currently available evidence. ComEd and PECO customers' accounts are generally considered delinquent if the amount billed is not received by the time the next bill is issued, which normally occurs on a monthly basis. ComEd and PECO customers' accounts are written off consistent with approved regulatory requirements. See Note 2—Regulatory Issues for additional information regarding the regulatory recovery of uncollectible accounts receivable at ComEd.

The following table summarizes the provision for uncollectible accounts for the years ended December 31, 2009, 2008 and 2007:

For the Year Ended December 31,	Exelon	Generation	ComEd	PECO
2009	$ 149	$ 2	$ 86	$ 63
2008	247	17	71	160
2007	132	4	56	71

Inventories (Exelon, Generation, ComEd and PECO)

Inventory is recorded at the lower of cost or market. Provisions are recorded for excess and obsolete inventory.

Fossil Fuel. Fossil fuel inventory includes the weighted average costs of stored natural gas, propane, coal and oil. The costs of natural gas, propane, coal and oil are generally included in inventory when purchased and charged to fuel expense when used or sold.

Materials and Supplies. Materials and supplies inventory generally includes the average costs of transmission, distribution and generating plant materials. Materials are generally charged to inventory when purchased and expensed or capitalized to plant, as appropriate, when installed or used.

Emission Allowances. Emission allowances are included in inventory and other deferred debits and are carried at the lower of weighted average cost or market and charged to fuel expense as they are used in operations. The Exelon and Generation emission allowance balances as of December 31, 2009 and 2008 were $78 million and $80 million, respectively.

Marketable Securities (Exelon, Generation, ComEd and PECO)

All marketable securities are reported at fair value. Marketable securities held in the NDT funds are classified as trading securities and all securities that are not held by the NDT funds are classified as available-for-sale securities. Realized and unrealized gains and losses, net of tax, on Generation's NDT funds associated with the former ComEd and former PECO nuclear generating units (Regulatory Agreement Units) are included in regulatory liabilities at Exelon, ComEd, and PECO and in noncurrent payables to affiliates at Generation and in noncurrent receivables from affiliates at ComEd and PECO. Realized and unrealized gains and losses, net of tax, on Generation's NDT funds associated with the former AmerGen nuclear generating units and the unregulated portions of the Peach Bottom nuclear generating units (Non-Regulatory Agreement Units) are included in earnings at Exelon and Generation. Unrealized gains and losses, net of tax, for ComEd's and PECO's available-for-sale securities are reported in OCI. Any decline in the fair value of ComEd's and PECO's available-for-sale securities below the cost basis is reviewed to determine if such decline is other-than-temporary. If the decline is determined to be other-than-temporary, the cost basis of the available-for-sale securities is written down to fair value as a new cost basis and the amount of the write-down is included in earnings. See Note 7—Fair Value of Financial Assets and Liabilities for further information regarding the other-than-temporary impairment recorded in the second quarter of 2009 by Exelon and ComEd related to ComEd's Rabbi trust investments. See Note 11—Asset Retirement Obligations for information regarding marketable securities held by NDT funds and Note 19—Supplemental Financial Information for additional information regarding ComEd's and PECO's regulatory assets and liabilities.

Deferred Energy Costs (Exelon, ComEd and PECO)

ComEd's electricity and transmission costs are recoverable or refundable under ComEd's ICC and/or FERC approved retail rates. ComEd recovers or refunds the difference between the actual cost of electricity and transmission and the amount included in rates charged to its customers. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective monthly adjustments to rates.

PECO's natural gas rates are subject to a purchased gas cost adjustment clause designed to recover or refund the difference between the actual cost of purchased gas and the amount included in rates. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective quarterly adjustments to rates.

See Note 19—Supplemental Financial Information for additional information regarding deferred energy costs for Exelon, ComEd and PECO.

Leases (Exelon, Generation, ComEd and PECO)

At the inception of a contract determined to be a lease, or as a result of a subsequent modification, the Registrants determine whether the lease is an operating or capital lease based upon its terms and characteristics. Several of Generation's long-term PPAs, which have been determined to be operating leases, have significant contingent rental payments that are dependent on the future operating characteristics of the associated plants, such as plant availability. Generation recognizes contingent rental expense when it becomes probable of payment.

Property, Plant and Equipment (Exelon, Generation, ComEd and PECO)

Property, plant and equipment is recorded at original cost. Original cost includes labor and materials, construction overhead, when appropriate, capitalized interest and AFUDC, for regulated property at ComEd and PECO. The cost of repairs and maintenance, including planned major maintenance activities and minor replacements of property, is charged to maintenance expense as incurred.

For Generation, upon retirement, the cost of property is charged to accumulated depreciation in accordance with the composite method of depreciation. Upon replacement of an asset, the costs to remove the asset, net of salvage, is capitalized when incurred to gross plant as part cost of the newly installed asset and recorded to depreciation expense over the life of the new asset. Removal costs and salvage incurred for property that will not be replaced is charged to expense as incurred.

For ComEd and PECO, upon retirement, the cost of property, net of salvage, is charged to accumulated depreciation in accordance with the composite method of depreciation. ComEd's depreciation expense includes the estimated cost of dismantling and removing plant from service upon retirement as these costs, as well as depreciation expense, are included in cost of service for rate-making purposes. ComEd's removal costs reduce the related regulatory liability. PECO's removal costs are capitalized to accumulated depreciation when incurred and recorded to depreciation expense over the life of the new asset constructed consistent with PECO's regulatory recovery method.

See Note 4—Property, Plant and Equipment, Note 5—Jointly Owned Electric Utility Plant and Note 19—Supplemental Financial Information for additional information regarding property, plant and equipment.

Nuclear Fuel (Exelon and Generation)

The cost of nuclear fuel is capitalized and charged to fuel expense using the unit-of-production method. The estimated cost of disposal of SNF is established per the Standard Waste Contract with the DOE and is expensed through fuel expense at one mill ($.001) per kWh of net nuclear generation. On-site SNF storage costs are capitalized or expensed as incurred based upon the nature of the work performed. A portion of the storage costs are being reimbursed by the DOE since a DOE (or government owned) long-term storage facility has not been completed. See Note 12—Spent Nuclear Fuel Obligation for additional information.

Nuclear Outage Costs (Exelon and Generation)

Costs associated with nuclear outages, including planned major maintenance activities, are recorded in the period incurred.

New Site Development Costs (Exelon and Generation)

New site development costs represent the costs incurred in the assessment, design and construction of new power generating stations. Such costs are capitalized when management considers project completion to be likely, primarily based on management's determination that the project is economically and operationally feasible, management and the Board of Directors have approved the project and have committed to a plan to develop it, and Exelon and Generation have received the required regulatory approvals or management believes the receipt of required regulatory approvals is probable. Through the year ended December 31, 2009, there have been no significant costs capitalized related to new site development; however, approximately $23 million, $26 million and $48 million of costs were expensed by Generation for the years ended December 31, 2009, 2008 and 2007, respectively, related to the possible construction of a new nuclear plant in Texas.

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

Capitalized Software Costs (Exelon, Generation, ComEd and PECO)

Costs incurred during the application development stage of software projects that are developed or obtained for internal use are capitalized. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed five years. Certain other capitalized software costs are being amortized over longer lives, pursuant to regulatory approval or requirement. The following table presents net unamortized capitalized software costs and amortization of capitalized software costs by year:

Net unamortized software costs	Exelon	Generation	ComEd	PECO
December 31, 2009	$ 279	$ 67	$ 123	$ 55
December 31, 2008	259	45	106	55

Amortization of capitalized software costs	Exelon	Generation	ComEd	PECO
2009	$ 105	$ 24	$ 29	$ 15
2008	91	21	29	13
2007	79	19	24	11

Depreciation and Amortization (Exelon, Generation, ComEd and PECO)

Except for the amortization of *nuclear fuel*, *depreciation* is generally recorded over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. ComEd's depreciation includes a provision for estimated removal costs as authorized by the ICC. The estimated service lives for ComEd and PECO are primarily based on the average service lives from the most recent depreciation study for each respective company. The estimated service lives of the nuclear-fuel generating facilities are based on the remaining useful lives of the stations, which assume a 20-year license renewal extension of the operating licenses (to the extent that such renewal has not yet been granted) for all of Generation's operating nuclear generating stations. The estimated service lives of the fossil fuel generating facilities are based on the remaining useful lives of the stations, which Generation periodically evaluates based on feasibility assessments as well as economic and capital requirements. The estimated service lives of the hydroelectric generating facilities are based on the remaining useful lives of the stations, which assume a license renewal extension of the operating licenses. See Note 4—Property, Plant and Equipment for further information regarding depreciation.

Amortization of regulatory assets is provided over the recovery period specified in the related legislation or regulatory agreement. See Note 19—Supplemental Financial Information for additional information regarding Generation's nuclear fuel, Generation's ARC and the amortization of ComEd's and PECO's regulatory assets.

Asset Retirement Obligations (Exelon, Generation, ComEd and PECO)

The authoritative guidance for accounting for AROs requires the recognition of a liability for a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement is conditional on a future event. To estimate its decommissioning obligation related to its nuclear generating stations, Generation uses a probability-weighted, discounted cash flow model which, on a unit-by-unit basis, considers multiple outcome scenarios based upon significant estimates and assumptions, including decommissioning cost studies, cost escalation studies, probabilistic cash flow models and discount rates. Decommissioning cost studies are updated, on a rotational basis, for each of Generation's nuclear units at least every five years. Generation generally updates its ARO annually based on its review of updated cost studies and its annual evaluation of cost escalation factors and probabilities assigned to various scenarios. The liabilities associated with Exelon's non-nuclear AROs are adjusted on an ongoing basis due to the passage of new laws and regulations and revisions to either the timing or amount of estimates of undiscounted cash flows and estimates of cost escalation factors. AROs are accreted each year to reflect the time value of money for these present value obligations through a charge to operating and maintenance expense in the Consolidated Statements of Operations or, in the case of the majority of ComEd's and PECO's accretion, through an increase to regulatory assets. See Note 11—Asset Retirement Obligations for additional information.

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

Capitalized Interest and AFUDC (Exelon, Generation, ComEd and PECO)

Exelon and Generation capitalize the costs of debt funds during construction used to finance non-regulated construction projects.

Exelon, ComEd and PECO apply the authoritative guidance for accounting for certain types of regulation to calculate AFUDC, which is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC is recorded as a charge to construction work in progress and as a non-cash credit to AFUDC that is included in interest expense for debt-related funds and other income and deductions for equity-related funds. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

The following table summarizes total cost incurred, capitalized interest and credits of AFUDC by year:

		Exelon	Generation	ComEd	PECO
2009	Total incurred interest [a]	$ 786	$ 162	$ 322	$ 169
	Capitalized interest	50	49	—	—
	Credits to AFUDC debt and equity	14	—	8	6
2008	Total incurred interest [a]	$ 867	$ 170	$ 344	$ 229
	Capitalized interest	34	33	—	—
	Credits to AFUDC debt and equity	2	—	(1)	3
2007	Total incurred interest [a]	$ 896	$ 196	$ [illegible]	$ [illegible]
	Capitalized interest	30	30	—	—
	Credits to AFUDC debt and equity	19	—	[illegible]	3

(a) Includes interest expense to affiliates.

Guarantees (Exelon, Generation, ComEd and PECO)

The Registrants recognize, at the inception of a guarantee, a liability for the fair market value of the obligations they have undertaken in issuing the guarantee, including the ongoing obligation to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

The liability that is initially recognized at the inception of the guarantee is reduced as the Registrants are released from risk under the guarantee. Depending on the nature of the guarantee, the release from risk of the Registrant may be recognized only upon the expiration or settlement of the guarantee or by a systematic and rational amortization method over the term of the guarantee. See Note 18—Commitments and Contingencies for additional information.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Asset Impairments (Exelon, Generation, ComEd and PECO)

Long-Lived Assets. Exelon, Generation, ComEd, and PECO evaluate the carrying value of their long-lived assets, excluding goodwill, when circumstances indicate the carrying value of those assets may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, including current energy and market conditions, condition of the asset, specific regulatory disallowance or plans to dispose of a long-lived asset significantly before the end of its useful life. The review of long-lived assets for impairment requires significant assumptions about operating strategies and estimates of future cash flows, which require assessments of current and projected market conditions. For the generation business, forecasting future cash flows requires assumptions regarding forecasted commodity prices for the sale of power, costs of fuel and the expected operations of assets. A variation in the assumptions used could lead to a different conclusion regarding the realizability of an asset and, thus, could have a significant effect on the consolidated financial statements. An impairment evaluation is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of assets and liabilities. For the generation business, the lowest level of independent cash flows is determined by evaluation of several factors, including the geographic dispatch of the generation units and the hedging strategies related to those units. For ComEd and PECO, the lowest level of independent cash flows is determined by evaluation of several factors including the ratemaking jurisdiction in which they operate and the type of service or commodity. For ComEd the lowest level of independent cash flows is transmission and distribution and for PECO, the lowest level of independent cash flows is transmission, distribution and gas. Impairment may occur when the carrying value of the asset or asset group exceeds the future undiscounted cash flows. When the undiscounted cash flow analysis indicates a long-lived asset or asset group is not recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value. An impairment would require the affected Registrant to reduce both the long-lived asset and current period earnings by the amount of the impairment. See Note 4—Property, Plant and Equipment for a discussion of asset impairment evaluations made by Generation.

Exelon holds certain investments in direct financing leases. Exelon determines the investment in direct financing leases by incorporating an estimate of the residual values of the leased assets. On an annual basis, Exelon reviews the estimated residual values of these leased assets to determine if the current estimate of their residual value is lower than the one used at the start of the lease. In determining the estimate of the residual value the expectation of future market conditions, including commodity prices, is considered. If the estimated residual value is lower than at the start of the lease and the decline is considered to be other than temporary, a loss will be recognized with a corresponding reduction to the carrying amount of the investment. To date, no such losses have been recognized.

Goodwill. Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized, but is tested for impairment at least annually or on an interim basis if an event occurs or circumstances change that could reduce the fair value of a reporting unit below its carrying value. See Note 6—Intangible Assets for additional information regarding Exelon's and ComEd's goodwill.

Derivative Financial Instruments (Exelon, Generation, ComEd and PECO)

All derivatives are recognized on the balance sheet at their fair value unless they qualify for certain exceptions, including the normal purchases and normal sales exception. Additionally, derivatives that qualify and are designated for hedge accounting are classified as either hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) or hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For fair value hedges, changes in fair values for both the derivative and the underlying hedged exposure are recognized in earnings each period. For cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the cost or value of the underlying exposure is deferred in accumulated OCI and later reclassified into earnings when the underlying transaction occurs. Gains and losses from the ineffective portion of any hedge are recognized in earnings immediately. For other derivative contracts that do not qualify or are not designated for hedge accounting, changes in the fair value of the derivatives are recognized in earnings each period. For energy-related derivatives entered into for proprietary trading purposes, which are subject to Exelon's Risk Management Policy, changes in the fair value of the derivatives are recognized in earnings each period. Amounts classified in earnings are included in revenue, purchased power and fuel, or other, net on the Consolidated Statements of Operations. Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Consolidated Statement of Cash Flows, depending on the underlying nature of the Registrants' hedged items.

Revenues and expenses on contracts that qualify, and are designated, as normal purchases and normal sales are recognized when the underlying physical transaction is completed. While these contracts are considered derivative financial instruments, they are not required to be recorded at fair value, but on an accrual basis of accounting. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time and price is not tied to an unrelated underlying derivative. As part of Generation's energy marketing business, Generation enters into contracts to buy and sell energy to meet the requirements of its customers. These contracts include short-term and long-term commitments to purchase and sell energy and energy-related products in the retail and wholesale markets with the intent and ability to deliver or take delivery. If it were determined that a transaction designated as a normal purchase or a normal sale no longer met the exceptions, the fair value of the related contract would be recorded on the balance sheet and immediately recognized through earnings at Generation or offset by a regulatory asset or liability at ComEd and PECO. See Note 8—Derivative Financial Instruments for additional information.

Retirement Benefits (Exelon, Generation, ComEd and PECO)

Exelon's defined benefit pension plans and postretirement benefit plans are accounted for and disclosed in accordance with applicable authoritative guidance. Generation, ComEd and PECO participate in Exelon's defined benefit pension plans and postretirement plans. AmerGen sponsored a separate defined benefit pension plan and postretirement plan for its employees until the merger of AmerGen into Generation on January 8, 2009. Exelon became the sponsor of those plans at that date.

The measurement of the plan obligations and costs of providing benefits under these plans involve various factors, including numerous assumptions and accounting elections. The assumptions are reviewed annually and at any interim remeasurement of the plan obligations. The impact of assumption changes on pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the employees rather than immediately recognized in the income statement.

Exelon calculates the expected return on pension and other postretirement benefit plan assets by multiplying the EROA by the MRV of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments to be made during the year. In determining MRV, the authoritative guidance for pensions and postretirement benefits allows the use of either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. For pension plan assets, Exelon uses a calculated value that adjusts for 20% of the difference between fair value and expected MRV of plan assets. Use of this calculated value approach enables less volatile expected asset returns to be recognized as a component of pension cost from year to year. For other postretirement benefit plan assets, Exelon uses fair value to calculate the MRV. See Note 13—Retirement Benefits for additional discussion of Exelon's accounting for retirement benefits.

Treasury Stock (Exelon)

Treasury shares are recorded at cost. Any shares of common stock repurchased are held as treasury shares unless cancelled or reissued.

New Accounting Pronouncements (Exelon, Generation, ComEd and PECO)

Exelon has identified the following new accounting pronouncements that have been recently adopted or issued that may affect the Registrants upon adoption.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007 (and clarified in January 2010), the FASB issued authoritative guidance clarifying that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. With certain exceptions, this guidance requires that a change in a parent's ownership interest in a subsidiary be reported as an equity transaction in the consolidated financial statements when it does not result in a change in control of the subsidiary. When a change in a parent's ownership interest results in deconsolidation, a gain or loss should be recognized in the consolidated financial statements. This guidance was applied prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which were applied retrospectively for all periods presented.

The adoption had no impact on Exelon's consolidated financial statements. Generation reclassified its noncontrolling interest of a consolidated subsidiary from mezzanine equity to equity in its Consolidated Balance Sheets and Statements of Changes in Member's Equity for all periods presented. The noncontrolling interest is eliminated in Exelon's consolidated financial statements as it is owned by Exelon.

PECO reclassified preferred securities from shareholders' equity to mezzanine equity within its Consolidated Balance Sheets for all periods presented and separately reflects its preferred security dividends on its Statement of Operations. On Exelon's Consolidated Statements of Operations and Comprehensive Income, the dividends on PECO's preferred securities are included in interest expense and have not been reflected separately as the amounts are not considered significant.

Derivative Instrument and Hedging Activity Disclosures

In March 2008, the FASB amended and expanded the disclosure requirements related to derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how an entity accounts for derivative instruments and related hedged items and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The revised guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. This guidance was effective for the Registrants as of January 1, 2009. Since this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 8—Derivative Financial Instruments for further information.

Pension and Other Postretirement Benefit Plan Asset Disclosures

In December 2008, the FASB issued authoritative guidance requiring additional disclosures for employers' pension and other postretirement benefit plan assets. This guidance requires employers to disclose information about fair value measurements of plan assets, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. This guidance became effective for the Registrants as of December 31, 2009. As this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 13—Retirement Benefits for further information.

Fair Value Measurements

The FASB's fair value measurement and disclosure guidance for all nonrecurring fair value measurements of nonfinancial assets and liabilities became effective for the Registrants as of January 1, 2009. See Note 7—Fair Value of Financial Assets and Liabilities for further information.

In April 2009, the FASB issued authoritative guidance clarifying that fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. This new guidance requires an evaluation of whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. If there has, transactions or quoted prices may not be indicative of fair value and an adjustment may need to be made to those prices to estimate fair value. Additionally, an entity must consider whether the observed transaction was orderly (i.e. not distressed or forced). If the transaction was orderly, the obtained price can be considered a relevant observable input for determining fair value. If the transaction is not orderly, other valuation techniques must be used when estimating fair value. This guidance was adopted for the period ending June 30, 2009. The adoption of this guidance did not have a material impact to the Registrants' results of operations, cash flows or financial positions.

In August 2009, the FASB issued authoritative guidance clarifying the measurement of the fair value of a liability in circumstances when a quoted price in an active market for an identical liability is not available. The guidance emphasizes that entities should maximize the use of observable inputs in the absence of quoted prices when measuring the fair value of liabilities. This guidance became effective for the Registrants as of October 1, 2009 and did not have a material impact on the Registrants' results of operations, cash flows or financial positions.

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In September 2009, the FASB issued authoritative guidance that provides further clarification for measuring the fair value of investments in entities that meet the FASB's definition of an investment company. This guidance permits a company to estimate the fair value of an investment using the NAV per share of the investment if the NAV is determined in accordance with the FASB's guidance for investment companies as of the company's measurement date. This creates a practical expedient to determining a fair value estimate and allows certain attributes of the investment (such as redemption restrictions) to not be considered in measuring fair value. Additionally, companies with investments within the scope of this guidance must disclose additional information related to the nature and risks of the investments. This guidance became effective for the Registrants as of December 31, 2009 and is required to be applied prospectively. Exelon's pension and other postretirement benefit plan assets and Generation's NDT fund investments contain certain investments, including alternative investments and commingled funds, which are within the scope of this guidance. As a result of the issuance of this guidance, Exelon and Generation reclassified investments in NDT commingled funds from Level 3 in the fair value hierarchy to Level 2 in the fair value hierarchy. However, as the fair value of these investments was already determined based on NAVs per fund share, this guidance did not have a material impact on the Registrants' results of operations, cash flows or financial positions. See Note 13—Retirement Benefits and Note 7—Fair Value of Financial Assets and Liabilities for further information.

Fair Value of Financial Instruments Disclosures

In April 2009, the FASB issued revised authoritative guidance requiring disclosures about fair value of financial instruments, currently provided annually, to be included in interim financial statements. This guidance was adopted by the Registrants for the period ended June 30, 2009. Since this guidance provides only disclosure requirements, the adoption of this standard did not impact the Registrants' results of operations, cash flows or financial positions. See Note 7—Fair Value of Financial Assets and Liabilities for further information.

Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB amended authoritative guidance related to accounting for certain investments in debt and equity securities and accounting for certain investments held by not-for-profit organizations. This revised guidance establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. If it is more likely than not that an impaired debt security will be sold before the recovery of its cost basis, either due to the investor's intent to sell or because it will be required to sell the security, the entire impairment is recognized in earnings. Otherwise, only the portion of the impaired debt security related to estimated credit losses is recognized in earnings, while the remainder of the impairment is recorded in OCI and recognized over the remaining life of the debt security. In addition, the guidance expands the presentation and disclosure requirements for other- than-temporary impairments for both debt and equity securities. This guidance was adopted for the period ended June 30, 2009 and did not have a material impact on the Registrants' results of operations, cash flows or financial positions. See Note 7—Fair Value of Financial Assets and Liabilities for further information.

Subsequent Events

In May 2009, the FASB issued authoritative guidance which incorporates the principles and accounting guidance for recognizing and disclosing subsequent events that originated as auditing standards into the body of authoritative literature issued by the FASB and prescribes disclosures regarding the date through which subsequent events have been evaluated. The Registrants are required to evaluate subsequent events through the date the financial statements are issued. This guidance was effective for the Registrants for the period ended June 30, 2009. Since this guidance is not intended to significantly change the current practice of reporting subsequent events, it did not have an impact on the Registrants' results of operations, cash flows or financial positions.

Transfers of Financial Assets

In June 2009, the FASB issued authoritative guidance amending the accounting for the transfers of financial assets. Key provisions include (i) the removal of the concept of qualifying special purpose entities, (ii) the introduction of the concept of a participating interest, in circumstances in which a portion of a financial asset has been transferred and (iii) the requirement that to qualify for sale accounting, the transferor must evaluate whether it maintains effective control over transferred financial assets either directly or indirectly. Furthermore, this guidance requires enhanced disclosures about transfers of financial assets and a transferor's continuing involvement. This guidance is effective for the Registrants beginning January 1, 2010 and is required to be applied prospectively. Currently, PECO's agreement related to the sale of accounts receivable is accounted for as a sale. Under the new guidance, this agreement will be accounted for as a secured borrowing. As a result, beginning in the first quarter of 2010, the transferred accounts receivable of $225 million under this agreement will be recorded on PECO's balance sheet with an offsetting short-term note payable of $225 million.

Consolidation of Variable Interest Entities

In June 2009, the FASB issued authoritative guidance to amend the manner in which entities evaluate whether consolidation is required for VIEs. The model for determining which enterprise has a controlling financial interest and is the primary beneficiary of a VIE has changed significantly under the new guidance. Previously, variable interest holders had to determine whether they had a controlling financial interest in a VIE based on a quantitative analysis of the expected gains and/or losses of the entity. In contrast, the new guidance requires an enterprise with a variable interest in a VIE to qualitatively assess whether it has a controlling financial interest in the entity, and if so, whether it is the primary beneficiary. Furthermore, this guidance requires that companies continually evaluate VIEs for consolidation rather than assessing based upon the occurrence of triggering events. This revised guidance also requires enhanced disclosures about how a company's involvement with a VIE affects its financial statements and exposure to risks. This guidance became effective for the Registrants on January 1, 2010. As a result of the issuance of this new guidance, PECO consolidated PETT effective January 1, 2010. The consolidation of PETT had no impact on PECO's results of operations. As of January 1, 2010, Exelon's and PECO's Consolidated Balance Sheets reflect PETT's restricted cash of $413 million and $805 million for PETT's long-term debt due to bondholders. PECO's investment in PETT and long-term debt to PETT was eliminated in consolidation. The new guidance had no effect on ComEd. Generation does not anticipate a significant impact from the adoption of this accounting standard; however, due to evolving interpretations of this guidance, Generation has not fully completed its assessment.

Accounting Standards Codification

In June 2009, the FASB issued authoritative guidance which replaced the previous hierarchy of GAAP and establishes the FASB Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. This guidance modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. This guidance was effective for the Registrants as of September 30, 2009. The adoption of this guidance did not impact the Registrants' results of operations, cash flows or financial positions since the FASB Codification is not intended to change or alter existing GAAP.

Revenue Arrangements with Multiple Deliverables

In October 2009, the FASB issued authoritative guidance that amends existing guidance for identifying separate deliverables in a revenue-generating transaction where multiple deliverables exist, and provides guidance for allocating and recognizing revenue based on those separate deliverables. The guidance is expected to result in more multiple-deliverable arrangements being separable than under current guidance. This guidance is effective for the Registrants beginning on January 1, 2011 and is required to be applied prospectively to new or significantly modified revenue arrangements. The Registrants are currently assessing the impacts this guidance may have on their consolidated financial statements.

Fair Value Measurements Disclosures

In January 2010, the FASB issued authoritative guidance intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). This guidance is effective for interim and annual periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. As this guidance provides only disclosure requirements, the adoption of this standard will not impact the Registrants' results of operations, cash flows or financial positions.

2. Regulatory Issues (Exelon, Generation, ComEd and PECO)

Illinois Settlement Agreement (Exelon, Generation and ComEd). In July 2007, following extensive discussions with legislative leaders in Illinois, ComEd, Generation and other utilities and generators in Illinois reached an agreement (Illinois Settlement) with various parties concluding discussions of measures to address concerns about higher electric bills in Illinois without rate freeze, generation tax or other legislation that Exelon believes would be harmful to consumers of electricity, electric utilities, generators of electricity and the State of Illinois. Legislation reflecting the Illinois Settlement (Illinois Settlement Legislation) was signed into law in August 2007. The Illinois Settlement and the Illinois Settlement Legislation provide for the following, among other things:

Rate Relief Programs

- Various Illinois electric utilities, their affiliates and generators of electricity in Illinois agreed to contribute approximately $1 billion over a period of four years (2007-2010) to programs to provide rate relief to Illinois electricity customers and funding for the IPA created by the Illinois

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Settlement Legislation. ComEd committed to issue $64 million in rate relief credits to customers or to fund various programs to assist customers. Generation committed to contribute an aggregate of $747 million, consisting of $435 million to pay ComEd for rate relief programs for ComEd customers, $307.5 million for rate relief programs for customers of other Illinois utilities and $4.5 million for partially funding operations of the IPA. The contributions are recognized in the financial statements of Generation and ComEd as rate relief credits are applied to customer bills by ComEd and other Illinois utilities or as operating expenses associated with the programs are incurred.

During the years ended December 31, 2009, 2008 and 2007, Generation and ComEd recognized net costs from their contributions pursuant to the Illinois Settlement in their Consolidated Statements of Operations as follows:

Year Ended December 31, 2009	Generation	ComEd	Total Credits Issued to ComEd Customers
Credits to ComEd customers (a)	$ 45	$ 8	$ 53
Credits to other Illinois utilities' customers (a)	53	n/a	n/a
Other rate relief programs (b)	—	1	n/a
Total incurred costs	$ 98	$ 9	$ 53

Year Ended December 31, 2008	Generation	ComEd	Total Credits Issued to ComEd Customers
Credits to ComEd customers (a)	$ 131	$ 6	$ 137
Credits to other Illinois utilities' customers (a)	90	n/a	n/a
Other rate relief programs (b)	—	7	n/a
Total incurred costs	$ 221	$ 13	$ 137

Year Ended December 31, 2007	Generation	ComEd	Total Credits Issued to ComEd Customers
Credits to ComEd customers (a)	$ 246	$ 33	$ 279
Credits to other Illinois utilities' customers (a)	157	n/a	n/a
Other rate relief programs (b)	—	8	n/a
Funding of the IPA (a)	5	—	n/a
Total incurred costs	$ 408	$ 41	$ 279

(a) Recorded as a reduction in operating revenues

(b) Recorded as a charge to operating and maintenance expense

As of December 31, 2009, Generation's remaining costs to be recognized related to the rate relief commitment are $20 million, consisting of $13 million related to programs for ComEd customers and $7 million for programs for customers of other Illinois utilities. ComEd's remaining costs to be recognized related to the rate relief commitment are $1 million as of December 31, 2009.

Energy Efficiency and Renewable Energy

- Electric utilities in Illinois are required to include cost-effective energy efficiency resources in their plans to meet an incremental annual program energy savings requirement of 0.2% of energy delivered to retail customers for the year ended June 1, 2009, which increases annually to 2% of energy delivered in the year commencing June 1, 2015 and each year thereafter.

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Additionally, during the ten year period that began June 1, 2008, electric utilities must implement cost-effective demand response measures to reduce peak demand by 0.1% over the prior year for eligible retail customers. The energy efficiency and demand response goals are subject to rate impact caps each year. Utilities are allowed recovery of costs for energy efficiency and demand response programs, subject to approval by the ICC. In February 2008, the ICC issued an order approving substantially all of ComEd's Energy Efficiency and Demand Response Plan, including cost recovery. This plan began in June 2008 and is designed to meet the Illinois Settlement Legislation's energy efficiency and demand response goals for an initial three-year period, including reductions in delivered energy to all retail customers and in the peak demand of eligible retail customers. During the years ended December 31, 2009 and 2008, expenses related to energy efficiency and demand response programs consisted of $59 million and $25 million, respectively.

- Since June 1, 2008, utilities have been required to procure cost-effective renewable energy resources in amounts that equal or exceed 2% of the total electricity that each electric utility supplies to its eligible retail customers. ComEd is also required to acquire amounts of renewable energy resources that will cumulatively increase this percentage to at least 10% by June 1, 2015, with an ultimate target of at least 25% by June 1, 2025, subject to customer rate cap limitations. All goals are subject to rate impact criteria set forth in the Illinois Settlement Legislation. Under a May 2008 ICC-approved RFP, ComEd procured RECs for the period June 2008 through May 2009. On May 13, 2009, the ICC approved the results of an RFP to procure RECs for the period June 2009 through May 2010. ComEd currently retires all RECs immediately upon purchase. Since June 2008, ComEd recovers procurement costs of RECs through rates. See Note 18—Commitments and Contingencies for further information regarding ComEd's procurement of RECs.

Illinois Procurement Proceedings (Exelon, Generation and ComEd). ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. Beginning on January 1, 2007, ComEd procured 100% of energy to meet its load service requirements through ICC-approved staggered SFCs with various suppliers, including Generation. For the period from June 2008 to May 2009, the ICC approved an interim procurement plan under which ComEd procured energy to meet its load service requirements through an RFP for standard wholesale products, existing SFC and spot market purchases hedged by a five-year variable to fixed financial swap contract with Generation.

Beginning in June 2009, under the Illinois Settlement Legislation, the IPA designs, and the ICC approves, an electricity supply portfolio for ComEd and administers a competitive process under which ComEd procures its electricity supply. On January 7, 2009, the ICC approved the IPA's plan for procurement of ComEd's expected energy requirements from June 2009 through May 2010, which includes approximately 38% of ComEd's expected energy requirements purchased through the spot market and hedged by the financial swap contract with Generation. The remainder of ComEd's expected energy requirements will be met through the existing SFC and standard products purchased as a result of the 2009 RFP process completed in May 2009. In addition, approximately 9% of ComEd's energy requirements from June 2010 through May 2011 were procured through the 2009 RFP process.

On September 30, 2009, the IPA filed its procurement plan with the ICC covering June 2010 through May 2015. On December 28, 2009, the ICC approved this plan which will result in approximately 66% of ComEd's expected energy purchases for the June 2010 to May 2011 period

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being purchased through the spot market and hedged by the financial swap contract with Generation. The remainder of ComEd's expected energy purchases would be met through the purchases of standard products in the 2009 and 2010 RFP processes. The IPA's plan also includes a provision for procurement of approximately 3.5% of ComEd's fixed-price load requirements from renewable energy resources utilizing long-term contracts beginning June 2012. The long term renewables purchased would count towards satisfying ComEd's obligation under the state's RPS. See Note 8—Derivative Financial Instruments for further discussion on the financial swap contract.

The ICC has initiated a proceeding to reconcile the actual costs of power purchased in the January 2007 through May 2008 period with the costs for power that flowed through ComEd's tariffs and were collected from customers. Because the Illinois Settlement Legislation has already deemed such costs to be prudently incurred, the reconciliation proceeding is not expected to have a significant impact on ComEd.

2005 Rate Case (Exelon and ComEd). In August 2005, ComEd filed a rate case with the ICC to comprehensively revise its tariffs and to adjust rates for delivering electricity effective January 2007 (2005 Rate Case). ComEd proposed a revenue increase of $317 million. During 2006, the ICC issued various orders associated with this case, which resulted in a total annual rate increase of $83 million effective January 2007. ComEd and various other parties appealed the rate order to the courts. In September 2009, the Appellate Court of Illinois affirmed the ICC's order and denied the appeals. Several parties have asked the Appellate Court to rehear various rate design issues addressed in the opinion. There is no set time in which the Court must act.

Original Cost Audit (Exelon and ComEd). In connection with ComEd's 2005 Rate Case proceeding, the ICC, with ComEd's concurrence, ordered an "original cost" audit of ComEd's distribution assets. In December 2007, the consulting firm completed the audit. The consulting firm's results of the audit were reported to the ICC in April 2008, which presented its findings regarding accounting methodology, documentation and other matters, along with proposed adjustments. The audit report recommended gross plant disallowances of approximately $350 million, before reflecting accumulated depreciation. The basis for the disallowance recommendation on approximately $80 million of the costs was that the assets were misclassified between ComEd's distribution and transmission operations. ComEd reclassified these costs in September 2007 and they were reflected correctly in ComEd's rate case filed in October 2007 (2007 Rate Case).

In April 2008, ComEd and the ICC Staff reached a stipulation (the stipulation) regarding various portions of contested issues in the Original Cost Audit as well as the 2007 Rate Case and agreed to make various joint recommendations to the ICC in the 2007 Rate Case. In September 2008, the ICC issued an order in the 2007 Rate Case, which reflected the joint recommendations made by the ICC Staff and ComEd and required ComEd to incur a charge of approximately $19 million (pre-tax) related to various items identified in the Original Cost Audit.

The ICC opened a proceeding on the Original Cost Audit in May 2008. Under the terms of the stipulation, the ICC Staff agreed not to advocate that any of the proposed adjustments in the audit report be adopted other than those reflected in the 2007 Rate Case; however, the stipulation does not preclude other parties to the rate case or to the Original Cost Audit proceeding from taking positions contrary to the stipulation. The Illinois Attorney General submitted testimony and legal briefs suggesting that ComEd improperly changed the way it capitalized certain cable faults during the rate freeze period and therefore the rate base should be reduced by $121 million and ComEd should refund at least $42 million to customers. On January 12, 2010, the ICC issued an order rejecting the Illinois Attorney General's recommendations in their entirety. The order is subject to rehearing and appeal.

2007 Rate Case (Exelon and ComEd). ComEd filed the 2007 Rate Case with the ICC for approval to increase its delivery service revenue requirement by approximately $360 million. The ICC issued an order in the rate case approving a $274 million increase in ComEd's annual revenue requirement, which became effective in September 2008. ComEd and several other parties have filed appeals of the rate order with the courts. ComEd cannot predict the timing of resolution or the results of the appeals. In the event the order is ultimately changed, the changes are expected to be prospective.

The 2007 Rate Case filing also included a system modernization rider, which the ICC approved for the limited purpose of implementing a pilot program for AMI. The rider permits investments in AMI to be reflected in rates on a quarterly basis instead of waiting for the next rate case to begin recovery. On June 1, 2009, ComEd filed its proposed AMI pilot program with the ICC, which included revisions to the system modernization rider. On October 14, 2009, the ICC approved ComEd's proposed AMI pilot program, with minor modifications, and recovery of substantially all program costs under the rider. The AMI pilot program allows ComEd to study the costs and benefits related to automated metering and to develop the cost estimate of full system-wide implementation of AMI. In addition, the program allows customers the ability to manage energy use, improve energy efficiency and lower energy bills. The Illinois Attorney General has appealed the ICC order approving the plan. The matter is not yet briefed.

In August 2009, ComEd filed a request for $175 million of matching Federal stimulus grants with the DOE under the ARRA of 2009 to help finance AMI and Smart Grid technologies in Illinois; however, ComEd did not receive any of the matching grant awards announced by DOE in October 2009.

Transmission Rate Case (Exelon and ComEd). ComEd's transmission rates are established based on a formula that was approved by FERC in January 2008. FERC's order establishes the agreed-upon treatment of costs and revenues in the determination of network service transmission rates and the process for updating the formula rate calculation on an annual basis.

ComEd's most recent annual formula rate update filed in May 2009 reflects actual 2008 expenses and investments plus forecasted 2009 capital additions. The time for parties to challenge the update has expired; no parties have raised challenges and ComEd will move to close the docket. The update resulted in a revenue requirement of $436 million resulting in an increase of approximately $6 million from the 2008 revenue requirement, plus an additional $4 million related to the 2008 true-up of actual costs. The 2009 revenue requirement of $440 million, which includes the 2008 true-up, became effective June 1, 2009 and is recovered over the period extending through May 31, 2010. The regulatory asset associated with the true-up is being amortized as the associated revenues are received. ComEd will continue to reflect its best estimate of its anticipated true-up in the financial statements.

Illinois Legislation for Recovery of Uncollectible Accounts (Exelon and ComEd). Comprehensive legislation has been enacted in Illinois that provides utilities the ability to adjust their rates annually through a rider mechanism to reflect the increases or decreases in annual uncollectible accounts expenses starting with 2008 and prospectively. ComEd under-collected approximately $26 million during 2008 and approximately $44 million during 2009. On September 8, 2009, ComEd filed a proposed tariff in accordance with the legislation. On February 2, 2010, the ICC issued an order adopting ComEd's proposed tariffs, with minor modifications.

With the ICC approval of the tariff, ComEd is required to make a one-time contribution of approximately $10 million to the Supplemental Low-Income Energy Assistance Fund (the Fund). The

Fund is used to assist low-income residential customers. As one way to assist such customers, the legislation creates a new percentage of income payment program (PIPP) that includes an arrearage reduction component for participating customers. The program will be paid for from the Fund and other state monies.

As a result of the ICC order, ComEd will record the $70 million benefit and the $10 million one-time charge in the first quarter of 2010. ComEd will record a regulatory asset and an offsetting reduction in operating and maintenance expense for the cumulative under-collections from 2008 and 2009. Recovery of the initial regulatory asset will take place over an approximate 14-month time frame beginning in April 2010.

Pennsylvania Gas Distribution Rate Case (Exelon and PECO). In October 2008, the PAPUC voted to approve the joint settlement related to PECO's March 2008 filing providing for an increase of $77 million to its annual natural gas distribution revenue. As part of the settlement, PECO agreed to enhance its low-income programs as well as provide funding for new energy-efficiency programs to help customers manage their energy usage and gas bills. Additionally, PECO agreed not to file a new base rate case for natural gas distribution service before January 1, 2010. The approved rate adjustment became effective on January 1, 2009.

Pennsylvania Transition-Related Legislative and Regulatory Matters (Exelon, Generation and PECO). In Pennsylvania, despite the recent decline in wholesale electricity market prices, there has been some continuing interest from elected officials in mitigating the potential impact of electric generation price increases on customers when rate caps expire. While PECO's retail electric generation rate cap transition period does not end until December 31, 2010, transition periods have ended for seven other Pennsylvania electric distribution companies and, in most instances, post-transition electric generation price increases occurred. Over the past few years, elected officials in Pennsylvania have worked on developing legislation to address concerns over post-transition electric generation price increases. Measures suggested by legislators include rate-increase deferrals and phase-ins, rate-cap extensions, a generation tax and contributions of value by Pennsylvania utility companies toward rate-relief programs.

On March 12, 2009, the PAPUC approved the settlement of PECO's Market Rate Transition Phase-In Program. The program allows eligible residential and small-business electric-service customers to transition to market-priced generation through pre-payments made through 2010 that accrue interest at the statutory rate of 6% and are to be applied as credits to their bills in 2011 and 2012. Total collections under this program were not significant as of December 31, 2009.

On June 9, 2009, the PAPUC entered an order instituting an investigation into whether PECO's nuclear decommissioning cost adjustment clause, which is a mechanism that allows PECO to recover costs from customers for the decommissioning of seven former PECO nuclear units now owned by Generation, should continue after the termination of PECO's competitive transition cost collections on December 31, 2010 and assigned the matter for alternative dispute resolution or the prompt scheduling of such hearings as may be necessary. On October 14, 2009, a prehearing conference was held and PECO agreed to report to the ALJ on settlement progress. Settlement discussions continue and PECO has been providing the ALJ with periodic reports on settlement progress. See Note 11—Asset Retirement Obligations for additional information.

Pennsylvania Procurement Proceedings (Exelon and PECO). On June 2, 2009, the PAPUC entered an order approving the settlement of PECO's DSP Program, under which PECO will provide default electric service following the expiration of electric generation rate caps on December 31, 2010. The DSP Program, which has a 29-month term beginning January 1, 2011 and ending May 31, 2013, complies with electric supply procurement guidelines set forth in Act 129. Under the settlement, PECO will also expand its low-income assistance initiatives and offer a market rate deferral program under which certain customers can elect to phase-in, with interest, any post-electric generation rate cap increases in 2011 if they exceed 25%.

PECO's default electric service customers have been divided into four procurement classes: a residential class, a small commercial class (for non-residential customers with peak demand up to 100 kW), a medium commercial class (for non-residential customers with peak demand of greater than 100 kW up to 500 kW) and a large commercial and industrial class (for non-residential customers with peak demand in excess of 500 kW).

Seventy-five percent of the residential class load, 90% of the small commercial class load and 85% of the medium commercial class load will be served through competitively procured contracts for load-following, fixed price full requirements default electric supply. For the remaining portion of the residential class load, PECO will competitively procure through block contracts, which represent 20% of the load and will balance the remaining load through sales and purchases of energy in the PJM day-ahead wholesale "spot" energy market (spot market). For the remaining portion of the small commercial and medium commercial class loads, as well as the large commercial and industrial class load, PECO will competitively procure contracts for load-following, full requirements default electric supply with the price for energy in each contract set to be the hourly price of the spot market during the term of delivery. In addition, PECO will offer large commercial and industrial customers a fixed-price optional service during the first year of PECO's DSP Program.

In 2009, PECO completed two competitive procurements in accordance with the DSP Program for electric supply for default electric service customers commencing January 2011. As of December 31, 2009, PECO has entered into contracts with terms of 17 to 29 months covering 49% of planned full requirements contracts for the residential customer class, contracts with 17-month terms covering 24% of planned full requirements contracts for the small commercial customer class and contracts with 17-month terms covering 16% of planned full requirements contracts for the medium commercial customer class. PECO also entered into block contracts with 12-month terms for a total of 80 MW for service to the residential customer class in 2011. PECO will conduct seven additional competitive procurements in accordance with the DSP Program.

Smart Meter and Smart Grid Investments (Exelon and PECO). PECO is planning to spend up to approximately $650 million on its smart meter and smart grid infrastructure. On November 25, 2009, PECO filed a joint petition for partial settlement of its $550 million Smart Meter Procurement and Installation Plan with the PAPUC, which was filed on August 14, 2009 in accordance with the requirements of Act 129. PECO is requesting PAPUC approval to install more than 1.6 million smart meters and deploy advanced communication networks over a 15 year period. The first phase of the plan includes the procurement and deployment of automated meter infrastructure and an initial deployment of 100,000 smart meters over the next three years. On January 28, 2010, the ALJ issued an initial decision approving the partial settlement and determining remaining cost allocation issues subject to final PAPUC approval. PECO plans to file for PAPUC approval of an initial dynamic pricing and customer acceptance program in June 2010 and for approval of a universal meter deployment plan for its remaining customers in 2012.

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On August 6, 2009, PECO filed with the DOE an application seeking $200 million in ARRA of 2009 matching grant funds under the Smart Grid Investment Grant Program. PECO's "Smart Future Greater Philadelphia" project will increase the number of smart meters initially installed to 600,000, accelerate universal smart meter deployment by five years and increase Smart Grid investments up to approximately $100 million over the next three years. On October 27, 2009, the DOE announced its intent to award PECO a $200 million stimulus grant to fund its smart meter and smart grid investments. Assuming successful completion of the DOE negotiations and PECO's receipt of the full award on reasonable terms, PECO is committed to implementing expanded initial deployment of 600,000 smart meters within three years and then accelerating universal smart meter deployment from 15 years to 10 years.

Energy Efficiency and Alternative Energy Programs (Exelon and PECO).

Energy Efficiency Programs. Pursuant to Act 129's energy efficiency and conservation/demand (EE&C) reduction targets, PECO filed its EE&C plan with the PAPUC on July 1, 2009. The plan set forth how PECO will reduce electric consumption by at least 1% in its service territory by May 31, 2011 from expected consumption for the period June 1, 2009 through May 31, 2010 and by 3% by May 31, 2013. In accordance with Act 129, PECO also plans to reduce peak demand by a minimum of 4.5% of PECO's annual system peak demand in the 100 hours of highest demand by May 31, 2013, measured against its peak demand during the period of June 1, 2007 through May 31, 2008. If PECO fails to achieve the required reductions in consumption within the stated deadlines, PECO will be subject to civil penalties of up to $20 million, which would not be recoverable from ratepayers. Act 129 mandates that the total cost of any EE&C plan may not exceed 2% of the electric company's total annual revenue as of December 31, 2006. On October 28, 2009, the PAPUC issued an order providing partial approval of PECO's EE&C plan. The approved plan totals more than $330 million and includes the CFL program, weatherization programs, an energy efficiency appliance rebate and trade-in program, rebates and energy efficiency programs for non-profit, educational, governmental and business customers, customer incentives for energy management programs and incentives to help customers reduce energy demand during peak periods. On December 24, 2009, PECO filed revisions to the portions of the plan not approved based on PAPUC feedback.

Alternative Energy Portfolio Standards. In November 2004, Pennsylvania adopted the AEPS Act. The AEPS Act mandated that beginning in 2007, or following the end of an electric distribution company's retail electric generation rate cap transition period, certain percentages of electric energy sold by an electric distribution company or electric generation supplier to Pennsylvania retail electric customers shall be generated from certain alternative energy resources as measured in AECs. The requirement for electric energy that must come from Tier I alternative energy resources (including solar or wind power, low-impact hydropower, geothermal energy, biologically derived methane gas, fuel cells, biomass energy generated within Pennsylvania and coal mine methane) ranges from 1.5% to 8.0% and the requirement for Tier II alternative energy resources (including waste coal, biomass energy generated outside of Pennsylvania, demand-side management, large-scale hydropower, municipal solid waste, generation of electricity utilizing by-products of the pulping process and wood, distributed generation systems and integrated combined coal gasification technology) ranges from 4.2% to 10.0%. These Tier I and Tier II alternative energy resources include acceptable energy sources as set forth in Act 129 in addition to those outlined in the AEPS Act. The AEPS Act mandates the 8.0% requirement for Tier I resources and the 10.0% requirement for Tier II resources must be met by the year ending May 31, 2021.

The Pennsylvania Legislature is currently considering HB 80, which, if enacted into law, would increase the minimum required percentage of electric energy purchased and sold to retail electric customers from alternative energy resources and extend the period for such purchases and sales. HB 80 would increase the Tier 1 and solar purchase and sale requirements, limit eligible solar purchases to Pennsylvania generating sources and incorporate advanced coal combustion with limited carbon emissions as an acceptable alternative energy resource. Generation has proposed amendments to include extended nuclear uprates as a qualifying alternative energy source.

In 2007, the PAPUC approved PECO's plan to acquire and bank approximately 450,000 non-solar Tier I AECs (corresponding to the expected annual output of approximately 240 MW of wind power) annually for a five-year term in order to prepare for 2011, the first year of PECO's required compliance following the completion of its electric generation rate cap transition period. The banked AECs may be used in either of the two consecutive AEPS reporting periods after PECO's electric generation rate cap transition period. All costs incurred in connection with AEC procurement prior to 2011 are being deferred as a regulatory asset with a return on the unamortized balance and will be recovered from customers in 2011. Those costs, and PECO's AEPS Act compliance costs incurred thereafter, will be recovered from customers on a full and current basis through a reconcilable ratemaking mechanism as contemplated by the AEPS Act. In conformance with the approved plan, PECO has entered into five-year agreements with accepted bidders, including Generation, totaling 452,000 AECs to be purchased annually.

On August 27, 2009, the PAPUC approved a settlement of PECO's petition for early procurement and banking of up to 8,000 solar Tier 1 AECs annually for ten years. PECO's procurement would employ the same surcharge cost-recovery mechanism that the PAPUC previously approved for non-solar Tier 1 AECs. The settlement provides for no cap on bid price, provides the PAPUC a 10 calendar day review period, permits facilities capable of generating a minimum of 300 AECs annually to bid and provides that no changes to the agreement with AEC suppliers will be accepted after PAPUC approval. On January 25, 2010, the PAPUC approved the fixed-price agreement solar AEC procurement results. PECO plans to enter into the fixed-price agreements by February 8, 2010.

PJM Transmission Rate Design (Exelon, ComEd and PECO). PJM Transmission Rate Design specifies the rates for transmission service charged to customers within PJM. Currently, ComEd and PECO incur costs based on the existing rate design, which charges customers based on the cost of the existing transmission facilities within their load zone and the cost of new transmission facilities based on those who benefit. In April 2007, FERC issued an order concluding that PJM's current rate design for existing facilities is just and reasonable and should not be changed. In the same order, FERC held that the costs of new facilities 500 kV and above should be socialized across the entire PJM footprint and that the costs of new facilities less than 500 kV should be allocated to the customers of the new facilities who caused the need for those facilities. In the short term, based on new transmission facilities approved by PJM, it is likely that allocating across PJM the costs of new facilities 500 kV and above will increase charges to ComEd and reduce charges to PECO, as compared to the allocation methodology in effect before the FERC order. After FERC ultimately denied all requests for rehearing on all issues, several parties filed petitions in the U.S. Court of Appeals for the Seventh Circuit for review of the decision. On August 6, 2009, the court issued its decision affirming FERC's order with regard to the costs of existing facilities but reversing and remanding to FERC for further consideration its decision with regard to the costs of new facilities 500 kV and above. On September 21, 2009, two parties filed a petition for rehearing by the full court concerning the court's decision to remand to FERC the part of the decision regarding the allocation of the costs of new facilities 500 kV and above. On October 20, 2009, the court denied the rehearing petition. On January 21, 2010, FERC issued an order establishing paper hearing procedures to supplement the record. ComEd anticipates that all impacts of any rate design changes effective after December 31, 2006 should be recoverable through retail rates and, thus, the rate design changes are not expected to have a material impact on ComEd's results of operations, cash flows or financial position. PECO also has the right to file with the PAPUC for a change in retail rates to reflect changes in its wholesale transmission costs. PECO cannot predict the long-term impact of any rate design changes due to the uncertainty as to whether new facilities will be built and how the costs of new facilities less than 500 kV will be allocated; however, the impact may be material to its results of operations, cash flows, or financial position.

PJM-MISO Regional Rate Design (Exelon, ComEd and PECO). The current PJM-MISO Regional Rate Design is used to specify the pricing of transmission service between PJM and MISO and impacts ComEd and PECO due to purchases by suppliers from MISO. In August 2007, ComEd and PECO and several other transmission owners in PJM and MISO, as directed by a FERC order, filed with FERC to continue the existing transmission rate design between PJM and MISO. Additional transmission owners and certain other entities filed protests urging FERC to reject the filing. In September 2007, a complaint was filed asking FERC to find that the PJM-MISO rate design was unjust and unreasonable and to substitute a rate design that socializes the costs of all existing and new transmission facilities of 345 kV and above across PJM and MISO. In December 2008, FERC denied a request for rehearing of these orders and an appeal was filed in the United States Court of Appeals. On November 9, 2009, the court dismissed the appeal at the request of the appellant.

Authorized Return on Rate Base (Exelon, ComEd and PECO). In the September 2008 order in the 2007 Rate Case, the ICC authorized a return on ComEd's distribution rate base using a weighted average debt and equity return of 8.36%, an increase over the 8.01% return previously authorized in the 2005 Rate Case. ComEd's formula transmission rate currently provides for a weighted average debt and equity return on transmission rate base of 9.43%, an increase over the 9.37% return previously authorized. As part of the FERC-approved settlement of ComEd's 2007 transmission rate case, the rate of return on common equity is 11.5% and the common equity component of the ratio used to calculate the weighted average debt and equity return for the formula transmission rate is currently capped at 57%. This equity cap is reduced to 56% in June 2010 and 55% in June 2011 and subsequent years. This transmission rate base return is updated annually in accordance with the formula-based rate calculation discussed above.

PECO's transition period includes caps on electric generation rates that will expire on December 31, 2010 pursuant to the Competition Act. The electric distribution and transmission components of PECO's rates continue to be regulated. PECO's most recently approved weighted average debt and equity return on electric rate base, which included electric generation, was 11.23% (approved in 1990). PECO's purchased gas cost rates are not subject to caps and do not earn a return. As part of the gas distribution rate case filed in March 2008, PECO requested that the PAPUC authorize it to establish base rates for natural gas distribution service using a weighted average debt and equity return on gas rate base of 8.90%. The joint settlement petition in that matter, approved in October 2008 by the PAPUC, did not specify the rate of return upon which the settlement rates are based, but rather provided for an increase in annual revenue. Prior to the 2008 gas distribution rate case, the most recently approved weighted average debt and equity return on gas rate base was 11.45% (approved in 1988).

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Market-Based Rates (Exelon, Generation, ComEd and PECO). Generation, ComEd and PECO are public utilities for purposes of the Federal Power Act and are required to obtain FERC's acceptance of rate schedules for wholesale electricity sales. Currently, Generation, ComEd and PECO have authority to execute wholesale electricity sales at market-based rates. As is customary with market-based rate schedules, FERC has reserved the right to suspend market-based rate authority on a retroactive basis if it subsequently determines that Generation, ComEd or PECO has violated the terms and conditions of its tariff or the Federal Power Act. FERC is also authorized to order refunds if it finds that the market-based rates are not just and reasonable under the Federal Power Act.

In June 2007, FERC issued a Final Rule on Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities (Order No. 697), which updated and modified the tests that FERC had implemented in 2004. That order was clarified in December 2007. Subsequently, Order No. 697 was largely affirmed and further clarified in Order No. 697-A, Order No. 697-B and Order No. 697-C. The Registrants do not expect that the Final Rule will have a material effect on their results of operations in the short-term. The longer-term impact will depend on the future application by FERC of Order Nos. 697 and future actions involving market-based rates.

During 2008, Generation, ComEd and PECO filed an analysis for generation in the Northeast region covering generation in PJM and ISO-New England and Generation filed an analysis for generation in the Southeast region covering generation in the Southern Company and Entergy areas; and in 2009, Generation filed an analysis for generation in the Central region covering generation in the MISO market. In each case, the filing used FERC's updated screening tests, as required by the Final Rule. These analyses demonstrated that Exelon does not have market power in those areas and, therefore, is entitled to continue to sell at market-based rates in them. FERC accepted the 2008 filings on January 15, 2009 and September 2, 2009 and accepted the 2009 filing on October 26, 2009, affirming Exelon's affiliates' continued right to make sales at market-based rates.

Reliability Pricing Model (Exelon and Generation). On August 31, 2005, PJM submitted a proposal to FERC for a new capacity payment construct to replace PJM's then-existing capacity obligation rules. The proposal provided for a forward capacity procurement auction to establish capacity and payment obligations using a demand curve and locational deliverability zones for capacity. The FERC affirmed PJM's proposal for forward commitments and other matters, but encouraged PJM and the parties to that FERC proceeding to resolve other RPM issues by settlement. A settlement was reached on September 29, 2006 and was approved by FERC on December 22, 2006. The settlement provided for an auction 36 months in advance of each delivery year beginning with the delivery year ending May 31, 2012 and an expedited phase-in process for four transitional auctions covering delivery years ending on May 31 in 2008 through 2011. All but one appeal of FERC's order approving RPM were withdrawn on February 27, 2009 and the remaining appeal was denied by the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) on March 17, 2009.

PJM's four transitional RPM auctions took place in April 2007, July 2007, October 2007 and January 2008 and established prices for the period from June 1, 2007 through May 31, 2011. Subsequent auctions will take place 36 months ahead of the scheduled delivery year. The auction for the delivery year ending May 31, 2012 and May 31, 2013 occurred in May 2008 and May 2009, respectively. Thus far, the RPM capacity auctions have secured capacity for the PJM market through 2013. While auction results produced varying prices, as anticipated, the RPM has been beneficial for owners of generation facilities, particularly for such facilities located in constrained zones, as compared to the prior capacity-payment construct.

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On May 30, 2008, a group of PJM load-serving entities, state commissions, consumer advocates and trade associations (referred to collectively as the RPM Buyers) filed a complaint at FERC against PJM alleging that three of the four transitional RPM auctions yielded prices that are unjust and unreasonable under the Federal Power Act. Most of the parties comprising the RPM Buyers group were parties to the settlement approved by FERC that established RPM. In the complaint, the RPM Buyers requested that the total projected payments to RPM sellers for the three auctions at issue be materially reduced. On September 19, 2008, FERC dismissed the complaint finding that no party violated PJM's tariff and the prices determined during the initial auctions implementing the RPM were in accord with the tariff provisions governing the auctions. On June 18, 2009, FERC denied the RPM Buyers' request for rehearing of FERC's September 19, 2008 order. On August 14, 2009, RPM Buyers filed a petition with the U.S. Court of Appeals for the Fourth Circuit for review of the FERC's September 19, 2008 order, rejecting their complaint that RPM resulted in unjust and unreasonable capacity prices. On September 17, 2009, PJM filed a motion to transfer the case to the D.C. Circuit on the grounds that the Fourth Circuit was an improper venue. On November 12, 2009, the court granted the motion. If the D.C. Circuit were to reverse FERC's decision, FERC would be required to conduct additional proceedings regarding the substantive allegations in the complaint. Exelon and Generation believe that it is remote that the ultimate outcome of this matter will have a material adverse impact on their respective results of operations, cash flows or financial position.

In a companion order also issued on September 19, 2008, FERC directed PJM and its stakeholders to evaluate whether prospective changes should be made to RPM and, if a consensus is reached, file such a consensus with FERC in time to be in effect for the May 2009 RPM Auction. PJM filed a report with FERC on December 12, 2008 summarizing the discussions and explaining that a consensus was not reached. PJM also filed its own proposal with FERC on December 12, 2008. On March 26, 2009, FERC issued an order accepting in part and rejecting in part PJM's December 12 filing, as amended by an Offer of Settlement filed by PJM and some members of PJM in response to the December 12 filing. A number of parties filed for rehearing and/or clarification of the March 26, 2009 Order. On August 14, 2009, the Commission granted in part and denied in part requests for rehearing and clarification. Any order may then be subject to review in the United States Court of Appeals.

License Renewals (Exelon and Generation). In July 2005, Generation applied for license renewal for Oyster Creek on a timeline consistent and integrated with the other planned license renewal filings for the Generation nuclear fleet. The application was challenged by a coalition of citizen groups (citizen groups) and the NJDEP, including filings made with the NRC's ASLB, the NRC Commissioners and the U.S. Court of Appeals for the Third Circuit. These filings and appeals were rejected or denied. On April 8, 2009, the NRC issued the renewed operating license for Oyster Creek that expires in April 2029. On May 29, 2009, the citizen groups filed a Petition for Review of the NRC's renewal of Oyster Creek's operating license in the U.S. Court of Appeals for the Third Circuit. If the appeal is successful, it is unlikely that it would result in a revocation of the renewed license; however, it could cause the NRC to impose additional conditions over the course of the period of extended operation.

On January 8, 2008, AmerGen submitted an application to the NRC to extend the operating license of TMI Unit 1 for an additional 20 years. On October 22, 2009, the NRC issued the renewed operating license for TMI Unit 1 that expires in April 2034.

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On August 18, 2009, PSEG submitted an application to the NRC to extend the operating license of Salem Units 1 and 2 by 20 years. Exelon is part owner of the Salem Units. The NRC is expected to spend a total of 22 to 30 months to review the application before making a decision. The current operating licenses expire in 2016 and 2020, respectively.

3. Accounts Receivable (Exelon, Generation, ComEd and PECO)

Accounts receivable at December 31, 2009 and 2008 included estimated unbilled revenues, representing an estimate for the unbilled amount of energy or services provided to customers, and is net of an allowance for uncollectible accounts as follows:

2009	Exelon	Generation	ComEd	PECO
Unbilled revenues	$ 1,035	$ 441	$ 289	$ 305
Allowance for uncollectible accounts	(225)	(31)	(77)	(117)

2008	Exelon	Generation	ComEd	PECO
Unbilled revenues	$ 1,199	$ 593	$ 310	$ 296
Allowance for uncollectible accounts	(238)	(30)	(57)	(151)

PECO is party to an agreement with a financial institution under which it sold an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable, which PECO accounted for as a sale as of December 31, 2009. Under new guidance effective January 1, 2010, this agreement will be accounted for as a secured borrowing. See Note 1—Significant Accounting Policies for additional information. PECO retains the servicing responsibility for the sold receivables and has recorded a servicing liability. The agreement terminates on September 16, 2010, unless extended in accordance with its terms. As of December 31, 2009, PECO was in compliance with the requirements of the agreement. In the event the agreement is not extended, PECO has sufficient short-term liquidity and will seek alternate financing. See Note 7—Fair Value of Financial Assets and Liabilities for additional information regarding the servicing liability.

4. Property, Plant and Equipment (Exelon, Generation, ComEd and PECO)

Exelon

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2009 and 2008:

Asset Category	Average Service Life (years)	2009	2008
Electric—transmission and distribution	5-75	$ 19,441	$ 18,509
Electric—generation	1-72	9,666	9,108
Gas—transportation and distribution	5-66	1,679	1,631
Common—electric and gas	5-50	517	496
Nuclear fuel	1-8	3,340	2,811
Construction work in progress (b)	N/A	1,263	1,038
Other property, plant and equipment	5-58	458	462
Total property, plant and equipment		36,364	34,055
Less: accumulated depreciation		9,023	8,242
Property, plant and equipment, net		$ 27,341	$ 25,813

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(a) Includes nuclear fuel that is in the fabrication and installation phase of $711 million and $490 million at December 31, 2009 and 2008, respectively.

(b) Includes Generation's buildings under capital lease with a net carrying value of $28 million and $31 million at December 31, 2009 and 2008, respectively. The original cost basis of the buildings was $53 million and total accumulated amortization was $24 million and $22 million as of December 31, 2009 and 2008, respectively. Also includes unregulated property at ComEd and PECO.

(c) Includes accumulated depreciation related to regulated property at ComEd and PECO of $4,565 million and $4,205 million as of December 31, 2009 and 2008, respectively. Includes accumulated amortization of nuclear fuel in the reactor core at Generation of $1,383 million and $1,214 million as of December 31, 2009 and 2008, respectively. On December 2, 2009, Generation announced its intention to permanently retire four of its fossil-fired generating units effective May 31, 2011. Exelon recorded approximately $32 million of additional depreciation expense to reflect changes in useful lives for the plant assets that will be taken out of service prior to their previously estimated service period. See Note 14—Corporate Restructuring and Plant Retirements for additional information.

The following table presents the annual depreciation provisions as a percentage of average service life for each asset category.

Average Service Life Percentage by Asset Category	2009	2008	2007
Electric—transmission and distribution	2.43%	2.42%	2.38%
Electric—generation	2.28%	2.02%	1.90%
Gas	1.75%	1.74%	1.69%
Common—electric and gas	6.41%	6.51%	6.36%

Generation

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2009 and 2008:

Asset Category	Average Service Life (years)	2009	2008
Electric—generation	1-72	$ 9,666	$ 9,108
Nuclear fuel (a)	1-8	3,340	2,811
Construction work in progress	N/A	964	744
Other property, plant and equipment (b)	5-58	53	56
Total property, plant and equipment		14,023	12,719
Less: accumulated depreciation (c)		4,214	3,812
Property, plant and equipment, net		$ 9,809	$ 8,907

(a) Includes nuclear fuel that is in the fabrication and installation phase of $711 million and $490 million at December 31, 2009 and 2008, respectively.

(b) Includes buildings under capital lease with a net carrying value of $28 million and $31 million at December 31, 2009 and 2008, respectively. The original cost basis of the buildings was $53 million and total accumulated amortization was $24 million and $22 million as of December 31, 2009 and 2008, respectively.

(c) Includes accumulated amortization of nuclear fuel in the reactor core of $1,383 million and $1,214 million as of December 31, 2009 and 2008, respectively. On December 2, 2009, Generation announced its intention to permanently retire four of its fossil-fired generating units effective May 31, 2011. Generation recorded approximately $32 million of additional depreciation expense to reflect changes in useful lives for the plant assets that will be taken out of service prior to their previously estimated service period. See Note 14—Corporate Restructuring and Plant Retirements for additional information.

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The annual depreciation provisions as a percentage of average service life for electric generation assets were 2.28%, 2.02% and 1.90% for the years ended December 31, 2009, 2008 and 2007, respectively.

License Renewals. Generation's depreciation provisions are based on the estimated useful lives of its generating stations, which assume the renewal of the licenses for all nuclear generating stations. As a result, the receipt of license renewals has no impact on the Consolidated Statements of Operations. See Note 2—Regulatory Issues for additional information regarding license renewals.

Long-Lived Asset Impairments. Generation regularly evaluates the economic viability of its generating plants. During 2009, Generation assessed whether there had been any triggering events requiring an impairment assessment for any of its generating stations. Based on this analysis, it was determined that Generation did not have any triggering events requiring impairment assessments for any of its generating stations, except as noted below.

In connection with the decline in market conditions and the potential divestiture of the Texas plants (Handley, Mountain Creek and LaPorte generating stations) associated with the proposed merger with NRG that has since been terminated, Generation evaluated its Texas plants for potential impairment as of December 31, 2008. The impairment evaluation was performed to assess whether the carrying values of the plants were not recoverable. Generation's evaluation indicated that the estimated undiscounted future cash flows exceeded the carrying values of the plants and an impairment did not exist as of December 31, 2008 under the held and used model.

Due to the continued decline in forward energy prices in the first quarter of 2009, Generation again evaluated its Texas plants for recoverability as of March 31, 2009. As the estimated undiscounted future cash flows and fair value of the Handley and Mountain Creek stations were less than the stations' carrying values, the stations were determined to be impaired at March 31, 2009. LaPorte station was determined not to be impaired. Accordingly, the Handley and Mountain Creek stations were written down to fair value, and an impairment charge of $223 million was recorded in operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations in the first quarter of 2009. The fair value of the stations was determined using the income (discounted cash flow), market (available comparables) and cost (replacement cost) valuation approaches.

ComEd

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2009 and 2008:

Asset Category	**Average Service Life (years)**	**2009**	**2008**
Electric—transmission and distribution	5-75	$ 14,031	$ 13,335
Construction work in progress (a)	**N/A**	**178**	**140**
Other property, plant and equipment	50	45	46
Total property, plant and equipment (b)		**14,254**	**13,521**
Less: accumulated depreciation		2,129	1,866
Property, plant and equipment, net		**$ 12,125**	**$ 11,655**

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

(a) Represents unregulated property.

(b) Includes accumulated depreciation related to unregulated property of $4 million and $4 million as of December 31, 2009 and 2008, respectively.

The annual depreciation provisions as a percentage of average service life for electric transmission and distribution assets were 2.57%, 2.53% and 2.49% for the years ended December 31, 2009, 2008 and 2007, respectively.

PECO

The following table presents a summary of property, plant and equipment by asset category as of December 31, 2009 and 2008:

Asset Category	Average Service Life (years)	2009	2008
Electric—transmission and distribution	5-65	$ 5,410	$ 5,174
Gas—transportation and distribution	5-65	1,679	1,631
Common—electric and gas	5-50	517	496
Construction work in progress	N/A	117	103
Other property, plant and equipment (a)	45-50	16	15
Total property, plant and equipment		7,739	7,419
Less: accumulated depreciation (b)		2,442	2,345
Property, plant and equipment, net		$ 5,297	$ 5,074

(a) Represents unregulated property.

(b) Includes accumulated depreciation related to unregulated property of $2 million and $2 million as of December 31, 2009 and 2008, respectively.

The following table presents the annual depreciation provisions as a percentage of average service life for each asset category.

Average Service Life Percentage by Asset Category	2009	2008	2007
Electric—transmission and distribution	1.97%	[illegible]	2.03%
Gas	1.75%	1.74%	1.69%
Common—electric and gas	6.41%	6.51%	6.36%

See Note 1—Significant Accounting Polices for further information regarding property, plant and equipment policies and accounting for capitalized software costs. See Note 9—Debt and Credit Agreements for further information regarding property, plant and equipment subject to mortgage liens.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

5. Jointly Owned Electric Utility Plant (Exelon, Generation and PECO)

Exelon's, Generation's and PECO's undivided ownership interests in jointly owned electric plants at December 31, 2009 and 2008 were as follows:

	Nuclear generation			Fossil fuel generation			Transmission		Other
	Quad Cities	Peach Bottom	Salem (a)	Keystone	Conemaugh	Wyman	PA (b)	DE/NJ (c)	Other (d)
Operator	Generation	Generation	PSEG Nuclear	Reliant	Reliant	FPSL	First Energy	PSG&E	
Ownership interest	75.00%	50.00%	42.59%	20.99%	20.72%	5.89%	22.00%	42.55%	44.24%
Exelon's share at December 31, 2009:									
Plant	$ 570	$ 520	$ 386	$ 357	$ 236	$ 3	$ 5	$ 60	$ 1
Accumulated depreciation	101	263	79	119	151	2	4	28	—
Construction work in progress	107	56	46	1	11	—	—	—	—
Exelon's share at December 31, 2008:									
Plant	$ 512	$ 490	$ 379	$ 192	$ 233	$ 2	$ 5	$ 60	$ 1
Accumulated depreciation	85	256	73	114	148	1	4	27	—
Construction work in progress	60	21	37	107	2	1	—	—	—

(a) Generation also owns a proportionate share in the fossil fuel combustion turbine at Salem, which is fully depreciated. The gross book value was $3 million at December 31, 2009 and 2008.

(b) PECO owns a 22.00% share in 127 miles of 500,000 voltage lines located in Pennsylvania.

(c) PECO owns a 42.55% share in 131 miles of 500,000 voltage lines located in Delaware and New Jersey.

(d) Generation has a 44.24% ownership interest in Merrill Creek Reservoir located in New Jersey.

Exelon's, Generation's and PECO's undivided ownership interests are financed with their funds and all operations are accounted for as if such participating interests were wholly owned facilities. Exelon's, Generation's and PECO's share of direct expenses of the jointly owned plants are included in fuel and operating and maintenance expenses on Exelon's and Generation's Consolidated Statements of Operations and in operating and maintenance expenses on PECO's Consolidated Statements of Operations.

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

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

Goodwill

Exelon's and ComEd's gross amount of goodwill, accumulated impairment losses and carrying amount of goodwill for the years ended December 31, 2009 and 2008 were as follows:

	2009			2008		
	Gross Amount (a)	Accumulated Impairment Losses	Carrying Amount	Gross Amount (a)	Accumulated Impairment Losses	Carrying Amount
Balance, January 1	$ 4,608	$ 1,983	$ 2,625	$ 4,608	$ 1,983	$ 2,625
Impairment losses	—	—	—	—	—	—
Balance, December 31,	$ 4,608	$ 1,983	$ 2,625	$ 4,608	$ 1,983	$ 2,625

(a) Reflects goodwill recorded in 2000 from the PECO/Unicom merger net of amortization, resolution of tax matters and other non-impairment-related changes as allowed under previous authoritative guidance.

Goodwill is not amortized, but is subject to an assessment for impairment at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The impairment assessment is performed using a two-step, fair value based test. The first step compares the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and a charge to operating expense.

Exelon assesses goodwill impairment at its ComEd reporting unit. Accordingly, any goodwill impairment charge at ComEd will affect Exelon's consolidated results of operations. As a result of new authoritative guidance for fair value measurement effective January 1, 2009, Exelon and ComEd now estimate the fair value of the ComEd reporting unit using a weighted combination of a discounted cash flow analysis and a market multiples analysis instead of the expected cash flow approach used in 2008 and prior years. The discounted cash flow analysis relies on a single scenario reflecting "base case" or "best estimate" projected cash flows for ComEd's business and includes an estimate of ComEd's terminal value based on these expected cash flows using the generally accepted Gordon Dividend Growth formula, which derives a valuation using an assumed perpetual annuity based on the entity's residual cash flows. The discount rate is based on the generally accepted Capital Asset Pricing Model and represents the weighted average cost of capital of comparable companies. The market multiples analysis utilizes multiples of business enterprise value to earnings, before interest, taxes, depreciation and amortization (EBITDA) of comparable companies in estimating fair value. Significant assumptions used in estimating the fair value include ComEd's capital structure, discount and growth rates, utility sector market performance, operating and capital expenditure requirements, fair value of debt, the selection of peer group companies and recent transactions. Management performs a reconciliation of the sum of the estimated fair value of all Exelon reporting units to Exelon's enterprise value based on its trading price to corroborate the results of the discounted cash flow analysis and the market multiple analysis.

2009 Annual Goodwill Impairment Assessment. The 2009 annual goodwill impairment assessment was performed as of November 1, 2009. The first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill, therefore the second step was not required. Although financial markets have stabilized over the past year, current economic conditions continue to impact the market-related assumptions used in the 2009 annual assessment. While the estimated fair value of ComEd has increased since the 2008 assessment, deterioration of the market related factors used in the impairment review could possibly result in a future impairment loss of ComEd's goodwill, which could be material.

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

2008 Annual Goodwill Impairment Assessment. The 2008 annual goodwill impairment assessment was performed as of November 1, 2008. The first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill, therefore the second step was not required. The order in the 2007 Rate Case and the implementation of a formula-based transmission rate provided more certainty related to ComEd's future cash flows. However, the economic downturn and the capital and credit market crisis affected the market-related assumptions resulting in a significant decrease in estimated fair value of ComEd since the 2007 assessment.

2007 Annual Goodwill Impairment Assessment. The 2007 annual goodwill impairment assessment was performed as of November 1, 2007. The first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no impairment of goodwill, therefore the second step was not required.

Other Intangible Assets

Exelon's and ComEd's other intangible assets, included in deferred debits and other assets in their Consolidated Balance Sheets, consisted of the following as of December 31, 2009:

	Gross	Accumulated Amortization	Net	Estimated amortization expense 2010	2011	2012	2013	2014
December 31, 2009								
Chicago settlement—1999 agreement [(a)]	$ 100	$ (61)	$39	$ 3	$ 3	$ 3	$ 3	$ 3
Chicago settlement—2003 agreement [(b)]	62	(25)	37	4	4	4	4	4
Total intangible assets	$ 162	$ (86)	$76	$ 7	$ 7	$ 7	$ 7	$ 7

(a) In March 1999, ComEd entered into a settlement agreement with the City of Chicago associated with ComEd's franchise agreement. Under the terms of the settlement, ComEd agreed to make payments of $25 million to the City of Chicago each year from 1999 to 2002. The intangible asset recognized as a result of these payments is being amortized ratably over the remaining term of the franchise agreement, which ends in 2020.

(b) In February 2003, ComEd entered into separate agreements with the City of Chicago and with Midwest Generation, LLC (Midwest Generation). Under the terms of the settlement agreement with the City of Chicago, ComEd agreed to pay the City of Chicago a total of $60 million over a ten-year period, beginning in 2003. The intangible asset recognized as a result of the settlement agreement is being amortized ratably over the remaining term of the City of Chicago franchise agreement, which ends in 2020. As required by the settlement, ComEd also made a payment of $2 million to a third party on the City of Chicago's behalf. Pursuant to the agreement discussed above, ComEd received payments of $32 million from Midwest Generation to relieve Midwest Generation's obligation under its 1999 fossil sale agreement with ComEd to build the generation facility in the City of Chicago. The payments received by ComEd, which have been recorded in other long-term liabilities, are being recognized ratably (approximately $2 million annually) as an offset to amortization expense over the remaining term of the franchise agreement.

For each of the years ended December 31, 2009, 2008 and 2007, Exelon's and ComEd's amortization expense related to intangible assets was $7 million.

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

Renewable Energy Credits and Alternative Energy Credits (Exelon, Generation and PECO). Exelon's, Generation's, and PECO's other intangible assets, included in other deferred debits and other assets on the Consolidated Balance Sheets, include RECs (Exelon and Generation) and AECs (PECO). As of December 31, 2009 and December 31, 2008, PECO had AECs of $13 million and $1 million, respectively. As of December 31, 2009 and December 31, 2008, the balances of RECs for Generation were $6 million and $2 million, respectively. See Note 2—Regulatory Issues for additional information on RECs and AECs.

7. Fair Value of Financial Assets and Liabilities (Exelon, Generation, ComEd and PECO)

Non-Derivative Financial Assets and Liabilities. As of December 31, 2009 and 2008, the Registrants' carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are representative of fair value because of the short-term nature of these instruments.

Fair Value of Financial Liabilities Recorded at the Carrying Amount

Exelon

The carrying amounts and fair values of Exelon's long-term debt and SNF obligation as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 11,634	$ 12,223	$ 11,426	$ 10,803
Long-term debt to PETT (including amounts due within one year)	415	426	1,124	1,193
Long-term debt to other financing trusts	390	325	390	200
Spent nuclear fuel obligation	1,017	832	1,015	544
Preferred securities of subsidiary	87	63	87	63

Fair values of long-term debt are determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves. The fair value of preferred securities of subsidiaries is determined using observable market prices as these securities are actively traded. The carrying amount of Exelon's and Generation's SNF obligation resulted from a contract with the DOE to provide for disposal of SNF from Generation's nuclear generating stations. Exelon's and Generation's obligation to the DOE accrues at the 13-week Treasury rate and fair value was determined by comparing the carrying amount of the obligation at the 13-week Treasury rate to the present value of the obligation discounted using the prevailing Treasury rate for a long-term obligation with an estimated maturity of 2020 (after being adjusted for Generation's credit risk).

Generation

The carrying amounts and fair values of Generation's long-term debt and SNF obligation as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 2,993	$ 3,132	$ 2,514	$ 2,402
Spent nuclear fuel obligation	1,017	832	1,015	544

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

ComEd

The carrying amounts and fair values of ComEd's long-term debt as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 4,711	$ 5,062	$ 4,726	$ 4,510
Long-term debt to financing trust	206	167	206	100

PECO

The carrying amounts and fair values of PECO's long-term debt and preferred securities as of December 31, 2009 and 2008 were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 2,221	$ 2,346	$ 1,971	$ 1,954
Long-term debt to PETT (including amounts due within one year)	415	426	1,124	1,193
Long-term debt to other financing trusts	184	158	184	100
Preferred securities	87	63	87	63

Recurring Fair Value Measurements

To increase consistency and comparability in fair value measurements, the FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the Registrants have the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

- Level 2—inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds priced at NAV per fund share and fair value hedges.

- Level 3—unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently traded non-exchange-based derivatives.

Upon Exelon's and Generation's initial adoption of the authoritative guidance for fair value measurements, and in periods since adoption, Exelon and Generation have classified investments in NDT commingled funds, reported at NAV, within Level 3 of the fair value hierarchy. The FASB issued authoritative guidance in September 2009, effective for periods ending after December 15, 2009, indicating that if a reporting entity has the ability to redeem its investment at NAV at the measurement

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

date or at a future date, it shall be classified as Level 2 in the fair value hierarchy. As of December 31, 2009, Exelon and Generation continue to report these investments at NAV without adjustment and have classified them within Level 2 of the fair value hierarchy.

See Note 13—Retirement Benefits for further information regarding the fair value and related valuation techniques for pension and postretirement plan assets.

Exelon

The following table presents assets and liabilities measured and recorded at fair value on Exelon's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2009 and 2008:

As of December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [(a)]	$ 1,845	$ —	$ —	$ 1,845
Nuclear decommissioning trust fund investments				
Cash equivalents [(b)]	2	120	—	122
Equity securities	1,528	—	—	1,528
Commingled funds [(c)]	—	2,086	—	2,086
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	511	119	—	630
Debt securities issued by states of the United States and political subdivisions of the states	—	454	—	454
Corporate debt securities	—	710	—	710
Federal agency mortgage-backed securities	—	887	—	887
Commercial mortgage-backed securities (non-agency)	—	91	—	91
Residential mortgage-backed securities (non-agency)	—	9	—	9
Other debt obligations	—	76	—	76
Nuclear decommissioning trust fund investments subtotal [(d)]	2,041	4,552	—	6,593
Rabbi trust investments				
Cash equivalents	28	—	—	28
Mutual funds [(e)(f)]	13	—	—	13
Rabbi trust investments subtotal	41	—	—	41
Mark-to-market derivative net (liabilities) assets [(g)(h)]	(4)	852	(44)	804
Total assets	3,923	5,404	(44)	9,283
Liabilities				
Deferred compensation	—	(82)	—	(82)
Servicing liability	—	—	(2)	(2)
Total liabilities	—	(82)	(2)	(84)
Total net assets (liabilities)	$ 3,923	$ 5,322	$ (46)	$ 9,199

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

As of December 31, 2008	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [a]	$ 1,228	$ —	$ —	$ 1,228
Nuclear decommissioning trust fund investments				
Cash equivalents [b]	13	—	—	13
Equity securities [c]	903	—	—	903
Commingled funds	—	94	1,220	1,314
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	419	91	—	510
Debt securities issued by states of the United States and political subdivisions of the states	—	414	—	414
Corporate debt securities	—	764	—	764
Federal agency mortgage-backed securities	6	1,495	—	1,501
Commercial mortgage-backed securities (non-agency)	—	111	—	111
Other debt obligations	—	107	—	107
Nuclear decommissioning trust fund investments subtotal [d]	1,341	3,076	1,220	5,637
Rabbi trust investments				
Cash equivalents [e][f]	2	—	—	2
Mutual funds	43	—	—	43
Rabbi trust investments subtotal	45	—	—	45
Mark-to-market derivative net assets [g][h][i]	12	806	106	924
Total assets	2,626	3,882	1,326	7,834
Liabilities				
Deferred compensation	—	(85)	—	(85)
Servicing liability	—	—	(2)	(2)
Total liabilities	—	(85)	(2)	(87)
Total net assets	$ 2,626	$ 3,797	$ 1,324	$ 7,747

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) Generation's NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index, Russell 3000 Index or Morgan Stanley Capital International Europe, Australasia and Far East (EAFE) Index.

(c) Generation's NDT funds own commingled funds that invest in both equity and fixed income securities. The commingled funds that invest in equity securities seek to track the performance of the S&P 500 Index, Morgan Stanley Capital International EAFE Index and Russell 3000 Index. The commingled funds that hold fixed income securities invest primarily in a diversified portfolio of high grade money market instruments and other short-term fixed income securities.

(d) Excludes net assets of $76 million and net liabilities of $137 million consisting of payables related to pending securities purchases net of cash, interest receivables and receivables related to pending securities sales at December 31, 2009 and December 31, 2008, respectively.

(e) The mutual funds held by the Rabbi trusts invest in large cap equity securities and municipal debt securities. During the second quarter of 2009, Exelon and ComEd recorded an other-than-temporary impairment of $7 million (pre-tax) related to Rabbi trust investments in other income and deductions.

(f) Excludes $23 million and $19 million of the cash surrender value of life insurance investments at December 31, 2009 and December 31, 2008, respectively.

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

(g) Includes both current and noncurrent mark-to-market derivative assets and interest rate swaps, and is net of current and noncurrent mark-to-market derivative liabilities. In addition, the Level 3 balance does not include current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of $302 million and $669 million at December 31, 2009 and $111 million and $345 million at December 31, 2008, respectively, related to the fair value of Generation's financial swap contract with ComEd, and a noncurrent asset of $2 million at December 31, 2009 related to the fair value of Generation's block contracts with PECO, which eliminate upon consolidation in Exelon's Consolidated Financial Statements.

(h) Includes collateral postings received from and paid to counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled $3 million, $941 million and $3 million that are netted against Level 1, Level 2 and Level 3 mark-to-market derivative net assets, respectively, as of December 31, 2009. Collateral received from counterparties, net of collateral paid to counterparties, totaled $11 million, $741 million and $1 million that are netted against Level 1, Level 2 and Level 3 mark-to-market derivative net assets, respectively, as of December 31, 2008.

(i) Exelon and Generation reclassified certain assets and liabilities with respect to option premiums into the mark-to-market net asset and liability accounts to conform with the current year presentation. Refer to Note 8-Derivative Financial Instruments for further discussion. The impact of the reclassification was an increase of $245 million to Level 2 mark-to-market derivative net assets.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

For the Year Ended December 31, 2009	Nuclear Decommissioning Trust Fund Investments	Mark-to-Market Derivatives	Servicing Liability	Total
Balance as of January 1, 2009	$ 1,220	$ 106	$ (2)	$ 1,324
Total realized / unrealized gains (losses)				
Included in income	119	(134)[(a)]	—	(15)
Included in other comprehensive income	—	5[(b)]	—	5
Included in regulatory assets/liabilities	275	(2)	—	273
Change in collateral	—	(2)	—	(2)
Purchases, sales and issuances, net	337	—	—	337
Transfers out of Level 3	(1,951)[(c)]	(17)	—	(1,968)
Balance as of December 31, 2009	$ —	$ (44)	$ (2)	$ (46)
The amount of total losses included in income attributed to the change in unrealized gains (losses) related to assets and liabilities held as of December 31, 2009	$ —	$ (79)	$ —	$ (79)

(a) Includes the reclassification of $55 million of realized losses due to the settlement of derivative contracts recorded in results of operations.

(b) Excludes $782 million of changes in the fair value and $267 million of realized losses due to settlements associated with Generation's financial swap contract with ComEd, and $2 million of changes in the fair value of Generation's block contracts with PECO. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

(c) As of December 31, 2009, Investments in NDT commingled funds, stated at NAV, were transferred out of Level 3 and into Level 2 in accordance with FASB issued authoritative guidance noted above.

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

For the Year Ended December 31, 2008	Nuclear Decommissioning Trust Fund Investments	Mark-to-Market Derivatives	Servicing Liability	Total
Balance as of January 1, 2008	$ 2,019	$ 52	$ (1)	$ 2,070
Total realized / unrealized (losses) gains				
Included in income	(321)	35 (a)	(1)	(287)
Included in other comprehensive income	—	(32) (b)	—	(32)
Included in regulatory liabilities	(553)	—	—	(553)
Change in collateral	—	(1)	—	(1)
Purchases, sales and issuances, net	109	—	—	109
Transfers into (out of) Level 3	(34)	52	—	18
Balance as of December 31, 2008	$ 1,220	$ 106	$ (2)	$ 1,324
The amount of total gains (losses) included in income attributed to the change in unrealized gains (losses) related to assets and liabilities held as of December 31, 2008	$ (310)	$ 125	$ —	$ (185)

(a) Includes the reclassification of $90 million of realized losses due to the settlement of derivative contracts recorded in results of operations.

(b) Excludes $888 million of changes in the fair value and $24 million of realized gains due to settlements associated with Generation's financial swap contract with ComEd. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

	Operating Revenue	Purchased Power	Fuel	Other, net
Total (losses) gains included in income for the year ended December 31, 2009	$ (66)	$ (11)	$ (37)	$ 119
Change in the unrealized losses relating to assets and liabilities held as of the year ended December 31, 2009	$ (2)	$ (8)	$ (69)	$ —

	Operating Revenue	Purchased Power	Fuel	Other, net
Total gains (losses) included in income for the year ended December 31, 2008	$ 63	$ (12)	$ (16)	$ (321)
Change in the unrealized gains (losses) relating to assets and liabilities held as of the year ended December 31, 2008	$ 107	$ (34)	$ 52	$ (310)

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Generation

The following table presents assets and liabilities measured and recorded at fair value on Generation's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2009 and December 31, 2008:

As of December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [a]	$ 1,040	$ —	$ —	$ 1,040
Nuclear decommissioning trust fund investments				
Cash equivalents [b]	2	120	—	122
Equity securities	1,528	—	—	1,528
Commingled funds [c]	—	2,086	—	2,086
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	511	119	—	630
Debt securities issued by states of the United States and political subdivisions of the states	—	454	—	454
Corporate debt securities	—	710	—	710
Federal agency mortgage-backed securities	—	887	—	887
Commercial mortgage-backed securities (non-agency)	—	91	—	91
Residential mortgage-backed securities (non-agency)	—	9	—	9
Other debt obligations	—	76	—	76
Nuclear decommissioning trust fund investments subtotal [d]	2,041	4,552	—	6,593
Rabbi trust investments [e][f]	4	—	—	4
Mark-to-market derivative net (liabilities) assets [g][h]	(4)	842	931	1,769
Total assets	3,081	5,394	931	9,406
Liabilities				
Deferred compensation	—	(23)	—	(23)
Total liabilities	—	(23)	—	(23)
Total net assets	$ 3,081	$ 5,371	$ 931	$ 9,383

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

As of December 31, 2008	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [a]	$ 1,103	$ —	$ —	$ 1,103
Nuclear decommissioning trust fund investments				
Cash equivalents	13	—	—	13
Equity securities [b]	903	—	—	903
Commingled funds [c]	—	94	1,220	1,314
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	419	91	—	510
Debt securities issued by states of the United States and political subdivisions of the states	—	414	—	414
Corporate debt securities	—	764	—	764
Federal agency mortgage-backed securities	6	1,495	—	1,501
Commercial mortgage-backed securities (non-agency)	—	111	—	111
Other debt obligations	—	107	—	107
Nuclear decommissioning trust fund investments subtotal [d]	1,341	3,076	1,220	5,637
Rabbi trust investments [e][f]	—	4	—	4
Mark-to-market derivative net assets [g][h][i]	12	789	562	1,363
Total assets	2,456	3,869	1,782	8,107
Liabilities				
Deferred compensation	—	(25)	—	(25)
Total liabilities	—	(25)	—	(25)
Total net assets	$ 2,456	$ 3,844	$ 1,782	$ 8,082

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) Generation's NDT funds hold equity portfolios whose performance is benchmarked against the S&P 500 Index, Russell 3000 Index or Morgan Stanley Capital International EAFE Index.

(c) Generation's NDT funds own commingled funds that invest in both equity and fixed income securities. The commingled funds that invest in equity securities seek to match the performance of the S&P 500 Index, Morgan Stanley Capital International EAFE Index and Russell 3000 Index. The commingled funds that hold fixed income securities invest primarily in a diversified portfolio of high grade money market instruments and other short-term fixed income securities.

(d) Excludes net assets of $76 million and net liabilities of $137 million at December 31, 2009 and December 31, 2008, respectively. These items consist of payables related to pending securities purchases net of cash, interest and dividend receivables and receivables related to pending securities sales.

(e) The mutual funds held by the Rabbi trusts that are invested in common stock of S&P 500 companies and Pennsylvania municipal bonds that are primarily rated as investment grade.

(f) Excludes $7 million and $6 million of the cash surrender value of life insurance investments at December 31, 2009 and December 31, 2008, respectively.

(g) Includes both current and noncurrent mark-to-market derivative assets, and is net of current and noncurrent mark-to-market derivative liabilities. In addition, the Level 3 balance includes current and noncurrent assets for Generation of $302 million and $669 million at December 31, 2009 and $111 million and $345 million at December 31, 2008, respectively, related to the fair value of Generation's financial swap contract with ComEd, and a noncurrent asset of $2 million at December 31, 2009 related to the fair value of Generation's block contracts with PECO. All of the mark-to-market balances Generation carries associated with the financial swap contract with ComEd and the block contracts with PECO eliminate upon consolidation in Exelon's Consolidated Financial Statements.

(h) Includes collateral postings received from and paid to counterparties. Collateral received from counterparties, net of collateral paid to counterparties, totaled $3 million, $941 million and $3 million that are netted against Level 1, Level 2 and Level 3 mark-to-market derivative net assets, respectively, as of December 31, 2009. Collateral received from counterparties, net of collateral paid to counterparties, totaled $11 million, $741 million and $1 million that are netted against Level 1, Level 2 and Level 3 mark-to-market derivative net assets, respectively, as of December 31, 2008.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(i) Exelon and Generation retrospectively reclassified certain assets and liabilities with respect to option premiums into the mark-to-market net asset and liability accounts to conform with the current year presentation. Refer to Note 8-Derivative Financial Instruments for further discussion. The impact of the reclassification was an increase of $245 million to Level 2 mark-to-market derivative net assets.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

Year Ended December 31, 2009	Nuclear Decommissioning Trust Fund Investments	Mark-to-Market Derivatives	Total
Balance as of January 1, 2009	$ 1,220	$ 562	$ 1,782
Total unrealized / realized gains (losses)			
Included in income	119	(134)[(a)]	(15)
Included in other comprehensive income	—	522[(b)]	522
Included in noncurrent payables to affiliates	275	—	275
Change in Collateral	—	(2)	(2)
Purchases, sales, issuances and settlements, net	337	—	337
Transfers out of Level 3	(1,951)[(c)]	(17)	(1,968)
Balance as of December 31, 2009	$ —	$ 931	$ 931
The amount of total gains losses included in income attributed to the change in unrealized losses related to assets and liabilities held as of December 31, 2009	$ —	$ (79)	$ (79)

(a) Includes the reclassification of $56 million of realized losses due to the settlement of derivative contracts recorded in results of operations.

(b) Includes $782 million of changes in the fair value and $267 million of realized losses due to settlements associated with Generation's financial swap with ComEd. Also includes $2 million of changes in the fair value of Generation's block contracts with PECO. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

(c) As of December 31, 2009, investments in NDT commingled funds, stated at NAV, were transferred out of Level 3 and into Level 2, in accordance with FASB issued authoritative guidance noted above.

Year Ended December 31, 2008	Nuclear Decommissioning Trust Fund Investments	Mark-to-Market Derivatives	Total
Balance as of January 1, 2008	$ 2,019	$ (403)	$ 1,616
Total unrealized / realized (losses) gains			
Included in income	(321)	36[(a)]	(286)
Included in other comprehensive income	—	879[(b)]	879
Included in noncurrent payables to affiliates	(553)	—	(553)
Change in Collateral	—	(1)	(1)
Purchases, sales, issuances and settlements, net	109	—	109
Transfers into or (out of) Level 3	(34)	52	18
Balance as of December 31, 2008	$ 1,220	$ 562	$ 1,782
The amount of total (losses) gains included in income attributed to the change in unrealized gains (losses) related to assets and liabilities held as of December 31, 2008	$ (310)	$ 125	$ (185)

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(a) Includes the reclassification of $90 million of realized losses due to the settlement of derivative contracts recorded in results of operations.

(b) Includes $888 million of changes in the fair value and $24 million of realized gains due to settlements associated with Generation's financial swap with ComEd. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

The following table presents total realized and unrealized gains (losses) included in income for Level 3 assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

	Operating Revenue	Purchased Power	Fuel	Other, net
Total gains (losses) included in income for the year ended December 31, 2009	$ (86)	$ (11)	$ (37)	$ 119
Change in the unrealized losses relating to assets and liabilities held as of the year ended December 31, 2009	$ (2)	$ (8)	$ (69)	$ —

	Operating Revenue	Purchased Power	Fuel	Other, net
Total gains (losses) included in income for the year ended December 31, 2008	$ 63	$ (12)	$ (16)	$ (321)
Change in the unrealized gains (losses) relating to assets and liabilities held as of the year ended December 31, 2008	$ 107	$ (34)	$ 52	$ (310)

ComEd

The following table presents assets measured and recorded at fair value on ComEd's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2009 and 2008:

As of December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents (a)	$ 25	$ —	$ —	$ 25
Rabbi trust investments (b)				
Cash equivalents	28	—	—	28
Total assets	53	—	—	53
Liabilities				
Deferred compensation obligation (c)	—	(8)	—	(8)
Mark-to-market derivative liabilities	—	—	(971)	(971)
Total liabilities	—	(8)	(971)	(979)
Total net assets (liabilities)	$ 53	$ (8)	$ (971)	$ (926)

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Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

As of December 31, 2008	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [a]	$ 16	$ —	$ —	$ 16
Rabbi trust investments				
Cash equivalents [b]	2	—	—	2
Mutual funds	32	—	—	32
Rabbi trust investment subtotal	34	—	—	34
Total assets	50	—	—	50
Liabilities				
Deferred compensation obligation	—	(7)	—	(7)
Mark-to-market derivative liabilities [c]	—	—	(456)	(456)
Total liabilities	—	(7)	(456)	(463)
Total net assets (liabilities)	$ 50	$ (7)	$ (456)	$ (413)

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) During the second quarter of 2009, ComEd recorded an other-than-temporary impairment of $7 million (pre-tax) related to Rabbi trust investments in other income and deductions.

(c) The Level 3 balance is comprised of the current and noncurrent liability of $302 million and $669 million at December 31, 2009, respectively, and $111 million and $345 million at December 31, 2008, respectively, related to the fair value of ComEd's financial swap contract with Generation which eliminates upon consolidation in Exelon's Consolidated Financial Statements.

(d) The mutual funds held by the Rabbi trusts invest in stocks in the Russell 1000 index and municipal securities that are primarily rated as investment grade.

The following tables present the fair value reconciliation of Level 3 assets measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

For the Year Ended December 31, 2009	Mark-to-Market Derivatives
Balance as of January 1, 2009	$ (456)
Total realized / unrealized gains (losses) included in regulatory assets [a]	(515)
Balance as of December 31, 2009	$ (971)

(a) Includes $782 million of changes in the fair value and $267 million of realized gains due to settlements associated with ComEd's financial swap with Generation. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

For the Year Ended December 31, 2008	Mark-to-Market Derivatives
Balance as of January 1, 2008	$ 456
Total realized / unrealized losses included in regulatory assets [a]	(912)
Balance as of December 31, 2008	$ (456)

(a) Includes $888 million of changes in the fair value and $24 million of realized losses due to settlements associated with ComEd's financial swap with Generation. All items eliminate upon consolidation in Exelon's Consolidated Financial Statements.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

PECO

The following table presents assets and liabilities measured and recorded at fair value on PECO's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2009 and 2008:

December 31, 2009	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [(a)]	$ 281	$ —	$ —	$ 281
Rabbi trust investments—mutual funds [(b)(c)]	7	—	—	7
Total assets	288	—	—	288
Liabilities				
Deferred compensation obligation	—	(25)	—	(25)
Mark-to-market derivative liabilities [(d)]	—	—	(4)	(4)
Servicing liability	—	—	(2)	(2)
Total liabilities	—	(25)	(6)	(31)
Total net assets (liabilities)	$ 288	$ (25)	$ (6)	$ 257

As of December 31, 2008	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents [(a)]	$ 26	$ —	$ —	$ 26
Rabbi trust investments—mutual funds [(b)(c)]	6	—	—	6
Total assets	32	—	—	32
Liabilities				
Deferred compensation obligation	—	(28)	—	(28)
Servicing liability	—	—	(2)	(2)
Total liabilities	—	(28)	(2)	(30)
Total net assets (liabilities)	$ 32	$ (28)	$ (2)	$ 2

(a) Excludes certain cash equivalents considered to be held-to-maturity and not reported at fair value.

(b) The mutual funds held by the Rabbi Trust invest in the common stock of S&P 500 companies and Pennsylvania municipal bonds that are primarily rated as investment grade.

(c) Excludes $12 million and $10 million of the cash surrender value of life insurance investments at December 31, 2009 and December 31, 2008, respectively.

(d) The Level 3 balance represents a noncurrent liability of $4 million at December 31, 2009 related to the fair value of PECO's block contracts, which includes a $2 million noncurrent liability related to the fair value of PECO's block contracts with Generation that eliminates upon consolidation in Exelon's Consolidated Financial Statements.

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

The following table presents the fair value reconciliation of Level 3 assets measured at fair value on a recurring basis during the years ended December 31, 2009 and 2008:

For the Year Ended December 31, 2009	Mark-to-Market Derivatives	Servicing Liability	Total
Balance as of January 1, 2009	$ —	$ (2)	$ (2)
Total unrealized losses included in regulatory assets	(4)	—	(4)
Balance as of December 31, 2009	$ (4)	$ (2)	$ (6)

For the Year Ended December 31, 2008	Mark-to-Market Derivatives	Servicing Liability	Total
Balance as of January 1, 2008	$ —	$ (1)	$ (1)
Total unrealized losses included in net income	—	(1)	(1)
Balance as of December 31, 2008	$ —	$ (2)	$ (2)

Valuation Techniques Used to Determine Fair Value

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the tables above.

Cash Equivalents (Exelon, Generation, ComEd and PECO). The Registrants' cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value table are comprised of investments in mutual and money market funds. The fair values of the shares of these funds are based on observable market prices and, therefore, have been categorized in Level 1 in the fair value hierarchy.

Nuclear Decommissioning Trust Fund Investments (Exelon and Generation). The trust fund investments have been established to satisfy Exelon's and Generation's nuclear decommissioning obligations. The NDT funds hold debt and equity securities directly and indirectly through commingled funds. Generation's investment policies place limitations on the types and investment grade ratings of the securities that may be held by the trusts. These policies restrict the trust funds from holding alternative investments and limit the trust funds' exposures to investments in highly illiquid markets. Investments with maturities of three months or less when purchased, including certain short-term fixed income securities, are considered cash equivalents and included in the recurring fair value measurements hierarchy as Level 1 or Level 2.

With respect to individually held equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, which Generation is able to independently corroborate. The fair values of equity securities held directly by the trust funds are based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on the New York Stock Exchange and NASDAQ—Global Select Market, which contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

For fixed income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security.

The trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and the trustees determine that another price source is considered to be preferable. Generation has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, Generation selectively corroborates the fair values of securities by comparison to other market-based price sources. U.S. Treasury securities are categorized as Level 1 because they trade in a highly liquid and transparent market. The fair values of fixed income securities, excluding U.S. Treasury securities, are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized in Level 2. To draw parallels from the trading and quoting of fixed income securities with similar features, pricing services consider various characteristics including the issuer, maturity, purpose of loan, collateral attributes, prepayment speeds, interest rates and credit ratings in order to properly value these securities.

Commingled funds, which are similar to mutual funds, are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives. The fair values of short-term commingled funds held within the trust funds, which generally hold short-term fixed income securities and are not subject to restrictions regarding the purchase or sale of shares, are derived from observable prices. The objectives of the remaining commingled funds in which Exelon and Generation invest primarily seek to track the performance of certain equity indices by purchasing equity securities to replicate the capitalization and characteristics of the indices. In general, equity commingled funds are redeemable on the 15th of the month and the last business day of the month, however, the fund manager may designate any day as a valuation date for the purpose of purchasing or redeeming units. Commingled funds are categorized in Level 2 at December 31, 2009 because the fair value of the funds are based on NAVs per fund share (the unit of account), primarily derived from the quoted prices in active markets of the underlying equity securities and because they are offered to a limited group of investors and, therefore, not traded in an active market. See Note 11—Asset Retirement Obligations for further discussion on the NDT fund investments.

Rabbi Trust Investments (Exelon, Generation, ComEd and PECO). The Rabbi trusts were established to hold assets related to deferred compensation plans existing for certain active and retired members of Exelon's executive management and directors. The investments in the Rabbi trusts are included in investments in the Registrants' Consolidated Balance Sheets. The fair values of the shares of the funds are based on observable market prices and, therefore, have been categorized in Level 1 in the fair value hierarchy.

The Registrants evaluate the securities held in their Rabbi trusts for other-than-temporary impairment by analyzing the historical performance, cost basis and market value of securities in unrealized loss positions in comparison to related market indices. During June 2009, ComEd concluded that certain investments were other-than-temporarily impaired based on various factors assessed in the aggregate, including the duration and severity of the impairment, the anticipated recovery of the securities and considerations of ComEd's ability and intent to hold the investments until the recovery of their cost basis. This analysis resulted in an impairment charge of $7 million (pre-tax) recorded in other income and deductions associated with ComEd's investments held in Rabbi trusts.

Mark-to-Market Derivatives (Exelon, Generation, ComEd and PECO). Derivative contracts are traded in both exchange-based and non-exchange-based markets. Exchange-based derivatives that are valued using unadjusted quoted prices in active markets are categorized in Level 1 in the fair value hierarchy. Certain non-exchange-based derivatives are valued using indicative price quotations available through brokers or over-the-counter, on-line exchanges and are categorized in Level 2. These price quotations reflect the average of the bid-ask, mid-point prices and are obtained from sources that the Registrants believe provide the most liquid market for the commodity. The price quotations are reviewed and corroborated to ensure the prices are observable and representative of an orderly transaction between market participants. This includes consideration of actual transaction volumes, market delivery points, bid-ask spreads and contract duration. The remainder of non-exchange-based derivative contracts is valued using the Black model, an industry standard option valuation model. The Black model takes into account inputs such as contract terms, including maturity, and market parameters, including assumptions of the future prices of energy, interest rates, volatility, credit worthiness and credit spread. For non-exchange-based derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs are generally observable. Such instruments are categorized in Level 2. The Registrants' non-exchange-based derivatives are predominately at liquid trading points. For non-exchange-based derivatives that trade in less liquid markets with limited pricing information, such as the financial swap contract between Generation and ComEd, model inputs generally would include both observable and unobservable inputs. These valuations may include an estimated basis adjustment from an illiquid trading point to a liquid trading point for which active price quotations are available. For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. The Registrants consider credit and nonperformance risk in the valuation of derivative contracts categorized in Level 1, 2 and 3, including both historical and current market data in their assessment of credit and nonperformance risk. The impacts of credit and nonperformance risk were not material to the financial statements.

Exelon may utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings, which are typically designated as cash flow hedges. Exelon uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk and market parameters such as interest rates and volatility. As these inputs are based on observable data and valuations of similar instruments, the interest rate swaps are categorized in Level 2 in the fair value hierarchy. See Note 8—Derivative Financial Instruments for further discussion on mark-to-market derivatives.

Deferred Compensation Obligations (Exelon, Generation, ComEd and PECO). The Registrants' deferred compensation plans allow participants to defer certain cash compensation into a notional investment account. The Registrants include such plans in other current and noncurrent liabilities in their Consolidated Balance Sheets. The value of the Registrants' deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on observable market prices. However, since the deferred compensation obligations themselves are not exchanged in an active market, they are categorized in Level 2 in the fair value hierarchy.

Servicing Liability (Exelon and PECO). PECO is party to an agreement with a financial institution under which it sold an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable. A servicing liability was recorded for the agreement in accordance with the current authoritative guidance for servicing of assets and extinguishment of liabilities. The servicing liability is included in other current liabilities in Exelon's and PECO's Consolidated Balance Sheets. The fair value of the liability has been determined using internal estimates based on provisions in the agreement, which are categorized as Level 3 inputs in the fair value hierarchy. See Note 18—Commitments and Contingencies for further discussion on the accounts receivable agreement.

Non-recurring Fair Value Measurements

Asset Impairment (Exelon and Generation)

As discussed in Note 4—Property, Plant and Equipment, as of March 31, 2009, Generation tested its Texas plants for potential impairment and recognized an impairment charge of $223 million in the first quarter of 2009 to reduce the carrying value of the Handley and Mountain Creek stations to fair value.

The impairment charge recorded by Generation for the Handley and Mountain Creek stations incorporated the fair values of the plants using unobservable inputs falling within Level 3 of the fair value hierarchy. Generation determined fair value considering multiple valuation techniques including the income (discounted cash flow), market (available comparables) and cost (replacement cost) valuation approaches. The results were evaluated and weighted, considering the reasonableness of the range indicated by those results. Significant inputs used under the income approach included forecasted cash flows based on forecasted generation, forward prices of natural gas and electricity, overall generation availability ERCOT and discount rate assumptions. Significant inputs under the transaction approach included market multiples that were derived from comparable transactions for peaking plants in ERCOT and other market regions and discount rate assumptions.

8. Derivative Financial Instruments (Exelon, Generation, ComEd and PECO)

The Registrants are exposed to certain risks related to ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. To the extent the amount of energy Exelon generates differs from the amount of energy it has contracted to sell, the Registrants are exposed to market fluctuations in the prices of electricity, fossil fuels, and other commodities. The Registrants employ established policies and procedures to manage their risks associated with market fluctuations by entering into physical contracts as well as financial derivative contracts including swaps, futures, forwards, options and short-term and long-term commitments to purchase and sell energy and energy-related products. The Registrants believe these instruments, which are classified as either economic hedges or non-derivatives, mitigate exposure to fluctuations in commodity prices. Exposure to interest rate risk exists as a result of the issuance of variable and fixed-rate debt, commercial paper and lines of credit.

Derivative accounting guidance requires that derivative instruments be recognized as either assets or liabilities at fair value. Under these provisions, economic hedges are recognized on the balance sheet at their fair value unless they qualify for the normal purchases and normal sales scope exception. The Registrants have applied the normal purchases and normal sales scope exception to certain derivative contracts for the forward sale of generation, power procurement agreements, and natural gas supply agreements. For economic hedges that qualify and are designated as cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in value of the underlying exposure is deferred in accumulated OCI and later reclassified into earnings when the underlying transaction occurs. For economic hedges that do not qualify or are not designated as cash flow hedges, changes in the fair value of the derivative are recognized in earnings each period and are classified as other derivatives in the following tables. Non-derivative contracts for access to additional generation and for sales to load-serving entities are accounted for primarily under the accrual method of accounting, which is further discussed in Note 18 – Commitments and Contingencies. Additionally, Generation is exposed to certain market risks through its proprietary trading activities. The proprietary activities are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's overall energy marketing activities.

Commodity Price Risk (Exelon, Generation, ComEd and PECO)

Economic Hedging. The Registrants are exposed to commodity price risk primarily relating to changes in the market price of electricity, fossil fuels, and other commodities associated with price movements resulting from changes in supply and demand, fuel costs, market liquidity, weather conditions, governmental regulatory and environmental policies, and other factors. Within Exelon, Generation has the most exposure to commodity price risk. Generation uses a variety of derivative and non-derivative instruments to manage the commodity price risk of its electric generation facilities, including power sales, fuel and energy purchases, and other energy-related products marketed and purchased. In order to manage these risks, Generation may enter into fixed-price derivative or non-derivative contracts to hedge the variability in future cash flows from forecasted sales of energy and purchases of fuel and energy. The objectives for entering into such hedges include fixing the price for a portion of anticipated future electricity sales at a level that provides an acceptable return on electric generation operations, fixing the price of a portion of anticipated fuel purchases for the operation of power plants, and fixing the price for a portion of anticipated energy purchases to supply load-serving customers. The portion of forecasted transactions hedged may vary based upon management's policies and hedging objectives, the market, weather conditions, operational and other factors. Generation is also exposed to differences between the locational settlement prices of certain economic hedges and the hedged generating units. This price difference is actively managed through other instruments which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights.

In general, increases and decreases in forward market prices have a positive and negative impact, respectively, on Generation's owned and contracted generation positions which have not been hedged. Generation hedges commodity risk on a ratable basis over three-year periods. As of December 31, 2009, the percentage of expected generation hedged was 91%—94%, 69%—72 %, and 37%—40 % for 2010, 2011 and 2012, respectively. The percentage of expected generation hedged is the amount of equivalent sales divided by the expected generation. Expected generation represents the amount of energy estimated to be generated or purchased through owned or contracted capacity. Equivalent sales represent all hedging products, which include cash flow hedges, other derivatives and certain non-derivative contracts including sales to ComEd and PECO to serve their retail load.

ComEd has locked in a fixed price for a significant portion of its commodity price risk through the five-year financial swap contract with Generation that expires on May 31, 2013, which is discussed in more detail below. In addition, the contracts that Generation has entered into with ComEd and that ComEd has entered into with Generation and other suppliers as part of the ComEd power procurement agreements, which are further discussed in Note 2—Regulatory Issues, qualify for the normal purchases and normal sales scope exception. Based on the Illinois Settlement Legislation and ICC-approved procurement methodologies permitting ComEd to recover its electricity procurement costs from retail customers with no mark-up, ComEd's price risk related to power procurement is limited.

In order to fulfill a requirement of the Illinois Settlement, Generation and ComEd entered into a five-year financial swap contract effective August 28, 2007. The financial swap is designed to hedge spot market purchases, which along with ComEd's remaining energy procurement contracts, meet its load service requirements. The remaining swap contract volumes are 2,000 MW for the period extending June 2009 through May 2010 and 3,000 MW from June 2010 through May 2013. The terms of the financial swap contract require Generation to pay the market price for a portion of ComEd's electricity supply requirement, while ComEd pays a fixed price. The contract is to be settled net, for the difference between the fixed and market pricing, and the financial terms only cover energy costs and do not cover capacity or ancillary services. The financial swap contract is a derivative financial instrument that has been designated by Generation as a cash flow hedge. Consequently, Generation records the fair value of the swap on its balance sheet and records changes in fair value to OCI. ComEd has not elected hedge accounting for this derivative financial instrument and records the fair value of the swap on its balance sheet. However, since the financial swap contract was deemed prudent by the Illinois Settlement Legislation, ComEd receives full cost recovery for the contract in rates and the change in fair value each period is recorded by ComEd as a regulatory asset or liability. See Note 2—Regulatory Issues for additional information regarding the Illinois Settlement. In Exelon's consolidated financial statements, all financial statement effects of the financial swap recorded by Generation and ComEd are eliminated.

PECO has transferred substantially all of its commodity price risk related to its procurement of electric supply to Generation through a PPA that expires December 31, 2010. The PPA is not considered a derivative under current derivative authoritative guidance.

As part of the preparation for the expiration of the PPA, PECO has entered into derivative contracts to procure electric supply through a competitive RFP process as outlined in its PAPUC-approved DSP Program, which is further discussed in Note 2—Regulatory Issues. Based on Pennsylvania legislation and the DSP Program permitting PECO to recover its electric supply procurement costs from retail customers with no mark-up, PECO's price risk related to electric supply procurement will be limited. PECO will lock in fixed prices for a significant portion of its commodity price risk following the expiration of the electric generation rate caps through full requirements contracts and block contracts. PECO's full requirements fixed price contracts qualify for the normal purchases and normal sales scope exception. PECO accounts for the block contracts as other derivatives, which are recorded on its balance sheet at fair value and the change in fair value each period is recorded as a regulatory asset or liability.

PECO's natural gas procurement policy is designed to achieve a reasonable balance of long-term and short-term gas purchases under different pricing approaches in order to achieve system supply reliability at the least cost. PECO's reliability strategy is two-fold. First, PECO must assure that there is sufficient transportation capacity to satisfy deliverability requirements. Second, PECO must ensure that a firm source of supply exists to utilize the capacity resources. All of PECO's natural gas supply and management agreements that are derivatives qualify for the normal purchases and normal sales exception. Additionally, in accordance with the 2009 PAPUC PGC settlement and to reduce the exposure of PECO and its customers to natural gas price volatility, PECO has continued its program to purchase natural gas for both winter and summer supplies using a layered approach of locking-in prices ahead of each season with long-term gas purchase agreements (those with primary terms of at least twelve months). Under the terms of the 2009 PGC settlement, PECO is required to lock in (i.e. economically hedge) the price of a minimum volume of its long-term gas commodity purchases. PECO's gas-hedging program covers 22% to 29% of planned natural gas purchases in support of projected firm sales. The hedging program for natural gas procurement has no direct impact on PECO's financial position or results of operations as natural gas costs are fully recovered from customers under the PGC.

Proprietary Trading. Generation also enters into certain energy-related derivatives for proprietary trading purposes. Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure and is subject to limits established by Exelon's RMC. The proprietary trading activities which included volumes of 7,578 GWh, 8,891 GWh and 20,323 GWh for years ended December 31, 2009, 2008 and 2007, respectively, are a complement to Generation's energy marketing portfolio but represent a small portion of Generation's revenue from energy marketing activities. Neither ComEd nor PECO enter into derivatives for proprietary trading purposes.

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

Interest Rate Risk (Exelon, Generation and ComEd)

The Registrants use a combination of fixed-rate and variable-rate debt to manage interest rate exposure. The Registrants may also utilize fixed-to-floating interest rate swaps, which are typically designated as fair value hedges, as a means to manage their interest rate exposure. In addition, the Registrants may utilize interest rate derivatives to lock in interest rate levels in anticipation of future financings, which are typically designated as cash flow hedges. These strategies are employed to achieve a lower cost of capital. A hypothetical 10% increase in the interest rates associated with variable-rate debt would result in less than a $1 million decrease in Exelon's, Generation's, and ComEd's pre-tax income for the year ended December 31, 2009.

Fair Value Hedges. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Exelon includes the gain or loss on the hedged items and the offsetting loss or gain on the related interest rate swaps in interest expense as follows for the year ended December 31, 2009:

Income Statement Classification	Loss on Swaps	Gain on Borrowings
Interest expense	$ (7)	$ 7

At December 31, 2009 and 2008, Exelon had $100 million of notional amounts of fair value hedges outstanding related to interest rate swaps, with fair value assets of $10 million and $17 million, respectively. During the years ended December 31, 2009 and 2008, there was no impact on the results of operations as a result of ineffectiveness from fair value hedges.

Cash Flow Hedges. At December 31, 2009 and 2008, the Registrants did not have any interest rate swaps designated as cash flow hedges outstanding. In connection with Generation's September 2009 $1.5 billion debt issuance, Generation entered into forward-starting interest rate swaps in the aggregate notional amount of $1.1 billion. The interest rate swaps were settled on September 16, 2009 with Generation recording a $7 million pre-tax gain. The gain was recorded to OCI within Generation's Consolidated Balance Sheets and will be amortized to income over the life of the related debt as a reduction in interest expense.

Fair Value Measurement (Exelon, Generation, ComEd and PECO)

Fair value accounting guidance requires the fair value of derivative instruments to be shown in the Notes to the Consolidated Financial Statements on a gross basis, even when the derivative instruments are subject to master netting agreements and qualify for net presentation in the Consolidated Balance Sheet. In the table below, Generation's cash flow hedges, other derivatives and proprietary trading derivatives are shown gross and the impact of the netting of fair value balances with the same counterparty, as well as netting of collateral, is aggregated in the collateral and netting column. Excluded from the tables below are economic hedges that qualify for the normal purchases and normal sales exception and other non-derivative contracts that are accounted for under the accrual method of accounting.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The following table provides a summary of the derivative fair value balances recorded by Exelon, Generation, ComEd and PECO as of December 31, 2009:

	Generation					ComEd	PECO	Other		Exelon
Derivatives	Cash Flow Hedges (a,d)	Other Derivatives	Proprietary Trading	Collateral and Netting (b)	Subtotal (c)	IL Settlement Swap (a)	Other Derivatives (d)	Other Derivatives	Inter-company Eliminations (a)	Total Derivatives
Mark-to-market derivative assets (current assets)	$ 576	$ 913	$ 193	$ (1,306)	$ 376	$ —	$ —	$ —	$ —	$ 376
Mark-to-market derivative assets with affiliate (current assets)	302	—	—	—	302	—	—	—	(302)	—
Mark-to-market derivative assets (noncurrent assets)	423	792	102	(678)	639	—	—	10	—	649
Mark-to-market derivative assets with affiliate (noncurrent assets)	671	—	—	—	671	—	—	—	(671)	—
Total mark-to-market derivative assets	$ 1,972	$ 1,705	$ 295	$ (1,984)	$ 1,988	$ —	$ —	$ 10	$ (973)	$ 1,025
Mark-to-market derivative liabilities (current liabilities)	$ (18)	$ (743)	$ (172)	$ 735	$ (198)	$ —	—	$ —	$ —	$ (198)
Mark-to-market derivative liability with affiliate (current liabilities)	—	—	—	—	—	(302)	—	—	302	—
Mark-to-market derivative liabilities (noncurrent liabilities)	(42)	(183)	(98)	302	(21)	—	(2)	—	—	(23)
Mark-to-market derivative liabilities with affiliate (noncurrent liabilities)	—	—	—	—	—	(669)	(2)	—	671	—
Total mark-to-market derivative liabilities	(60)	(926)	(270)	1,037	(219)	(971)	(4)	—	973	(221)
Total mark-to-market derivative net assets (liabilities)	$ 1,912	$ 779	$ 25	$ (947)	$ 1,769	$ (971)	$ (4)	$ 10	$ —	$ 804

(a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of $302 million and $669 million, respectively, related to the fair value of Generation's and ComEd's five-year financial swap contract, as described above.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(b) Represents the netting of fair value balances with the same counterparty and the application of collateral.

(c) Current and noncurrent assets are shown net of collateral of $502 million and $376 million, respectively, and current liabilities are shown inclusive of collateral of $69 million, respectively. The allocation of collateral had no impact to noncurrent liabilities. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was $947 million at December 31, 2009.

(d) Includes a noncurrent liability for PECO and a noncurrent asset for Generation of $2 million related to the fair value of PECO's block contracts with Generation. There were no netting adjustments or collateral received as of December 31, 2009.

The following table provides a summary of the derivative fair value balances recorded by Exelon, Generation and ComEd as of December 31, 2008:

	Generation					ComEd	Other		Exelon
Derivatives	**Cash Flow Hedges (a)(d)**	**Other Derivatives (d)**	**Proprietary Trading (d)**	**Collateral and Netting (b)(d)**	**Subtotal (c)(d)**	**IL Settlement Swap (a)**	**Other Derivatives**	**Inter-company Eliminations (a)**	**Total Derivatives**
Mark-to-market derivative assets (current assets)	$ 610	$ 1,295	$ 376	$ (1,801)	$ 480	$ —	$ —	$ —	$ 480
Mark-to-market derivative assets with affiliate (current assets)	111	—	—	—	111	—	—	(111)	—
Mark-to-market derivative assets (noncurrent assets)	438	752	123	(661)	662	—	17	—	679
Mark-to-market derivative assets with affiliate (noncurrent assets)	345	—	—	—	345	—	—	(345)	—
Total mark-to-market derivative assets	$ 1,504	$ 2,047	$ 499	$ (2,452)	$ 1,598	$ —	$ 17	$ (456)	$ 1,159
Mark-to-market derivative liabilities (current liabilities)	$ (47)	$ (1,253)	$ (291)	$ 1,379	$ (212)	$ —	$ —	$ —	$ (212)
Mark-to-market derivative liability with affiliate (current liabilities)	—	—	—	—	—	(111)	—	111	—
Mark-to-market derivative liabilities (noncurrent liabilities)	(20)	(223)	(100)	320	(23)	—	—	—	(23)
Mark-to-market derivative liability with affiliate (noncurrent liabilities)	—	—	—	—	—	(345)	—	345	—
Total mark-to-market derivative liabilities	(67)	(1,476)	(391)	1,699	(235)	(456)	—	456	(235)
Total mark-to-market derivative net assets (liabilities)	$ 1,437	$ 571	$ 108	$ (753)	$ 1,363	$ (456)	$ 17	$ —	$ 924

(a) Includes current and noncurrent assets for Generation and current and noncurrent liabilities for ComEd of $111 million and $345 million, respectively, related to the fair value of Generation's and ComEd's five-year financial swap contract, as described above. At Exelon, the fair value balances are eliminated upon consolidation.

(b) Represents the netting of fair value balances with the same counterparty and the application of collateral.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

(c) Current and noncurrent assets are shown net of collateral of $355 million and $333 million, respectively and current liabilities are shown inclusive of collateral of $65 million, respectively. The allocation of collateral had no impact to noncurrent liabilities. The total cash collateral received net of cash collateral posted and offset against mark-to-market assets and liabilities was $753 million at December 31, 2008.

(d) Exelon and Generation retrospectively reclassified certain assets and liabilities with respect to option premiums into the mark-to-market net asset and liability accounts to conform with current year presentation, as discussed within this footnote.

Cash Flow Hedges (Exelon and Generation). Economic hedges that qualify as cash flow hedges primarily consist of forward power sales and power swaps on base load generation. At December 31, 2009, Generation had net unrealized pre-tax gains on effective cash flow hedges of $1,912 million being deferred within accumulated OCI, including approximately $971 million related to the financial swap with ComEd. Amounts recorded in accumulated OCI related to changes in energy commodity cash flow hedges are reclassified to results of operations when the forecasted purchase or sale of the energy commodity occurs. Reclassifications from OCI are included in operating revenues, purchased power and fuel in Exelon's and Generation's Consolidated Statements of Operations, depending on the commodities involved in the hedged transaction. Based on market prices at December 31, 2009, approximately $860 million of these net pre-tax unrealized gains within accumulated OCI are expected to be reclassified from accumulated OCI during the next twelve months by Generation, including approximately $302 million related to the financial swap with ComEd. However, the actual amount reclassified from accumulated OCI could vary due to future changes in market prices. Generation expects the settlement of the majority of its cash flow hedges will occur during 2010 through 2012, and the ComEd financial swap contract during 2010 through 2013.

Exelon discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item, in the case of forward-starting hedges, or when it is no longer probable that the forecasted transaction will occur. For the year ended December 31, 2009, amounts reclassified into earnings as a result of the discontinuance of cash flow hedges were immaterial.

The table below provides the activity of accumulated OCI related to cash flow hedges for the year ended December 31, 2009 and 2008, containing information about the changes in the fair value of cash flow hedges and the reclassification from accumulated OCI into results of operations. The amounts reclassified from accumulated OCI, when combined with the impacts of the actual physical power sales, result in the ultimate recognition of net revenues at the contracted price.

		Total Cash Flow Hedge OCI Activity, Net of Income Tax	
		Generation	Exelon
	Income Statement Location	Energy Related Hedges	Total Cash Flow Hedges
Accumulated OCI derivative gain (loss) at January 1, 2008		$(548)[a]	$ (292)
Effective portion of changes in fair value		1,101 [b]	567
Reclassifications from accumulated OCI to net income	Operating Revenue	328 [c]	314
Ineffective portion recognized in income	Purchased Power	(26)	(26)
Accumulated OCI derivative gain at December 31, 2008		$855 [a]	$ 563
Effective portion of changes in fair value		1,227 [b]	757
Reclassifications from accumulated OCI to net income	Operating Revenue	(939)[c]	(778)
Ineffective portion recognized in income	Purchased Power	9	9
Accumulated OCI derivative gain (loss) at December 31, 2009		$1,152[a][d]	$ 551

(a) Includes $585 million gain, $275 million gain and $275 million loss, net of taxes, related to the fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2009, 2008 and 2007, respectively, and $1 million of gains, net of taxes, related to the fair value of the block contracts with PECO as of December 31, 2009.

(b) Includes $471 million and $535 million of gains, net of taxes, of the effective portion of changes in fair value of the five-year financial swap contract with ComEd for the years ended December 31, 2009 and 2008, respectively, and $1 million of gain, net of taxes, of the effective portion of changes in fair value of the block contracts with PECO for the year ended December 31, 2009.

(c) Includes $161 million loss and $15 million gain, net of taxes, of reclassifications from accumulated OCI to net income related to the settlements of the five-year financial swap contract with ComEd for the years ended December 31, 2009 and 2008, respectively.

(d) Excludes $5 million of gains, net of taxes, related to interest rate swaps settled in 2009. See Note 9 – Debt and Credit Agreements for further information.

During the years ended December 31, 2009, 2008 and 2007, Generation's cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a $1,559 million pre-tax gain, a $544 million pre-tax loss and a $15 million pre-tax gain, respectively. Given that the cash flow hedges primarily consist of forward power sales and power swaps and do not include gas options or sales, the ineffectiveness of Generation's cash flow hedges is primarily the result of differences between the locational settlement prices of the cash flow hedges and the hedged generating units. This price difference is actively managed through other instruments which include financial transmission rights, whose changes in fair value are recognized in earnings each period, and auction revenue rights. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were $15 million, $44 million and $29 million for the years ended December 31, 2009, 2008, and 2007, respectively. At December 31, 2008 cash flow hedge ineffectiveness resulted in an adjustment of $15 million to accumulated OCI on the balance sheet in order to reflect the effective portion of derivative gains or losses. At December 31, 2009, cash flow hedge ineffectiveness was not significant.

Exelon's energy related cash flow hedge activity impact to pre-tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a $1,292 million pre-tax gain, $521 million pre-tax loss and $10 million pre-tax gain for the years ended December 31, 2009, 2008 and 2007, respectively. Changes in cash flow hedge ineffectiveness, primarily due to changes in market prices, were $15 million, $44 million and $29 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Other Derivatives (Exelon and Generation). Other derivative contracts are those that do not qualify or are not designated for hedge accounting. These instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices and include financial options, futures, swaps, and forward sales. For the years ended December 31, 2009, 2008 and 2007, the following net pre-tax mark-to-market gains (losses) of certain purchase and sale contracts were reported in fuel and purchased power expense at Exelon and Generation in the Consolidated Statements of Operations and are included in net fair value changes related to derivatives in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

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

For the Year Ended December 31, 2009	Exelon and Generation Purchased Power	Fuel	Total
Change in fair value	$ 206	$ (72)	$ 134
Reclassification to realized at settlement	(97)	159	62
Net mark-to-market gains (losses)	$ 109	$ 87	$ 196

For the Year Ended December 31, 2008	Exelon and Generation Purchased Power	Fuel	Total
Change in fair value	$ 315	$ 180	$ 495
Reclassification to realized at settlement	55	(143)	(88)
Net mark-to-market gains (losses)	$ 370	$ 37	$ 407

For the Year Ended December 31, 2007 (a)	Exelon and Generation Purchased Power	Fuel	Total
Change in fair value	$ (6)	$ (37)	$ (43)
Reclassification to realized at settlement	(218)	118	(100)
Net mark-to-market gains (losses)	$ (224)	$ 81	$ (143)

(a) Table excludes $4 million related to ComEd included within revenue and $27 million related to other included within fuel expense.

Proprietary Trading Activities (Exelon and Generation). For the years ended December 31, 2009, 2008 and 2007, Exelon and Generation recognized the following net pre-tax mark-to-market gains (losses) of certain purchase and sale contracts entered into for proprietary trading purposes. Gains and losses associated with proprietary trading are reported as revenue in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income and are included in Net fair value changes related to derivatives in Exelon's and Generation's Consolidated Statements of Cash Flows. In the tables below, "Change in fair value" represents the change in fair value of the derivative contracts held at the reporting date. The "Reclassification to realized at settlement" represents the recognized change in fair value that was reclassified to realized due to settlement of the derivative during the period.

	Location on Income Statement	For the Year Ended December 31, 2009	2008	2007
Change in fair value	Operating Revenue	$ 3	$ 106	$ 42
Reclassification to realized at settlement	Operating Revenue	(86)	(43)	(8)
Net mark-to-market gains (losses)	Operating Revenue	$ (83)	$ 63	$ 34

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Credit Risk (Exelon, Generation, ComEd and PECO)

The Registrants would be exposed to credit-related losses in the event of non-performance by counterparties that enter into derivative instruments. The credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. For energy-related derivative instruments, Generation enters into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allow for cross-product netting. In addition to payment netting language in the enabling agreement, Generation's credit department establishes credit limits, margining thresholds and collateral requirements for each counterparty, which are defined in the derivative contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's margining thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

The following tables provide information on Generation's credit exposure for all derivative instruments, which includes contracts that qualify for the normal purchases and normal sales exception, and applicable payables and receivables, net of collateral and instruments that are subject to master netting agreements, as of December 31, 2009. The tables further delineate that exposure by credit rating of the counterparties and provide guidance on the concentration of credit risk to individual counterparties and an indication of the maturity of a company's credit risk by credit rating of the counterparties. The figures in the tables below do not include credit risk exposure from uranium procurement contracts or exposure through RTOs, ISOs and NYMEX and ICE commodity exchanges, which are discussed below. Additionally, the figures in the tables below do not include exposures with affiliates, including net receivables with ComEd and PECO of $123 million and $174 million, respectively. See Note 21—Related-Party Transactions for further information.

Rating as of December 31, 2009	Total Exposure Before Credit Collateral	Credit Collateral	Net Exposure	Number of Counterparties Greater than 10% of Net Exposure	Net Exposure of Counterparties Greater than 10% of Net Exposure
Investment grade	$ 1,183	$ 464	$ 719	1	$ 76
Non-investment grade	15	5	10	—	—
No external ratings					
Internally rated—investment grade	34	5	29	—	—
Internally rated—non-investment grade	1	1	—	—	—
Total	$ 1,233	$ 475	$ 758	1	$ 76

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

Net Credit Exposure by Type of Counterparty	December 31, 2009
Financial institutions	$ 259
Investor-owned utilities, marketers and power producers	431
Other	68
Total	$ 758

ComEd's power procurement contracts provide suppliers with a certain amount of unsecured credit. The credit position is based on the price of energy in the spot market compared to the benchmark prices. The benchmark prices are the future prices of energy projected through the contract term and are set at the point of contract execution. If the price of energy in the spot market exceeds the benchmark price, the suppliers are required to post collateral for the secured credit portion. The unsecured credit used by the suppliers represents ComEd's net credit exposure. As of December 31, 2009, ComEd's net credit exposure to energy suppliers was immaterial and either did not exceed the allowed unsecured credit levels or did not exceed the allowed unsecured credit levels by an amount necessary to trigger a collateral call.

ComEd is permitted to recover its costs of procuring energy through the Illinois Settlement Legislation as well as the ICC-approved procurement tariffs. ComEd's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 2—Regulatory Issues for further information.

PECO has a PPA with Generation under which Generation has agreed to supply PECO with all of PECO's electric supply needs through 2010 at prices that are below current market prices. The price for this electricity is essentially equal to the energy revenues earned from customers. PECO could be negatively affected if Generation could not perform under the PPA.

PECO's supplier master agreements that govern the terms of its DSP program contracts, which define a supplier's performance assurance requirements, allow a supplier to meet its credit requirements with a certain amount of unsecured credit. The amount of unsecured credit is determined based on the supplier's lowest credit rating from S&P, Fitch or Moody's and the supplier's tangible net worth. The credit position is based on the initial market price, which is the forward price of energy on the day a transaction is executed, compared to the current forward price curve for energy. To the extent that the forward price curve for energy exceeds the initial market price, the supplier is required to post collateral to the extent the credit exposure is greater than the supplier's unsecured credit limit. As of December 31, 2009, PECO had no net credit exposure to energy suppliers.

PECO is permitted to recover its costs of procuring electric generation following the expiration of its electric generation rate caps on December 31, 2010 through its PAPUC-approved DSP program. PECO's counterparty credit risk is mitigated by its ability to recover realized energy costs through customer rates. See Note 2—Regulatory Issues for further information.

PECO's natural gas procurement plan is reviewed and approved annually on a prospective basis by the PAPUC. PECO's counterparty credit risk under its natural gas supply and management agreements is mitigated by its ability to recover its natural gas costs through the PGC, which allows PECO to adjust rates quarterly to reflect realized natural gas prices. PECO does not obtain collateral from suppliers under its natural gas supply and management agreements. As of December 31, 2009, PECO had credit exposure of $13 million under its natural gas supply and management agreements.

Collateral and Contingent-Related Features (Exelon, Generation, ComEd, and PECO)

As part of the normal course of business, Generation routinely enters into physical and financial contracts for the purchase and sale of electricity, fossil fuels, and other commodities. Certain of Generation's derivative instruments contain provisions that require Generation to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon Generation's credit rating from each of the major credit rating agencies. The collateral and credit support requirements vary by contract and by counterparty. These credit-risk-related contingent features stipulate that if Generation were to be downgraded or lose its investment grade credit rating (based on its senior unsecured debt rating), it would be required to provide additional collateral. Where applicable, this incremental collateral requirement allows for the offsetting of derivative instruments that are assets with the same counterparty, where the contractual right of offset exists under applicable master netting agreements. Generation also enters into commodity transactions on NYMEX and ICE. The NYMEX and ICE clearing houses act as the counterparty to each trade. Transactions on the NYMEX and ICE must adhere to comprehensive collateral and margining requirements.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features, excluding transactions on NYMEX and ICE that are fully collateralized, that are in a liability position and are not fully collateralized was $894 million and $1,299 million as of December 31, 2009 and December 31 2008, respectively. As of December 31, 2009 and 2008, Generation had the contractual right of offset of $778 million and $1,175 million, respectively, related to derivative instruments that are assets with the same counterparty under master netting agreements, resulting in a net liability position of $116 million and $124 million, respectively. If Generation had been downgraded to the investment grade rating of BBB- and Baa3, or lost its investment grade credit rating, it would have been required to provide incremental collateral of approximately $60 million or $673 million, respectively, as of December 31, 2009 and approximately $14 million or $612 million, respectively, as of December 31, 2008 related to its financial instruments, including derivatives, non-derivatives, normal purchase normal sales contracts and applicable payables and receivables, net of the contractual right of offset under master netting agreements and the application of collateral. See Note 18 of the Combined Notes to Consolidated Financial Statements for information regarding the letters of credit supporting the cash collateral.

Beginning in 2007, under the Illinois auction rules and the SFCs that ComEd entered into with counterparty suppliers, including Generation, collateral postings are one-sided from suppliers. Generation entered into similar SFCs with Ameren, with one-sided collateral postings only from Generation. If market prices fall below ComEd's or Ameren's benchmark price levels, ComEd or Ameren are not required to post collateral; however, when market prices rise above benchmark price levels with ComEd or Ameren, counterparty suppliers, including Generation, are required to post collateral once certain unsecured credit limits are exceeded. Under the terms of the five-year financial swap contract between Generation and ComEd, if a party is downgraded below investment grade by Moody's or S&P, collateral postings would be required by that party depending on how market prices compare to the benchmark price levels. Under the terms of the financial swap contracts, collateral postings will never exceed $200 million from either ComEd or Generation. Beginning in June 2009, under the terms of ComEd's standard block energy contracts, collateral postings are one-sided from suppliers, including Generation, should exposures between market prices and benchmark prices exceed established unsecured credit limits outlined in the contracts. As of December 31, 2009, there was no cash collateral or letters of credit posted between energy suppliers, including Generation, and ComEd, under any of the above-mentioned contracts. See Note 2—Regulatory Issues for further information.

There are no collateral-related provisions included in the PPA between PECO and Generation. PECO's supplier master agreements that govern the terms of its DSP program contracts do not contain provisions that would require PECO to post collateral.

PECO's natural gas procurement contracts contain provisions that could require PECO to post collateral. This collateral may be posted in the form of cash or credit support with thresholds contingent upon PECO's credit rating from Moody's and S&P. The collateral and credit support requirements vary by contract and by counterparty. As of December 31, 2009, PECO was not required to post collateral for any of these agreements. If PECO lost its investment grade credit rating as of December 31, 2009, PECO could have been required to post approximately $49 million of collateral to its counterparties.

Exelon's interest rate swaps contain provisions that, in the event of a merger, require that Exelon's debt maintain an investment grade credit rating from Moody's or S&P. If Exelon's debt were to fall below investment grade, it would be in violation of these provisions, resulting in the ability of the counterparty to terminate the agreement prior to maturity. Collateralization would not be required under any circumstance. Termination of the agreement could result in a settlement payment by Exelon or the counterparty on any interest rate swap in a net liability position. The settlement amount would be equal to the fair value of the swap on the termination date. As of December 31, 2009, Exelon's interest rate swap was in an asset position, with a fair value of $10 million.

Accounting for the Offsetting of Amounts Related to Certain Contracts (Exelon and Generation)

On January 1, 2008, Exelon and Generation adopted guidance permitting companies to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. Exelon and Generation record cash flow hedges and other derivative and proprietary trading activities in the balance sheet on a net basis and offset the fair value amounts recognized for energy-related derivatives with cash collateral paid to or received from counterparties under master netting arrangements.

As of December 31, 2009 and 2008, $6 million and $5 million, respectively, of cash collateral received was not offset against net derivative positions, as they were not associated with energy-related derivatives.

Change in Balance Sheet Presentation of Option Premiums (Exelon and Generation)

Exelon and Generation have historically presented premiums received and paid on energy-related option contracts within other current assets, other current liabilities, other noncurrent assets or other noncurrent liabilities depending on the nature and term of the underlying option contract. The associated changes in the fair value of the option contracts were recorded in mark-to-market derivative balance sheet line items. Effective December 31, 2009, Exelon and Generation have reclassified the option premiums to the respective mark-to-market derivative asset and liability lines within the Consolidated Balance Sheets to reflect the combined fair value of the option contracts as of the balance sheet date. The December 31, 2008 balances were adjusted to reflect the impacts of this change in presentation, which is presented in the following table.

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

	Generation			Exelon		
	As Previously Stated	Option Premium Adjustments	As Adjusted	As Previously Stated	Option Premium Adjustments	As Adjusted
Mark-to-market derivative current assets	$ 410	$ 70	$ 480	$ 410	$ 70	$ 480
Other	410	(308)	102	517	(308)	209
Total Current Assets	3,724	(238)	3,486	5,368	(238)	5,130
Mark-to-market derivative noncurrent assets	490	172	662	507	172	679
Other	406	(205)	201	1,349	(205)	1,144
Total Noncurrent Assets	7,724	(33)	7,691	16,636	(33)	16,603
Total Assets	$ 20,355	$ (271)	$ 20,084	$ 47,817	$ (271)	$ 47,546
Mark-to-market derivative current liabilities	214	(2)	212	214	(2)	212
Other	324	(267)	57	663	(267)	396
Total current liabilities	2,437	(269)	2,168	4,080	(269)	3,811
Mark-to-market derivative noncurrent liabilities	24	(1)	23	24	(1)	23
Other	332	(1)	331	1,413	(1)	1,412
Total Noncurrent Liabilities	8,850	(2)	8,848	20,011	(2)	20,009
Total Liabilities and Equity	$ 20,355	$ (271)	$ 20,084	$ 47,817	$ (271)	$ 47,546

9. Debt and Credit Agreements (Exelon, Generation, ComEd and PECO)

Short-Term Borrowings

Exelon meets its short-term liquidity requirements primarily through the issuance of commercial paper. Generation and PECO meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings from the intercompany money pool. ComEd meets its short-term liquidity requirements primarily through borrowings under its credit facility.

Exelon, Generation, ComEd and PECO had the following amounts of commercial paper and credit facility borrowings outstanding at December 31, 2009 and 2008:

Commercial Paper Issuer	Maximum Program Size at December 31, 2009 (a)	Maximum Program Size at December 31, 2008 (a)	Outstanding Commercial Paper at December 31, 2009	Outstanding Commercial Paper at December 31, 2008
Exelon Corporate	$ 957	$ 957	$ —	$ 56
Generation (b)	4,834	4,834	—	—
ComEd	952	952	—	—
PECO	574	574	—	95
Total	$ 7,317	$ 7,317	$ —	$ 151

(a) Equals aggregate bank commitments under revolving credit agreements.

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

(b) Prior to July 22, 2009, ComEd was unable to access the commercial paper market given the market environment. On July 22, 2009, ComEd's commercial paper rating was upgraded giving it limited access to the commercial paper market. However, ComEd did not issue commercial paper due to more favorable rates available to it on credit facility draws.

Credit facility borrowings	December 31, 2009	December 31, 2008
ComEd	$ 155	$ 60

In order to maintain their respective commercial paper programs in the amounts indicated above, each Registrant must have revolving credit facilities in place, at least equal to the amount of its commercial paper program. While the amount of its commercial paper outstanding does not reduce available capacity under a Registrant's credit agreement, each Registrant cannot issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

The following tables present the short-term borrowings activity for Exelon, Generation, ComEd and PECO during 2009, 2008 and 2007:

Exelon

	2009	2008	2007
Average borrowings	$ 132	$ 636	$ 500
Maximum borrowings outstanding	523	1,646	1,210
Average interest rates, computed on a daily basis	0.73%	3.22%	5.55%
Average interest rates, at December 31	0.69%	0.93%	5.44%

Generation

	2009	2008	2007
Average borrowings	$ —	$ 340	$ 44
Maximum borrowings outstanding	—	1,211	740
Average interest rates, computed on a daily basis	n.a.	3.13%	5.51%
Average interest rates, at December 31	n.a.	n.a.	n.a.

ComEd

	2009	2008	2007
Average borrowings	$ 82	$ 140	$ 281
Maximum borrowings outstanding	265	568	605
Average interest rates, computed on a daily basis	0.79%	3.91%	6.01%
Average interest rates, at December 31	0.69%	0.96%	5.63%

PECO

	2009	2008	2007
Average borrowings	$ 11	$ 82	$ 76
Maximum borrowings outstanding	290	284	374
Average interest rates, computed on a daily basis	0.87%	3.22%	5.09%
Average interest rates, computed at December 31	n.a.	0.9%	5.41%

n.a. Not applicable.

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

Credit Agreements

As of December 31, 2009, Exelon Corporate, Generation and PECO had access to separate unsecured credit facilities with aggregate bank commitments of $957 million, $4.8 billion and $574 million, respectively. The credit agreements expire on October 26, 2012 unless extended in accordance with their terms. Under their credit facilities, Exelon Corporate, Generation and PECO may request additional one-year extensions of that term. In addition, Exelon Corporate, Generation and PECO may request increases in the aggregate bank commitments under their credit facilities up to an additional $250 million, $1 billion and $200 million, respectively. Generation also had additional letter of credit facilities used solely to enhance tax-exempt variable rate debt as discussed further below.

As of December 31, 2009, ComEd had access to an unsecured credit facility with aggregate bank commitments of $952 million. The credit facility expires February 16, 2011. ComEd expects to extend or refinance the facility up to $1 billion in 2010. Any increases in aggregate bank commitments are subject to identifying lenders, whether existing or new, willing to provide the additional commitments and, in the case of any new lenders, the consent of the Administrative Agent (appointed and authorized by credit facility lenders to exercise powers delegated in the credit agreement) and certain of the lenders under the credit facility.

The Registrants may use the credit facilities for general corporate purposes, including meeting short-term funding requirements and the issuance of letters of credit. The obligation of each lender to make any credit extension to a Registrant under its credit facilities is subject to various conditions including, among other things, that no event of default has occurred for the Registrant or would result from such credit extension. An event of default under any of the Registrants' credit facilities will not constitute an event of default under any of the other Registrants' credit facilities, except that a bankruptcy or other event of default in the payment of principal, premium or indebtedness in principal amount in excess of $100 million in the aggregate by Generation under its credit facility will constitute an event of default under the Exelon corporate credit facility.

At December 31, 2009, the Registrants had the following aggregate bank commitments, credit facility borrowings and available capacity under the credit agreements:

Borrower	Aggregate Bank Commitment (a)	Outstanding Borrowings/ Facility Draws	Outstanding Letters of Credit	Available Capacity under Revolving Credit Agreements
Exelon Corporate	$ 957	$ —	$ 5	$ 952
Generation	4,834	—	167	4,667
ComEd	952	155	251	546
PECO	574	—	10	564
Total	$ 7,317	$ 155	$ 433	$ 6,729

(a) Excludes $67 million of credit facility agreements arranged with minority and community banks in October 2009, which are primarily for issuing letters of credit.

Interest rates on advances under the credit facilities are based on the prime rate or LIBOR plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. In the cases of Exelon, Generation and PECO, the maximum LIBOR adder is 65 basis points; and in the case of ComEd, it is 162.5 basis points.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Each credit agreement requires the affected borrower to maintain a minimum cash from operations to interest expense ratio for the twelve-month period ended on the last day of any quarter. The ratios exclude revenues and interest expenses attributable to securitization debt, certain changes in working capital, distributions on preferred securities of subsidiaries and, in the case of Exelon and Generation, interest on the debt of its project subsidiaries. The following table summarizes the minimum thresholds reflected in the credit agreements for the year ended December 31, 2009:

	Exelon	Generation	ComEd	PECO
Credit agreement threshold	2.50 to 1	3.00 to 1	2.00 to 1	2.00 to 1

At December 31, 2009 the interest coverage ratios at the Registrants were as follows:

	Exelon	Generation	ComEd	PECO
Interest coverage ratio	13.97	25.65	5.52	5.65

Variable Rate Debt

Generation repurchased $46 million in unenhanced tax-exempt variable-rate debt on February 23, 2009 due to a failed remarketing. In June 2009, Generation refinanced the debt with $46 million in bonds at a term rate through May 2012 with a maturity of 2042.

During the second quarter of 2009, ComEd repurchased $191 million of its credit enhanced variable-rate tax-exempt debt. This debt was then remarketed with credit enhancement provided by letters of credit issued under ComEd's unsecured revolving credit facility. The letters of credit expire shortly before the expiration of the credit facility in 2011.

Generation had letters of credit that expired during the third quarter of 2009, which were used to credit enhance variable-rate long-term tax-exempt debt totaling $307 million, with maturities ranging from 2021 – 2034. Generation could not find alternative letters of credit at reasonable terms, and therefore repurchased the $307 million in tax-exempt debt during September 2009. Generation has the ability to remarket these bonds whenever it determines it to be economically advantageous given market conditions. In addition, Generation has letter of credit facilities that will expire in the second quarter of 2010, which are used to credit enhance variable-rate long-term tax-exempt debt totaling $213 million, of which $189 million will mature between 2016 – 2034. Generation intends to extend or replace the expiring letters of credit with new letters of credit at reasonable terms, or remarket the bonds with an interest rate term not requiring letter of credit support. If Generation is unable to remarket these bonds at reasonable terms, Generation will repurchase them.

Under the terms of Generation's and ComEd's variable-rate tax-exempt debt agreements, Generation or ComEd may be required to repurchase any outstanding debt before its stated maturity unless supported by sufficient letters of credit. If either Generation or ComEd were required to repurchase the debt, it would reassess its options to obtain new letters of credit or remarket the bonds in a manner that does not require letter of credit support. Generation and ComEd have classified certain amounts outstanding under these debt agreements as long-term based on management's intent and ability to either renew or replace the letters of credit, refinance the debt at reasonable terms on a long-term fixed-rate basis or utilize the capacity under existing long-term credit facilities.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Long-Term Debt

The following tables present the outstanding long-term debt at Exelon, Generation, ComEd and PECO as of December 31, 2009 and 2008:

Exelon

	Rates	Maturity Date	December 31, 2009	December 31, 2008
Long-term debt				
First Mortgage Bonds [a] [b]:				
Fixed rates	4.70%-7.625%	2010-2038	$ 6,630	$ 6,396
Floating rates	0.22%-0.26%	2017-2021	191	191
Notes payable and other [c]	4.45%-7.83%	2010-2039	4,578	4,290
Pollution control notes:				
Floating rates	0.29%-0.35%	2016-2034	213	566
Fixed rates	5.00%	2042	46	—
Sinking fund debentures	4.75%	2011	2	4
Total long-term debt			11,660	11,447
Unamortized debt discount and premium, net			(35)	(37)
Unamortized settled fair value hedge, net			(1)	(1)
Fair value hedge carrying value adjustment, net			10	17
Long-term debt due within one year			(639)	(29)
Long-term debt			$ 10,995	$ 11,397
Long-term debt to financing trusts [d]				
Payable to PETT	6.52%	2010	415	1,124
Subordinated debentures to ComEd Financing III	6.35%	2033	206	206
Subordinated debentures to PECO Trust III	7.38%	2028	81	81
Subordinated debentures to PECO Trust IV	5.75%	2033	103	103
Total long-term debt to financing trusts			805	1,514
Long-term debt due to financing trusts due within one year			(415)	(319)
Long-term debt to financing trusts			$ 390	$ 1,195

(a) Substantially all of ComEd's assets other than expressly excepted property and substantially all of PECO's assets are subject to the liens of their respective mortgage indentures.

(b) Includes First Mortgage Bonds issued under the ComEd and PECO mortgage indentures securing pollution control bonds and notes.

(c) Includes capital lease obligations of $38 million and $40 million at December 31, 2009 and 2008, respectively. Lease payments of $2 million, $2 million, $3 million, $3 million, $3 million and $25 million will be made in 2010, 2011, 2012, 2013, 2014 and thereafter, respectively.

(d) Amounts owed to these financing trusts are recorded as debt to financing trusts within Exelon's Consolidated Balance Sheets.

On September 23, 2009, Generation issued and sold $1.5 billion of Senior Notes. In connection with this debt issuance, Generation entered into forward-starting interest rate swaps in the aggregate notional amount of $1.1 billion. The interest rate swaps were settled on September 16, 2009 with Generation recording a pre-tax gain of approximately $7 million. The gain was recorded to OCI within Generation's Consolidated Balance Sheet and is being amortized over the life of the related debt as a reduction in interest expense.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Additionally, during 2009, Exelon retired $1.2 billion of Senior Notes of which $500 million consisted of 6.75% Exelon Corporate Senior Notes due May 1, 2011 and $700 million consisted of 6.95% Generation Senior Notes due June 15, 2011. In connection with these retirements, Exelon incurred losses associated with the early retirement of debt of approximately $117 million, which consisted of $46 million at Exelon Corporate and $71 million at Generation. The expense related to the charges is included within Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

Generation

	Rates	Maturity Date	December 31, 2009	December 31, 2008
Long-term debt				
Senior unsecured notes	5.20%-6.25%	2014-2039	$ 2,700	$ 1,900
Pollution control notes, floating rates	0.29%-0.35%	2016-2034	213	566
Pollution control notes, fixed rates	5.00%	2042	46	—
Notes payable and other (a)	7.83%	2010-2020	38	50
Total long-term debt			2,997	2,516
Unamortized debt discount and premium, net			(4)	(2)
Long-term debt due within one year			(26)	(12)
Long-term debt			$ 2,967	$ 2,502

(a) Includes Generation's capital lease obligations of $38 million and $40 million at December 31, 2009 and 2008, respectively. Generation will make lease payments of $2 million, $2 million, $3 million, $3 million, $3 million and $25 million in 2010, 2011, 2012, 2013, 2014 and thereafter, respectively.

ComEd

	Rates	Maturity Date	December 31, 2009	December 31, 2008
Long-term debt				
First Mortgage Bonds (a)(b):				
Fixed rates	4.70%-7.625%	2010-2038	$ 4,405	$ 4,421
Floating rates	0.22%-0.26%	2017-2021	191	191
Notes payable				
Fixed rates	6.95%	2018	140	140
Sinking fund debentures	4.75%	2011	2	4
Total long-term debt			4,738	4,756
Unamortized debt discount and premium, net			(26)	(29)
Unamortized settled fair value hedge, net			(1)	(1)
Long-term debt due within one year			(213)	(17)
Long-term debt			$ 4,498	$ 4,709
Long-term debt to financing trust (c)				
Subordinated debentures to ComEd Financing III	6.35%	2033	$ 206	$ 206

(a) Substantially all of ComEd's assets other than expressly excepted property are subject to the lien of its mortgage indenture.

(b) Includes First Mortgage Bonds issued under the ComEd mortgage indenture securing pollution control bonds and notes.

(c) Amount owed to this financing trust is recorded as debt to financing trust within ComEd's Consolidated Balance Sheets.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

PECO

	Rates	Maturity Date	December 31, 2009	December 31, 2008
Long-term debt				
First Mortgage Bonds [(a)(b)]:				
Fixed rates	4.00%-5.96%	2011-2037	$ 2,225	$ 1,975
Total long-term debt			2,225	1,975
Unamortized debt discount and premium, net			(4)	(4)
Long-term debt			$ 2,221	$ 1,971
Long-term debt to financing trusts [(c)]				
PETT Series 2000-A	7.65%	2009	$ —	$ 319
PETT Series 2001	6.52%	2010	415	805
Subordinated debentures to PECO Trust III	7.38%	2028	81	81
Subordinated debentures to PECO Trust IV	5.75%	2033	103	103
Total long-term debt to financing trusts			599	1,308
Long-term debt due to financing trusts due within one year			(415)	(319)
Long-term debt to financing trusts			$ 184	$ 989

(a) Substantially all of PECO's assets are subject to the lien of its mortgage indenture.

(b) Includes First Mortgage Bonds issued under the PECO mortgage indenture securing pollution control bonds and notes.

(c) Amounts owed to these financing trusts are recorded as debt to financing trusts within PECO's Consolidated Balance Sheets.

Long-term debt maturities at Exelon, Generation, ComEd and PECO in the periods 2010 through 2014 and thereafter are as follows:

Year	Exelon	Generation	ComEd	PECO
2010	$ 1,054[(a)]	$ 26	$ 213	$ 415[(c)]
2011	599	2	347	250
2012	828	3	450	375
2013	555	3	252	300
2014	770	503	17	250
Thereafter	8,659[(a)]	2,460	3,665[(b)]	1,234[(c)]
Total	$ 12,465	$ 2,997	$ 4,944	$ 2,824

(a) Includes $415 million and $390 million due in 2010 and thereafter, respectively, due to ComEd and PECO financing trusts.

(b) Includes $206 million due to ComEd financing trust.

(c) Includes $415 million and $184 million due in 2010 and thereafter, respectively, due to PECO financing trusts.

See Note 3—Accounts Receivable for information regarding PECO's accounts receivable agreement.

See Note 8—Derivative Financial Instruments for additional information regarding interest rate swaps.

See Note 15—Preferred Securities for additional information regarding preferred securities.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

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

Income tax expense (benefit) from continuing operations is comprised of the following components:

For the Year Ended December 31, 2009	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 803	$ 631	$ (39)	$ 329
Deferred	775	648	228	(143)
Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	154	131	4	26
Deferred	(8)	30	39	(64)
Total	$ 1,712	$ 1,433	$ 229	$ 146

For the Year Ended December 31, 2008	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 790	$ 689	$ (125)	$ 327
Deferred	341	229	230	(147)
Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	169	150	(7)	43
Deferred	29	89	33	(71)
Total	$ 1,317	$ 1,130	$ 128	$ 150

For the Year Ended December 31, 2007	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 1,269	$ 1,144	$ 2	$ 372
Deferred	34	(20)	65	(133)
Investment tax credit amortization	(12)	(7)	(3)	(2)
State				
Current	285	249	(3)	45
Deferred	(130)	(4)	19	(52)
Total	$ 1,446	$ 1,362	$ 80	$ 230

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

For the Year Ended December 31, 2009	Exelon	Generation	ComEd	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	2.1	3.0	4.7	(5.0)
Qualified nuclear decommissioning trust fund income	3.1	3.8	—	—
Domestic production activities deduction	(0.9)	(1.1)	—	—
Tax exempt income	(0.1)	(0.2)	—	—
Nontaxable postretirement benefits	(0.2)	(0.2)	(0.5)	(0.3)
Amortization of investment tax credit	(0.2)	(0.1)	(0.5)	(0.4)
Plant basis differences	—	—	(0.3)	(0.1)
Other	—	0.1	(0.4)	0.1
Effective income tax rate	38.8%	40.3%	38.0%	29.3%

For the Year Ended December 31, 2008	Exelon	Generation	ComEd	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	3.2	4.6	5.0	(3.9)
Qualified nuclear decommissioning trust fund losses	(3.2)	(3.8)	—	—
Domestic production activities deduction	(1.3)	(1.6)	—	—
Tax exempt income	(0.2)	(0.3)	—	—
Nontaxable postretirement benefits	(0.3)	(0.2)	(0.8)	(0.3)
Amortization of investment tax credit	(0.2)	(0.1)	(0.9)	(0.5)
Plant basis differences	—	—	—	0.3
Other	(0.4)	(0.2)	0.6	1.0
Effective income tax rate	32.6%	33.4%	38.9%	31.6%

For the Year Ended December 31, 2007	Exelon	Generation	ComEd	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	2.5	4.8	4.0	(0.6)
Synthetic fuel-producing facilities credit	(1.9)	—	—	—
Qualified nuclear decommissioning trust fund income	1.0	1.2	—	—
Domestic production activities deduction	(1.4)	(1.7)	—	—
Tax exempt income	(0.3)	(0.4)	—	—
Nontaxable postretirement benefits	(0.3)	(0.2)	(1.2)	(0.3)
Amortization of investment tax credit	(0.3)	(0.1)	(1.2)	(0.3)
Indirect cost capitalization method change	—	1.0	(4.6)	(3.0)
Research and development credit charge (refund)	0.6	0.7	—	—
Plant basis differences	—	—	—	0.3
Other	(0.2)	(0.1)	0.7	0.1
Effective income tax rate	34.7%	40.2%	32.7%	31.2%

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The tax effects of temporary differences, which give rise to significant portions of the deferred tax assets (liabilities), as of December 31, 2009 and 2008 are presented below:

For the Year Ended December 31, 2009	Exelon	Generation	ComEd	PECO
Plant basis differences	$ (5,838)	$ (1,635)	$ (2,333)	$ (1,710)
Stranded cost recovery	(567)	—	—	(567)
Unrealized gains on derivative financial instruments	(613)	(971)	(5)	(1)
Deferred pension and post-retirement obligation [(a)]	1,312	(161)	(248)	28
Emission allowances	(24)	(24)	—	—
Nuclear decommissioning activities [(a)]	(334)	(334)	—	—
Deferred debt refinancing costs	(59)	(3)	(47)	(9)
Goodwill [(a)]	4	(1)	—	—
Other, net	441	210	56	94
Deferred income tax liabilities (net)	$ (5,678)	$ (2,922)	$ (2,577)	$ (2,167)
Unamortized investment tax credits	(224)	(184)	(32)	(9)
Total deferred income tax liabilities (net) and unamortized investment tax credits	$ (5,902)	$ (3,106)	$ (2,609)	$ (2,176)

For the Year Ended December 31, 2008	Exelon	Generation	ComEd	PECO
Plant basis differences	$ (5,139)	$ (1,289)	$ (2,067)	$ (1,609)
Stranded cost recovery	(896)	—	—	(896)
Unrealized gains on derivative financial instruments	(581)	(749)	(5)	(1)
Deferred pension and post-retirement obligation	1,542	(93)	(218)	32
Emission allowances	(31)	(31)	—	—
Nuclear decommissioning activities	(87)	(87)	—	—
Deferred debt refinancing costs	(65)	—	(55)	(10)
Goodwill	4	—	—	—
Other, net	453	215	43	122
Deferred income tax liabilities (net)	$ (4,780)	$ (2,034)	$ (2,302)	$ (2,362)
Unamortized investment tax credits	(236)	(190)	(35)	(11)
Total deferred income tax liabilities (net) and unamortized investment tax credits	$ (5,016)	$ (2,224)	$ (2,337)	$ (2,373)

(a) As of December 31, 2008, prior to the dissolution of AmerGen on January 8, 2009, the tax effects of temporary differences related to the partnership investment of the former AmerGen nuclear generating units were classified as an investment in AmerGen, and presented in Other, net. Subsequent to the dissolution of AmerGen in 2009, the tax effects of those temporary differences were allocated to the underlying deferred tax assets and liabilities making up the temporary differences, resulting in a reclassification from Other, net to Nuclear decommissioning activities and Deferred pension and post-retirement obligation.

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

The following table provides the Registrants' carryforwards and any corresponding valuation allowances as of December 31, 2009. ComEd does not have any carryforwards as of December 31, 2009:

As of December 31, 2009	Exelon	Generation	PECO
State net operating loss carryforward	$ 736 (a)	$ [illegible]	$ —
Deferred taxes	34	9	—
Valuation allowance	16	—	—
State capital loss carryforward	455	435 (b)	20
Deferred taxes	20	18	1
Valuation allowance	19	18	1

(a) Exelon's state net operating loss carryforwards will expire beginning in 2019

(b) Generation's state capital loss carryforwards for income tax purposes will expire in 2010

Tabular reconciliation of unrecognized tax benefits

The following table provides a reconciliation of the Registrants' unrecognized tax benefits as of December 31, 2009:

	Exelon	Generation	ComEd	PECO
Unrecognized tax benefits at January 1, 2009	$ 1,495	$ 468	$ 635	$ 365
Decreases based on tax positions related to 2009	(2)	(2)	—	—
Change to positions that only affect timing	19	172	(154)	7
Increases based on tax positions prior to 2009	4	3	—	—
Decreases related to settlements with taxing authorities	(18)	(8)	(10)	—
Unrecognized tax benefits at December 31, 2009	$ 1,498	$ 633	$ 471	$ 372

The following table provides a reconciliation of the Registrants' unrecognized tax benefits as of December 31, 2008:

	Exelon	Generation	ComEd	PECO
Unrecognized tax benefits at January 1, 2008	$ 1,582	$ 431	$ [illegible]	$ 424
Increases based on tax positions prior to 2008	18	5	12	—
Change to positions that only affect timing	(74)	32	(65)	(59)
Increases based on tax positions related to 2008	3	3	—	—
Decreases related to settlements with taxing authorities	(25)	(3)	—	—
Decrease from expiration of statute of limitations	(9)	—	—	—
Unrecognized tax benefits at December 31, 2008	$ 1,495	$ 468	$ 635	$ 365

Included in Exelon's unrecognized tax benefits balance at December 31, 2009 and December 31, 2008 is approximately $1.4 billion of tax positions for which the ultimate tax benefit is highly certain, but for which there is uncertainty about the timing of such benefits. The disallowance of such positions would not materially affect the annual effective tax rate but would accelerate the payment of cash to or defer the receipt of the cash tax benefit from the taxing authority to an earlier or later period respectively.

Unrecognized tax benefits that if recognized would affect the effective tax rate

Exelon, Generation and ComEd have $95 million, $33 million and $62 million, respectively, of unrecognized tax benefits at December 31, 2009 that, if recognized, would decrease the effective tax rate. Exelon, Generation and ComEd had $93 million, $28 million and $65 million, respectively, of unrecognized tax benefits at December 31, 2008 that, if recognized, would decrease the effective tax rate.

Total amounts of interest and penalties recognized

Exelon, Generation, ComEd and PECO have reflected in their Consolidated Balance Sheets as of December 31, 2009 a net interest receivable (payable) of $28 million, $(17) million, $(28) million and $54 million, respectively, related to their uncertain tax positions. Exelon, Generation, ComEd and PECO reflected in their Consolidated Balance Sheets as of December 31, 2008 a net interest receivable (payable) of $(16) million, $(10) million, $(90) million and $48 million, respectively, related to their uncertain tax positions. The Registrants recognize accrued interest related to uncertain tax positions in interest expense (income) in other income and deductions on their Consolidated Statements of Operations. Exelon, Generation, ComEd and PECO have reflected in their Consolidated Statements of Operations net interest expense (income) of $(42) million, $9 million, $(62) million and $(5) million, respectively, related to their uncertain tax positions for the twelve months ended December 31, 2009. For the twelve months ended December 31, 2008, Exelon, Generation, ComEd and PECO reflected in their Consolidated Statements of Operations net interest expense (income) of $(31) million, $(11) million, $(2) million and $(12) million, respectively, related to their uncertain tax positions. For the twelve months ended December 31, 2007, Exelon, Generation, ComEd and PECO reflected in their Consolidated Statements of Operations net interest expense (income) of $(49) million, $24 million, $(41) million and $(20) million, respectively, related to their uncertain tax positions. The Registrants have not accrued any penalties with respect to uncertain tax positions.

Reasonably possible that total amount of unrecognized tax benefits could significantly increase or decrease within 12 months after the reporting date

Nuclear Decommissioning Liabilities (Exelon and Generation)

AmerGen filed income tax refund claims taking the position that nuclear decommissioning liabilities assumed as part of its acquisition of nuclear power plants are taken into account in determining the tax basis in the assets it acquired. The additional basis results primarily in reduced capital gains or increased capital losses on the sale of assets in nonqualified decommissioning funds and increased tax depreciation and amortization deductions. The IRS disagrees with this position and has disallowed the claims. In November of 2008, Generation received a final determination from the Appeals division of the IRS (IRS Appeals) disallowing AmerGen's refund claims. On February 20, 2009, Generation filed a complaint in the United States Court of Federal Claims to contest this determination. In August 2009, the DOJ filed its answer denying the allegations made by Generation in its complaint.

The trial judge assigned to the case has noted the availability of the court's Alternative Dispute Resolution (ADR) program as an alternative to a trial, but the parties have not yet met with the ADR judge. The ADR program is a non-binding process that utilizes a variety of techniques such as mediation, neutral evaluation, and non-binding arbitration that allow the parties to better understand their differences and their prospects for settlement. While it is unclear when the parties might meet with the ADR judge, the process could result in an expedited conclusion of the matter. As a result, Generation believes that it is reasonably possible that the total amount of unrecognized tax benefits may significantly decrease in the next twelve months.

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

Tax Method of Accounting for Repairs

In 2009, Exelon received approval from the IRS to change its method of accounting for repair costs associated with Generation's power plants. The new tax method of accounting resulted in net positive cash flow for 2009 of approximately $420 million. Although the IRS granted Exelon approval to change its method of accounting, the approval did not affirm the methodology used to calculate the deduction. Exelon has requested the IRS to review its methodology through its Pre-Filing Agreement program. If that request is granted it is reasonably possible that the total amount of unrecognized tax benefits could increase or decrease within the next 12 months.

See 1999 Sale of Fossil Generating Assets in Other Tax Matters section below for information regarding the amount of unrecognized tax benefits associated with this matter that could change significantly within the next 12 months.

See Competitive Transition Charges in Other Tax Matters section below for information regarding the amount of unrecognized tax benefits associated with this matter that could change significantly within the next 12 months.

Description of tax years that remain subject to examination by major jurisdiction

Taxpayer	Open Years
Exelon (and predecessors) and subsidiaries consolidated Federal income tax returns	1989-2008
Exelon (and predecessors) and subsidiaries Illinois unitary income tax returns	2004-2008
Exelon Ventures Company, LLC Pennsylvania corporate net income tax returns	2004-2008
PECO Pennsylvania corporate net income tax returns	2003-2008

Exelon expects the IRS to complete the audit of its 2002 through 2006 taxable years in the first quarter of 2010. Exelon does not expect there to be any material unresolved issues from that audit except for the carryover effects from ComEd's deferral of gain positions taken on the sale of its fossil generating assets (discussed below).

Other Tax Matters

1999 Sale of Fossil Generating Assets (Exelon and ComEd)

Exelon, through its ComEd subsidiary, took two positions on its 1999 income tax return to defer approximately $2.8 billion of tax gain on the 1999 sale of ComEd's fossil generating assets. Exelon deferred approximately $1.6 billion of the gain under the involuntary conversion provisions of the IRC. Exelon believes that it was economically compelled to dispose of ComEd's fossil generating plants as a result of the Illinois Act. The proceeds from the sale of the fossil plants were properly reinvested in qualifying replacement property such that the gain was deferred over the lives of the replacement property under the involuntary conversion provisions. Approximately $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the IRC. The like-kind exchange replacement property purchased by Exelon included interests in three municipal-owned electric generation facilities which were properly leased back to the municipalities.

Exelon received the IRS audit report for 1999 through 2001, which reflected the full disallowance of the deferral of gain associated with both the involuntary conversion position and the like-kind exchange transaction. Specifically, the IRS has asserted that ComEd was not forced to sell the fossil generating plants and the sales proceeds were therefore not received in connection with an involuntary conversion of certain ComEd property rights. Accordingly, the IRS has asserted that the gain on the sale of the assets was fully subject to tax. The IRS also asserted that the Exelon purchase and leaseback transaction is substantially similar to a leasing transaction, known as a SILO, which the IRS does not respect as the acquisition of an ownership interest in property. A SILO is a "listed transaction" that the IRS has identified as a potentially abusive tax shelter under guidance issued in 2005. Accordingly, the IRS has asserted that the sale of the fossil plants followed by the purchase and leaseback of the municipal owned generation facilities does not qualify as a like-kind exchange and the gain on the sale is fully subject to tax.

In addition to attempting to impose tax on the transactions, the IRS has asserted penalties of approximately $196 million for a substantial understatement of tax. Because Exelon believes it is unlikely that the penalty assertion will ultimately be sustained, Exelon and ComEd have not recorded a liability for penalties. However, should the IRS prevail in asserting the penalty it would result in an after-tax charge of $196 million to Exelon's and ComEd's results of operations.

Exelon disagrees with the IRS disallowance of the deferral of gain and specifically with the characterization of its purchase and leaseback as a SILO. Exelon has been in discussions with IRS Appeals for several months in an attempt to reach a settlement on both the involuntary conversion and like-kind exchange, in a manner commensurate with Exelon's and the IRS' respective hazards of litigation with respect to each issue. During the second quarter of 2009, Exelon determined that a settlement with IRS Appeals was unlikely and that Exelon would be required to initiate litigation in order to resolve the issues.

Accordingly, Exelon concluded that it had sufficient new information that a change in measurement was required during the second quarter of 2009. As a result of the required remeasurement of these two positions in the second quarter, Exelon recorded a $31 million (after-tax) interest benefit of which $40 million (after-tax) was recorded at ComEd. The difference in amounts recorded at Exelon and ComEd is due to the method of allocating interest to the Registrants.

Due to the fact that tax litigation often results in a negotiated settlement, Exelon believes that an eventual settlement on the involuntary conversion position remains a likely outcome. Exelon and ComEd have established a liability for an unrecognized tax benefit consistent with their view as to a likely settlement. Management has considered the progress of the ongoing discussions with the IRS Appeals and determined that there were no new developments during the fourth quarter of 2009 that require a remeasurement of the amounts recorded. Based on management's expectations as to the ongoing potential of a settlement, it is reasonably possible that the unrecognized tax benefits related to this issue may significantly increase or decrease within the next 12 months. It is not possible at this time to predict the amount, if any, of such a change.

With regard to the like-kind exchange transaction, Exelon does not currently believe it is possible to reach a negotiated settlement with either IRS Appeals or the Government's lawyers prior to a trial. While Exelon has been and remains willing to settle the issue in a manner generally commensurate with its hazards of litigation, the IRS has indicated that it will only settle the issue in a manner consistent with published settlement guidelines for SILO transactions. Those guidelines require a nearly complete concession of the issue by Exelon. Exelon does not believe that its transaction is the same as or substantially similar to a SILO and does not believe that the concession demanded by the IRS reflects the strength of Exelon's position. Accordingly, Exelon currently believes it is likely that the issue will be fully litigated. Given that Exelon has determined settlement is no longer a realistic outcome, it has assessed in accordance with accounting standards whether it will prevail in litigation. While Exelon recognizes the complexity and hazards of this litigation, it believes that it is more likely than not that it will prevail in such litigation and has therefore eliminated any liability for unrecognized tax benefits.

A fully successful IRS challenge to Exelon's and ComEd's involuntary conversion position and like-kind exchange transaction would accelerate income tax payments and increase interest expense related to the deferred tax gain that becomes currently payable. As of December 31, 2009, Exelon's and ComEd's potential tax and interest that could become currently payable in the event of a successful IRS challenge could be as much as $1.1 billion. Any payments ultimately determined to be due to the IRS related to the involuntary conversion position and the like-kind exchange transaction would be partially offset by the approximately $300 million refund due from the settlement of the 2001 tax method of accounting change for certain overhead costs under the SSCM. A favorable settlement of the tax position related to the CTCs (discussed below) for the 1999-2001 years could also offset a portion of any tax liability due with respect to the final outcome on these positions. If the IRS were to prevail in litigation on both tax positions, Exelon's and ComEd's results of operations could be negatively affected by as much as $300 million (after-tax) related to interest expense.

Competitive Transition Charges (Exelon, ComEd and PECO)

Exelon contends that the Illinois Act and the Competition Act resulted in the taking of certain of ComEd's and PECO's assets used in their respective businesses of providing electricity services in their defined service areas. Exelon has filed refund claims with the IRS taking the position that CTCs collected during ComEd's and PECO's transition periods represent compensation for that taking and, accordingly, are excludible from taxable income as proceeds from an involuntary conversion. If Exelon is successful in its claims, it will be required to reduce the tax basis of property acquired with the funds provided by the CTCs such that the benefits of the position are temporary in nature. The IRS has disallowed the refund claims for the 1999-2001 tax years. Exelon has protested the disallowance and is currently discussing the refund claims with IRS Appeals. The years 2002-2006 are currently under IRS audit and Exelon expects the claims for those years to be disallowed.

Under the Illinois Act, ComEd was required to allow competitors the use of its distribution system resulting in the taking of ComEd's assets and lost asset value (stranded costs). As compensation for the taking, ComEd was permitted to collect a portion of the stranded costs through the collection of CTCs from those customers electing to purchase electricity from providers other than ComEd. ComEd collected approximately $1.2 billion in CTCs for the years 1999-2006.

Similarly, under the Competition Act, PECO was required to allow others the use of its distribution system resulting in the taking of PECO's assets and the stranded costs. Pennsylvania permitted PECO to collect CTCs as compensation for its stranded costs. The PAPUC determined the total amount of stranded costs that PECO was permitted to collect through the CTCs to be $5.3 billion. PECO has collected approximately $4.4 billion in CTCs for the period 2000 through December 31, 2009. PECO will continue billing CTCs through 2010.

ComEd and PECO have recognized tax benefits associated with the CTC refund claims and have accrued interest on this tax position. Exelon's, ComEd's and PECO's management believe that the issue has been appropriately recognized; however, the ultimate outcome of this matter could result in unfavorable or favorable impacts to the results of operations and financial positions as well as potential favorable impacts to cash flows, and such impacts could be material. Management has considered the progress of this matter before IRS Appeals and determined that there are no new developments that lead to a remeasurement of the amounts recorded. Based on management's expectations as to the length of the appeal, it is reasonably possible that the unrecognized tax benefits related to this issue may significantly increase or decrease within the next 12 months. It is not possible at this time to predict the amount, if any, of such a change.

Indirect Cost Capitalization (Exelon, Generation, ComEd and PECO)

In 2001, Exelon filed a request with the IRS to change its tax method of accounting for certain overhead costs under the SSCM effective for years 2001-2004. The tax method change resulted in the deduction of certain overhead costs previously capitalized. In the fourth quarter of 2007, Exelon and the IRS agreed to apply industry-wide guidelines for settling the amount of indirect overhead costs previously capitalized. Based on acceptance of the settlement guidelines, Exelon recorded, in the fourth quarter of 2007, an estimated interest benefit of approximately $40 million (after tax) net of a contingent tax consulting fee of $6 million (after tax). ComEd and PECO recorded an estimated interest benefit (after tax and net of fee) of approximately $26 million and $8 million, respectively. ComEd and PECO recorded a current tax benefit of $13 million and $26 million, respectively, offset with a deferred tax expense recorded at Generation of $38 million. In the second quarter of 2008, Exelon reached final settlement with the IRS as to the amounts of the benefit determined through the application of the IRS settlement guidelines. As a result, Exelon recognized an additional interest benefit of $10 million (after tax) of which $7 million and $2 million of the interest benefit was attributable to ComEd and PECO, respectively. ComEd and PECO recorded a current tax benefit of $4 million and $2 million, respectively, offset with a deferred tax expense recorded at Generation of $6 million.

For years beginning after 2004, Exelon, ComEd and PECO were required to discontinue use of the SSCM and adopt a new method of capitalizing indirect costs. In the third quarter of 2007, ComEd and PECO developed a new indirect cost capitalization method. As a result, Exelon recorded an estimated interest benefit of $5 million (after tax). ComEd and PECO recorded an estimated interest benefit (after tax) of $2 million and $3 million, respectively. During the fourth quarter of 2008, the IRS indicated its agreement with this new method of capitalizing indirect overhead costs. Therefore, Exelon recorded an additional interest benefit (after tax) of $12 million of which $15 million and $2 million was attributable to ComEd and PECO, respectively. In 2009, the IRS industry director issued a new directive for determining the amount of indirect costs capitalized to inventory and self-constructed property, which was consistent with Exelon's methodology.

Illinois Replacement Investment Tax Credits (Exelon, Generation and ComEd)

On February 20, 2009, the Illinois Supreme Court ruled in Exelon's favor in a case involving refund claims for Illinois investment tax credits. Consequently, Exelon recorded approximately $42 million (after tax) of income in results of operations in the first quarter of 2009 to reflect the refund claims for investment tax credits and associated interest for the years 1995 – 2008; $35 million and $8 million were recorded at ComEd and Generation, respectively.

Responding to the Illinois Attorney General's petition for rehearing, on July 15, 2009, the Illinois Supreme Court modified its opinion to indicate that it was to be applied only prospectively, beginning in 2009. Exelon filed a Petition for Rehearing with the Illinois Supreme Court on August 4, 2009. The Petition for Rehearing was denied by the Illinois Supreme Court on September 28, 2009. As a result, Exelon, Generation and ComEd recorded a charge to third quarter 2009 results of operations to reverse the income previously recognized.

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On December 22, 2009, Exelon filed a Petition of Writ for Certiorari with the United States Supreme Court appealing the Illinois Supreme Court's July 15, 2009 modified opinion. In the third quarter of 2009 Exelon, Generation and ComEd decreased their unrecognized tax benefits related to this position. However, as a result of the filing of the United States Supreme Court petition the unrecognized tax benefits continue to be reported.

Research and Development Settlement (Exelon, Generation and ComEd)

In 2007, ComEd and the IRS reached an agreement to settle a research and development claim for tax years 1989 -1998. The incremental impact recorded by ComEd in the fourth quarter of 2007, above the amount recorded with the adoption of the authoritative guidance for accounting for uncertain income tax positions, resulted in a reduction to goodwill of $35 million, interest income of $15 million (after tax) and a contingent tax consulting fee of $8 million (after tax). Generation recorded a deferred tax liability and tax expense of $27 million related to the reduction of future depreciation due to the basis reduction of the related assets transferred from ComEd. The contingent fee was accounted for in accordance with the authoritative guidance for accounting for contingent liabilities and recognized in the fourth quarter of 2007.

Long-Term State Tax Apportionment (Exelon and Generation)

Exelon and Generation periodically review events that may significantly impact how income is apportioned among the states and, therefore, the calculation of Exelon's and Generation's deferred state income taxes. On April 16, 2009, the PAPUC approved PECO's electricity procurement proposal that will have an impact on Exelon's and Generation's apportionment of income among the states. Accordingly, Exelon and Generation reevaluated the impacts to deferred state taxes in the second quarter of 2009. The effect of such evaluations resulted in the recording of a non-cash deferred state tax benefit in the amount of $34.7 million, net of taxes. Exelon and Generation have treated electricity as tangible personal property for this purpose which is consistent with the February and July 2009 Illinois Supreme Court decisions.

Tax Restructuring (Exelon)

In the fourth quarter of 2007, Exelon completed a tax restructuring to allow the utilization of separate company losses for state income tax purposes. As a result of the restructuring, Exelon recorded a deferred tax benefit of approximately $63 million related primarily to temporary differences originating through OCI. The effect of the tax restructuring in the fourth quarter of 2007 and its impact on the deferred tax assets at Exelon were recorded in net income.

Investments in Synthetic Fuel-Producing Facilities (Exelon)

Exelon, through three separate wholly owned subsidiaries, owned interests in two limited liability companies and one limited partnership (collectively, the sellers) that own synthetic fuel-producing facilities. Prior to December 31, 2007, Section 45K (formerly Section 29) of the IRC provided tax credits for the sale of synthetic fuel produced from coal. The ability to earn these synthetic fuel tax credits expired on December 31, 2007 and, as such, the synthetic fuel-producing facilities that Exelon had interests in ceased operations on or before December 31, 2007. The agreements with the Sellers terminated in 2008.

Interests in synthetic fuel-producing facilities did not have any net impact on Exelon's net income for the years ended December 31, 2009 and December 31, 2008 and increased Exelon's net income by $87 million during the year ended December 31, 2007. Net income from interests in synthetic fuel-producing facilities is reflected in the Consolidated Statements of Operations in income taxes, operating and maintenance expense, depreciation and amortization expense, interest expense, equity in losses of unconsolidated affiliates and other, net.

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

Tax Sharing Agreement (Exelon, Generation, ComEd and PECO)

Generation, ComEd and PECO are all party to an agreement with Exelon and other subsidiaries of Exelon that provides for the allocation of consolidated tax liabilities and benefits (Tax Sharing Agreement). The Tax Sharing Agreement provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. In addition, any net benefit attributable to Exelon is reallocated to the other Registrants. That allocation is treated as a contribution to the capital of the party receiving the benefit. During 2009, Generation, ComEd and PECO recorded an allocation of Federal tax benefits from Exelon under the Tax Sharing Agreement of $57 million, $8 million and $27 million, respectively.

11. Asset Retirement Obligations (Exelon, Generation, ComEd and PECO)

Nuclear Decommissioning Asset Retirement Obligations

Generation has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. Generation will pay for its respective obligations using trust funds that have been established for this purpose. The following table provides a rollforward of the nuclear decommissioning ARO reflected on Exelon's and Generation's Consolidated Balance Sheets, from January 1, 2008 to December 31, 2009:

	Exelon and Generation
Nuclear decommissioning ARO at January 1, 2008	$ 3,578
Net decrease resulting from updates to estimated future cash flows	(300)
Accretion expense	221
Payments to decommission retired plants	(14)
Nuclear decommissioning ARO at December 31, 2008 [(a)]	3,485
Net decrease resulting from updates to estimated future cash flows	(409)
Accretion expense	203
Payments to decommission retired plants	(19)
Nuclear decommissioning ARO at December 31, 2009 [(a)]	$ 3,260

(a) Includes $17 million and $13 million as the current portion of the ARO at December 31, 2009 and 2008, respectively, which is included in other current liabilities on Exelon's and Generation's Consolidated Balance Sheets.

During 2009, Generation recorded a net decrease in the ARO of $409 million, primarily due to an update in the third quarter of 2009, which reflected updated decommissioning cost studies received for six nuclear units and a decline from the previous year in the cost escalation factor assumptions used to estimate future undiscounted decommissioning costs. This decrease in the ARO resulted in the recognition of $47 million of income (pre-tax), which is included in operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations, representing the reduction in the ARO in excess of the existing ARC balances for the Non-Regulatory Agreement Units.

During 2008, Generation recorded a net decrease in the ARO of $300 million, primarily due to an update in the third quarter of 2008, which reflected updated decommissioning cost studies received for seven nuclear units, a decline from the previous year in the cost escalation factor assumptions used to estimate future undiscounted decommissioning costs and a change in management's expectation of the year in which the DOE will begin accepting SNF (from the previous estimate of 2018 to 2020), partially offset by a change in the probabilities assigned to decommissioning alternatives for Zion Station to reflect a revised probability for accelerated decommissioning. The decrease in the ARO resulted in the recognition of $19 million of income (pre-tax), which is included in operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Operations, representing the reduction in the ARO in excess of the existing ARC balances for the Non-Regulatory Agreement Units.

Overview of Trust Funds. Trust funds have been established for each generating station unit to satisfy Generation's nuclear decommissioning obligations. Trust funds established for a particular unit may not be used to fund the decommissioning obligations of any other unit.

The trusts funds associated with the former ComEd, former PECO and former AmerGen units have been funded with amounts collected from ComEd customers, PECO customers and the previous owners of the former AmerGen plants, respectively. Based on an ICC order, ComEd ceased collecting amounts from its customers to pay for decommissioning costs. PECO currently collects funds, in revenues, for decommissioning the former PECO nuclear plants through regulated rates, and these collections are expected to continue through the operating lives of the plants. The amounts collected from PECO customers are remitted to Generation and deposited into the trust funds. Every five years, the PAPUC reviews the adequacy of the annual amount that PECO is allowed to collect from its customers. Based on this review, the PAPUC may adjust PECO's collections upward or downward. Based on the most recent PAPUC review, effective January 1, 2008, the annual collection amount was set at $29 million. The next five-year adjustment is expected to be reflected in rates charged to PECO customers effective January 1, 2013. With respect to the former AmerGen units, Generation does not collect any amounts, nor is there any mechanism by which Generation can seek to collect additional amounts, from customers. Apart from the contributions made to the trust funds from amounts collected from ComEd and PECO customers, Generation has not made contributions to the trust funds.

Any shortfall of funds necessary for decommissioning, determined for each generating station unit, is ultimately required to be funded by Generation. Generation has recourse to collect additional amounts from PECO customers related to a shortfall of trust funds for the former PECO units, subject to certain limitations and thresholds, as prescribed by an order from the PAPUC. Generally, PECO will not be allowed to collect amounts associated with the first $50 million of any shortfall of trust funds, on an aggregate basis for all former PECO units, compared to decommissioning obligations, as well as 5% of any additional shortfalls. This initial $50 million and up to 5% of any additional shortfalls would be borne by Generation. No recourse exists to collect additional amounts from ComEd customers for the former ComEd units or from the previous owners of the former AmerGen units. With respect to the former ComEd and PECO units, any funds remaining in the trusts after decommissioning has been completed are required to be refunded to ComEd's or PECO's customers, subject to certain limitations that allow sharing of excess funds with Generation related to the former PECO units. With respect to the former AmerGen units, Generation retains any funds remaining in the trusts after decommissioning.

Accounting Implications of the Regulatory Agreements with ComEd and PECO. Based on the regulatory agreement with the ICC that dictates Generation's obligations related to the shortfall or excess of trust funds necessary for decommissioning the former ComEd units on a unit-by-unit basis, as long as funds held in the NDT funds exceed the total estimated decommissioning obligation, decommissioning-related activities, including realized and unrealized income and losses on the trust funds and accretion of the decommissioning obligation, are generally offset within Exelon's and Generation's Consolidated Statements of Operations. The offset of decommissioning-related activities within the Consolidated Statement of Operations results in an equal adjustment to the noncurrent payables to affiliates at Generation and an adjustment to the regulatory liabilities at Exelon. Likewise, ComEd has recorded an equal noncurrent affiliate receivable from Generation and corresponding regulatory liability. Should the value of the trust fund for any former ComEd unit fall below the amount of the estimated decommissioning obligation for that unit, the accounting to offset decommissioning-related activities in the Consolidated Statement of Operations for that unit would be discontinued, the decommissioning-related activities would be recognized in the Consolidated Statements of Operations and the adverse impact to Exelon's and Generation's results of operations and financial position could be material. At December 31, 2009, the trust funds of each of the former ComEd units exceeded the related decommissioning obligation for each of the units. For the purposes of making this determination, the decommissioning obligation referred to is the ARO reflected on Generation's Consolidated Balance Sheet at December 31, 2009 and is different from the calculation used in the NRC minimum funding obligation filings based on NRC guidelines.

Based on the regulatory agreement supported by the PAPUC that dictates Generation's rights and obligations related to the shortfall or excess of trust funds necessary for decommissioning the seven former PECO nuclear units, regardless of whether the funds held in the NDT funds exceed or fall short of the total estimated decommissioning obligation, decommissioning-related activities are generally offset within Exelon's and Generation's Consolidated Statements of Operations. The offset of decommissioning-related activities within the Consolidated Statement of Operations results in an equal adjustment to the noncurrent payables to affiliates at Generation and an adjustment to the regulatory liabilities at Exelon. Likewise, PECO has recorded an equal noncurrent affiliate receivable from Generation and a corresponding regulatory liability. Any changes to the PECO regulatory agreements could impact Exelon's and Generation's ability to offset decommissioning-related activities within the Consolidated Statement of Operations, and the impact to Exelon's and Generation's results of operations and financial position could be material. See Note 2—Regulatory Issues for information regarding a PAPUC investigation to determine if PECO's decommissioning cost collections from customers should continue after December 31, 2010.

The decommissioning-related activities related to the Clinton, Oyster Creek and Three Mile Island nuclear plants (the former AmerGen units) and the portions of the Peach Bottom nuclear plants that are not subject to regulatory agreements with respect to the NDT funds are reflected in Exelon's and Generation's Consolidated Statements of Operations, as there are no regulatory agreements associated with these units. Refer to Note 19—Supplemental Financial Information and Note 21—Related Party Transactions for information regarding regulatory liabilities at ComEd and PECO and intercompany balances between Generation, ComEd and PECO reflecting the obligation to refund the customers any decommissioning-related assets in excess of the related decommissioning obligations.

NRC Minimum Funding Requirements. NRC regulations require that licensees of nuclear generating facilities demonstrate reasonable assurance that funds will be available in specified minimum amounts at the end of the life of the facility to decommission the facility. During 2008, the value of the trust funds declined significantly due to unrealized losses as a result of adverse financial market conditions. Despite this decline in value, Generation believes that the decommissioning trust funds for the nuclear generating stations formerly owned by ComEd, PECO and AmerGen, the expected earnings thereon and, in the case of the former PECO stations, the remaining amounts to be collected from PECO's customers will ultimately be sufficient to fully fund Generation's decommissioning obligations for its nuclear generating stations in accordance with NRC regulations.

Generation is required to provide to the NRC a biennial report by unit (annually for units that have been retired or are within five years of the current approved license life), based on values as of December 31, addressing Generation's ability to meet the NRC minimum funding levels. Depending on the value of the trust funds, Generation may be required to take steps, such as providing financial guarantees through letters of credit or parent company guarantees or make additional contributions to the trusts, which could be significant, to ensure that the trusts are adequately funded and that NRC minimum funding requirements are met. As a result, Exelon's and Generation's cash flows and financial position may be significantly adversely affected.

Generation's most recent report was filed with the NRC on March 31, 2009, based on trust fund values and estimated decommissioning obligations as of December 31, 2008. The estimated decommissioning obligations for the NRC report were calculated in accordance with NRC regulations, and differ from the ARO recorded on Generation's and Exelon's Consolidated Balance Sheets at December 31, 2008, primarily due to differences in assumptions regarding the decommissioning alternatives to be used and potential license renewals.

On July 13, 2009, the NRC published a summary of decommissioning trust fund shortfalls at industry nuclear units, which for Generation's nuclear generating stations set forth an aggregate underfunded position of approximately $1.0 billion. The NRC calculation assumes one scenario where decommissioning activities are completed within seven years after the cessation of plant operations. Under NRC regulations, nuclear unit owners have up to 60 years to complete decommissioning after the cessation of operations, during which time decommissioning funds would continue to be invested. The NRC did not publish any calculations for alternative scenarios where decommissioning activities are completed at a later time during the 60-year window. Generation, consistent with NRC regulations, makes its calculations based upon the 60-year decommissioning scenario. Consistent with studies approved by the NRC and assuming that decommissioning activities are completed within the permissible 60-year regulatory time period, Generation believes that six units at three nuclear generating stations were in an underfunded position by approximately $185 million in total relative to the NRC minimum funding requirement as of December 31, 2008. Over 90% of this total is attributable to Generation's four units at Braidwood and Byron, where Generation has not yet filed for license extensions. Although the NRC does not allow for potential license extensions to be credited in calculating NRC minimum funding requirements, to the extent that license extensions are granted for these units, decommissioning funds will continue to be invested for an additional 20-year period. Generation presently anticipates that it will file for license extensions for these units consistent with its ongoing business plan.

Generation and other industry members are engaged in ongoing discussions with the NRC regarding the NRC's calculations. On July 31, 2009, Generation submitted its plan to the NRC to remediate the remaining underfunded position. The multi-step plan is expected to fully remediate any underfunded positions calculated as of December 31, 2009 by April 1, 2010. Additionally, the plan provides for an annual assessment of Generation's remediation of any underfunded position. Based on the latest calculations and trust fund values, Generation believes that the underfunded position is $45 million as of December 31, 2009. Generation does not expect that any cash contributions to the funds will be required; instead, Generation anticipates that any underfunded position will be addressed through other financial guarantee methods as allowed by NRC regulations and laid out in the plan submitted to the NRC by Generation.

As the future values of trust funds change due to market conditions, the NRC minimum funding status of Generation's units will change. In addition, if changes occur to the regulatory agreement with the PAPUC that currently allows amounts to be collected from PECO customers for decommissioning the former PECO nuclear plants, the NRC minimum funding status of those plants could change at subsequent NRC filing dates. At present, Generation anticipates that it will remedy any underfunded position remaining after full implementation of its funding assurance plan as submitted to the NRC through the issuance of a limited guarantee from Exelon in the amount of up to $45 million, rather than through cash contributions to the decommissioning trust funds.

Nuclear Decommissioning Trust Fund Investments

At December 31, 2009 and December 31, 2008, Exelon and Generation had NDT fund investments totaling $6,669 million and $5,500 million, respectively.

In the first quarter of 2009, Generation performed a rebalancing of its NDT fund investments in order to bring the mix of equity and fixed income investments into alignment with targeted ratios. At December 31, 2009, approximately 53% of the funds were invested in equity and 47% were invested in fixed income securities. At December 31, 2008, approximately 39% of the funds were invested in equity and 61% were invested in fixed income securities.

Generation's NDT funds participate in a securities lending program with the trustees of the funds. The program authorizes the trustees to loan securities that are assets of the trust funds to approved borrowers. The trustees require borrowers, pursuant to a security lending agreement, to deliver collateral to secure each loan. The securities are required to be collateralized by cash, U.S. Government securities or irrevocable bank letters of credit. Initial collateral levels are no less than 102% and 105% of the market value of the borrowed securities for collateral denominated in U.S. and foreign currency, respectively. Subsequent collateral levels, which are adjusted daily, must be maintained at a level no less than 100% of the market value of borrowed securities. Cash collateral received is primarily invested in a short-term collateral fund, but may also be invested in assets with maturities matching, or approximating, the duration of the loan of the related securities. Collateral may not be sold or re-pledged by the trustees; however, the borrowers may sell or re-pledge the securities loaned. Generation bears the risk of loss with respect to its invested cash collateral. Such losses may result from a decline in fair value of specific investments or liquidity impairments resulting from current market conditions. Generation, the trustees and the borrowers have the right to terminate the lending agreement at their discretion, upon which borrowers would return securities to Generation in exchange for their cash collateral. If the short-term collateral funds do not have adequate liquidity, Generation may incur losses upon the withdrawal of amounts from the funds to repay the borrowers' collateral. Losses recognized by Generation, whether the result of declines in fair value or liquidity impairments, have not been significant to date. Management continues to monitor the performance of the invested collateral and to work closely with the trustees to limit any potential further losses.

In the fourth quarter of 2008, Generation decided to end its participation in the securities lending program and chose to initiate a gradual withdrawal of the trusts' investments in order to minimize potential losses due to the lack of liquidity in the market. As part of its withdrawal plan and in order to minimize realized losses, Generation temporarily increased its securities on loan during 2009. This temporary increase does not change Generation's intent to end its participation in the securities lending program. Currently, the weighted average maturity of the securities within the collateral pools is approximately 4 months. At December 31, 2008, Generation had $380 million of loaned securities outstanding and held $386 million of related collateral under its lending agreements. At December 31, 2009, Generation had $357 million of loaned securities outstanding and held $366 million of related collateral under its lending agreements, representing a decrease in loaned securities outstanding since December 31, 2008 of $23 million primarily due to the return of loaned securities.

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

A portion of the income generated through the investment of cash collateral is remitted to the borrowers, and the remainder is allocated between the trust funds and the trustees in their capacity as security agents. Securities lending income allocated to the NDT funds is included in NDT fund earnings and classified as Other, net in Exelon's and Generation's Consolidated Statements of Operations and was not significant during the years ended December 31, 2009 and 2008.

The following table provides unrealized gains (losses) on NDT funds and other-than-temporary impairment of NDT funds for the years ended 2009, 2008 and 2007:

	Exelon and Generation		
	For the Years Ended December 31,		
	2009	2008	2007
Net unrealized gains (losses) on decommissioning trust funds—Regulatory Agreement Units [a]	$ 799	$ (1,023)	$ 43
Net unrealized gains (losses) on decommissioning trust funds—Non-Regulatory Agreement Units [b]	227[d]	(324)[d]	(14)[e]
Other-than-temporary impairment of decommissioning trust funds—Regulatory Agreement Units [c]	n/a	n/a	(84)[a][b]
Other-than-temporary impairment of decommissioning trust funds—Non-Regulatory Agreement Units [c]	n/a	n/a	(9)[d]

(a) Generation's NDT funds associated with the former ComEd and former PECO nuclear generating units that are subject to regulatory agreements with respect to NDT funding are subject to contractual elimination pursuant to regulatory accounting and included in regulatory liabilities on Exelon's Consolidated Balance Sheets and noncurrent payables to affiliates on Generation's Consolidated Balance Sheets.

(b) Generation's NDT funds that are not subject to a regulatory agreement with respect to NDT funding are included within Other, net in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

(c) As a result of certain NRC restrictions, Exelon and Generation were unable to demonstrate the ability and intent to hold the NDT fund investments through a recovery period and, in accordance with other-than-temporary impaired investment authoritative guidance, recognized any unrealized holding losses immediately.

(d) Included in Other, net in Exelon's and Generation's Consolidated Statement of Operations.

(e) Included in accumulated OCI on Exelon's and Generation's Consolidated Balance Sheet.

Interest and dividends on NDT fund investments are recognized when earned and are included in Other, net in Exelon's and Generation's Consolidated Statements of Operations. Interest and dividends earned on the NDT fund investments for the Regulatory Agreement Units, which are subject to regulatory accounting, are eliminated within Other, net in Exelon and Generation's Consolidated Statement of Operations.

Non-Nuclear Asset Retirement Obligations (Exelon, Generation, ComEd, and PECO)

Generation has AROs for plant closure costs associated with its fossil and hydroelectric generating stations, including asbestos abatement, removal of certain storage tanks and other decommissioning-related activities. ComEd and PECO have AROs primarily associated with the abatement and disposal of equipment and buildings contaminated with asbestos and PCBs.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The following table presents the activity of the non-nuclear AROs reflected on the Registrants' Consolidated Balance Sheets from January 1, 2008 to December 31, 2009:

	Exelon	Generation	ComEd	PECO
Non-nuclear AROs at January 1, 2008	$ 250	$ 64	$ 163	$ 22
Net increase[a] resulting from updates to estimated future cash flows	8	5	2	1
Accretion	14	4	10	1
Payments	(10)	(9)	(1)	—
Non-nuclear AROs at December 31, 2008	262	64	174	24
Net increase[a] (decrease) resulting from updates to estimated future cash flows	(81)	5	(85)	(1)
Accretion	12	4	8	1
Payments	(2)	—	(2)	—
Non-nuclear AROs at December 31, 2009	$ 191	$ 73	$ 95	$ 24

(a) For ComEd and PECO, the majority of the accretion is recorded as an increase to a regulatory asset due to the associated regulations.

During 2009, ComEd recorded an $85 million reduction to its ARO liabilities and offsetting credits to the associated regulatory accounts based on management's revised assumptions. This change in estimate did not have an impact on ComEd's results of operations or cash flows.

12. Spent Nuclear Fuel Obligation (Exelon and Generation)

Under the NWPA, the DOE is responsible for the development of a geologic repository for and the disposal of SNF and high-level radioactive waste. As required by the NWPA, Generation is a party to contracts with the DOE (Standard Contracts) to provide for disposal of SNF from Generation's nuclear generating stations. In accordance with the NWPA and the Standard Contracts, Generation pays the DOE one mill ($.001) per kWh of net nuclear generation for the cost of SNF disposal. This fee may be adjusted prospectively in order to ensure full cost recovery. The NWPA and the Standard Contracts required the DOE to begin taking possession of SNF generated by nuclear generating units by no later than January 31, 1998. The DOE, however, failed to meet that deadline and its performance will be delayed significantly. In January 2009, the DOE issued its Draft National Transportation Plan for the proposed repository. The DOE's press statement accompanying the release of the plan indicated that shipments to the repository are not expected to begin before 2020.

The 2010 Federal budget (which became effective October 1, 2009) eliminated almost all funding for the creation of the Yucca Mountain repository while the Obama Administration devises a new strategy for long-term SNF management. Debate surrounding any new strategy likely will address centralized interim storage, permanent storage at multiple sites and/or SNF reprocessing. Given the program's history of funding restrictions, it is possible that shipments to the repository may not begin by 2020. Because there is no particular date after 2020 that Generation can establish as having a higher probability as the start date for facility operations, Generation uses the 2020 date as its best estimate of when the DOE will begin accepting SNF. This extended delay in SNF acceptance by the DOE has led to Generation's adoption of dry cask storage at its Dresden, Limerick, Oyster Creek, Peach Bottom, Byron, Braidwood, LaSalle and Quad Cities stations. Generation performed sensitivity analyses assuming that the estimated date for the DOE acceptance of SNF was delayed to 2025 and to 2035 and determined that Generation's aggregate nuclear ARO would be reduced by an immaterial amount in each scenario. In August 2004, Generation and the U.S. DOJ, in close consultation with the DOE, reached a settlement under which the government agreed to reimburse Generation for costs associated with storage of SNF at Generation's nuclear stations pending the DOE's fulfillment of its obligations. Generation submits annual reimbursement requests to the DOE for costs associated with the storage of SNF. In all cases, reimbursement requests are made only after costs are incurred and only for costs resulting from DOE delays in accepting the SNF.

Under the agreement, Generation has received cash reimbursements for costs incurred through April 30, 2009, totaling approximately $360 million ($282 million after considering amounts due to co-owners of certain nuclear stations and to the former owner of Oyster Creek). As of December 31, 2009, the amount of SNF storage costs for which reimbursement will be requested from the DOE under the settlement agreement is $69 million, which is recorded within accounts receivable, other. This amount is comprised of $17 million, which has been recorded as a reduction to operating and maintenance expense, and $49 million, which has been recorded as a reduction to capital expenditures. The remaining $3 million represents amounts owed to the co-owners of the Peach Bottom and Quad Cities generating facilities.

The Standard Contracts with the DOE also required the payment to the DOE of a one-time fee applicable to nuclear generation through April 6, 1983. The fee related to the former PECO units has been paid. Pursuant to the Standard Contracts, ComEd previously elected to defer payment of the one-time fee of $277 million for its units (which are now part of Generation), with interest to the date of payment, until just prior to the first delivery of SNF to the DOE. As of December 31, 2009, the unfunded SNF liability for the one-time fee with interest was $1,017 million. Interest accrues at the 13-week Treasury Rate. The 13-week Treasury Rate in effect, for calculation of the interest accrual at December 31, 2009, was 0.061%. The liabilities for SNF disposal costs, including the one-time fee, were transferred to Generation as part of the 2001 corporate restructuring. The outstanding one-time fee obligation for the Oyster Creek and TMI units remains with the former owners. Clinton has no outstanding obligation. See Note 7—Fair Value of Assets and Liabilities for additional information.

13. Retirement Benefits (Exelon, Generation, ComEd and PECO)

As of December 31, 2009, Exelon sponsored seven defined benefit pension plans and three postretirement benefit plans for essentially all Generation, ComEd, PECO and BSC employees.

Exelon's traditional and cash balance pension plans are intended to be tax-qualified defined benefit plans. Substantially all non-union employees and electing union employees hired on or after January 1, 2001 participate in cash balance pension plans. Effective January 1, 2009, substantially all newly hired union-represented employees participate in cash balance pension plans. Exelon has elected that the trusts underlying the plans be treated under the IRC as qualified trusts. If certain conditions are met, Exelon can deduct payments made to the qualified trusts, subject to certain IRC limitations. Exelon also sponsors certain non-qualified pension plans.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Benefit Obligations and Plan Assets, and Funded Status

Exelon recognizes the overfunded or underfunded status of defined benefit pension and other postretirement plans as an asset or liability on its balance sheet, with offsetting entries to Accumulated Other Comprehensive Income (AOCI) and regulatory assets, in accordance with the applicable authoritative guidance. The impact of changes in assumptions used to measure pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the plan participants, rather than immediately recognized. The measurement date for the plans is December 31. The obligations reflect the impact of Exelon's 2009 restructuring activities and changes in certain plans related to some union participants. The following table provides a rollforward of the changes in the benefit obligations and plan assets for the most recent two years for all plans combined:

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Net benefit obligation at beginning of year	$ 10,788	$ 10,427	$ 3,480	$ 3,335
Service cost	178	163	113	108
Interest cost	651	635	205	208
Plan participants' contributions	—	—	18	22
Actuarial loss (gain)	479	176	31	(14)
Plan Amendments	2	16	—	—
Curtailments/settlements	2	1	—	—
Special termination benefits	—	—	4	—
Gross benefits paid	(618)	(630)	(203)	(189)
Federal subsidy on benefits paid	—	—	10	10
Net benefit obligation at end of year	$ 11,482	$ 10,788	$ 3,658	$ 3,480
Change in plan assets:				
Fair value of net plan assets at beginning of year	$ 6,664	$ 9,634	$ 1,224	$ 1,616
Actual return on plan assets	1,352	(2,420)	280	(388)
Employer contributions	441	80	157	163
Plan participants' contributions	—	—	18	22
Gross benefits paid	(618)	(630)	(203)	(189)
Fair value of net plan assets at end of year	$ 7,839	$ 6,664	$ 1,476	$ 1,224

Exelon presents its benefit obligations and plan assets net on its balance sheet within the following line items:

	Pension Benefits As of December 31,		Other Postretirement Benefits As of December 31,	
	2009	2008	2009	2008
Other current liabilities	$ 18	$ 13	$ 2	$ 1
Pension obligations	3,625	4,111	—	—
Non-pension postretirement benefit obligations	—	—	2,180	2,255
Unfunded status (net benefit obligation less net plan assets)	$ 3,643	$ 4,124	$ 2,182	$ 2,256

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

The funded status of the pension and other postretirement benefit obligations refers to the difference between plan assets and estimated obligations of the plan. During 2008, Exelon's unfunded status increased significantly, primarily due to lower than expected 2008 asset returns. The unfunded balance of the plans decreased to $5.83 billion as of December 31, 2009 as compared to $6.38 billion at 2008. While a decrease in discount rates and other factors resulted in an increase in the pension and other postretirement obligation, it was more than offset by the significant increase in asset values during 2009. The funded status may change over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the projected benefit obligations (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for all pension plans with an ABO in excess of plan assets.

	December 31,	
	2009	2008
Projected benefit obligation	$ 11,482	$ 10,788
Accumulated benefit obligation	10,695	10,017
Fair value of net plan assets	7,839	6,664

The following table provides the PBO, ABO and fair value of all pension plans with a PBO in excess of plan assets.

	December 31,	
	2009	2008
Projected benefit obligation	$ 11,482	$ 10,788
Accumulated benefit obligation	10,695	10,017
Fair value of net plan assets	7,839	6,664

On an ABO basis, the plans were funded at 73% at December 31, 2009 compared to 67% at December 31, 2008. On a PBO basis, the plans were funded at 68% at December 31, 2009 compared to 62% at December 31, 2008. The ABO differs from the PBO in that it includes no assumption about future compensation levels.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2009, 2008 and 2007 for all plans combined. The table reflects a reduction in 2009, 2008 and 2007 of net periodic postretirement benefit costs of approximately $38 million, $38 million and $44 million, respectively, related to a Federal subsidy provided under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Prescription Drug Act), discussed further below.

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Components of net periodic benefit cost:						
Service cost	$ 178	$ 163	$ 163	$ 113	$ 108	$ 106
Interest cost	651	635	603	205	208	192
Expected return on assets	(778)	(836)	(816)	(94)	(121)	(115)
Amortization of:						
Transition obligation	—	—	—	9	10	10
Prior service cost (credit)	14	15	16	(56)	(57)	(56)
Actuarial loss	197	127	148	87	53	63
Curtailment/settlement charges	6	9	5	—	—	—
Special termination benefits	—	—	1	4	—	—
Net periodic benefit cost	$ 268	$ 113	$ 120	$ 268	$ 201	$ 200

Through Exelon's postretirement benefit plans, the Registrants provide retirees with prescription drug coverage. The Prescription Drug Act, enacted on December 8, 2003, introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. Management believes the prescription drug benefit provided under Exelon's postretirement benefit plans meets the requirements for the subsidy.

The effect of the subsidy on the components of net periodic postretirement benefit cost for 2009, 2008 and 2007 included in the consolidated financial statements was as follows:

	2009	2008	2007
Amortization of the actuarial experience loss	$ 11	$ 11	$ 16
Reduction in current period service cost	9	9	10
Reduction in interest cost on the APBO	18	18	18

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

Components of OCI and Regulatory Assets

Under the authoritative guidance for regulatory accounting, a portion of net periodic benefit costs is capitalized within Exelon's Consolidated Balance Sheets to reflect the expected regulatory recovery of these amounts, which would otherwise be charged to OCI. The following tables provide the components of OCI and regulatory assets for the years ended December 31, 2009, 2008 and 2007 for all plans combined.

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Changes in plan assets and benefit obligations recognized in OCI and regulatory assets:						
Current year actuarial (gain) loss	$ (94)	$ 3,432	$ 127	$ (154)	$ 495	$ (109)
Amortization of actuarial gain (loss)	(197)	(127)	(148)	(87)	(53)	(63)
Current year prior service cost	2	16	—	—	—	—
Amortization of prior service cost (credit)	(14)	(15)	(16)	56	57	56
Amortization of transition obligation	—	—	—	(9)	(10)	(10)
Settlements	(6)	(9)	(5)	—	—	—
Total recognized in OCI and regulatory assets	$ (309)	$ 3,297	$ (42)	$ (194)	$ 489	$ (126)

The following table provides the components of Exelon's gross accumulated other comprehensive loss and regulatory assets that have not been recognized as components of periodic benefit cost as of December 31, 2009 and 2008, respectively, for all plans combined:

	Pension Benefits		Other Postretirement Benefits	
	As of December 31,		As of December 31,	
	2009	2008	2009	2008
Transition obligation	$ —	$ —	$ 29	$ 38
Prior service cost (credit)	118	130	(110)	(166)
Actuarial loss	5,838	6,135	1,029	1,270
Total [(a)]	$ 5,956	$ 6,265	$ 948	$ 1,142

(a) Of the $5,956 million related to pension benefits, $3,819 million and $2,137 million are included in AOCI and regulatory assets, respectively, as of December 31, 2009. Of the $948 million related to other postretirement benefits, $470 million and $478 million are included in AOCI and regulatory assets, respectively, as of December 31, 2009. Of the $6,265 million related to pension benefits, $4,023 million and $2,242 million are included in AOCI and regulatory assets, respectively, as of December 31, 2008. Of the $1,142 million related to other postretirement benefits, $555 million and $587 million are included in AOCI and regulatory assets, respectively, as of December 31, 2008.

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The following table provides the components of Exelon's AOCI and regulatory assets as of December 31, 2009 (included in the table above) that are expected to be amortized as components of periodic benefit cost in 2010. These estimates are subject to the completion of a valuation report of Exelon's pension and other postretirement benefit obligations. This valuation report will reflect actual census data as of January 1, 2010 and actual claims activity as of December 31, 2009 and is expected to be completed by the first quarter of 2010.

	Pension Benefits	Other Postretirement Benefits
Transition obligation	$ —	$ 9
Prior service cost (credit)	14	(56)
Actuarial loss	256	73
Total [(a)]	$ 270	$ 26

(a) Of the $270 million related to pension benefits, $166 million and $104 million are included in AOCI and regulatory assets, respectively, as of December 31, 2009. Of the $26 million related to other postretirement benefits, $11 million and $15 million are expected to be included in AOCI and regulatory assets, respectively, as of December 31, 2009.

Assumptions

The measurement of the plan obligations and costs of providing benefits under Exelon's defined benefit or other postretirement plans involves various factors, including the development of valuation assumptions and accounting elections. When determining the various assumptions that are required, Exelon considers historical information as well as future expectations. The measurement of benefit costs is affected by the actual rate of return on plan assets and assumptions including the long-term expected rate of return on plan assets, the discount rate applied to benefit obligations, Exelon's expected level of contributions to the plans, the incidence of mortality, the expected remaining service period of plan participants, level of compensation and rate of compensation increases, employee age, length of service, the long-term expected investment rate credited to employees of certain plans, the anticipated rate of increase of healthcare costs and the level of benefits provided to employees and retirees, among other factors. The impact of changes in assumptions used to measure pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the plan participants, rather than immediately recognized.

Expected Rate of Return. In selecting the expected rate of return on plan assets, Exelon considers historical returns for the types of investments that its plans hold in addition to expectations regarding future long-term asset returns, weighted by Exelon's target asset class allocation. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed income securities. Historical returns and volatilities are modeled to determine asset allocations that best meet the objectives of the investment trusts that hold the plan assets. A change in asset allocations could significantly impact the expected rate of return on plan assets.

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The following weighted average assumptions were used to determine the benefit obligations for all of the plans at December 31, 2009, 2008 and 2007:

	Pension Benefits			Other Postretirement Benefits		
	2009 (a)	2008	2007	2009 (a)	2008	2007
Discount rate	5.83%	6.09%	6.20%	5.83%	6.09%	6.20%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Mortality table	IRS required mortality table for 2010 funding valuation	IRS required mortality table for 2009 funding valuation	IRS required mortality table for 2008 funding valuation	IRS required mortality table for 2010 funding valuation	IRS required mortality table for 2009 funding valuation	IRS required mortality table for 2008 funding valuation
Healthcare cost trend on covered charges	N/A	N/A	N/A	7.5% decreasing to ultimate trend of 5.0% in 2015	7.5% decreasing to ultimate trend of 5.0% in 2014	8.00% decreasing to ultimate trend of 5.0% in 2014

(a) Assumptions used to determine year-end 2009 benefit obligations are the assumptions used to estimate the 2010 net periodic benefit cost.

The following weighted average assumptions were used to determine the net periodic benefit costs for all the plans for the years ended December 31, 2009, 2008 and 2007:

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009	2008	2007
Discount rate	6.09%	6.20%	5.90%	6.09%	6.20%	5.83%
Expected return on plan assets	8.50%	8.75%	8.75%	8.10%(a)	7.80%(a)	7.85%(a)
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Mortality table	IRS required mortality table for 2009 funding valuation	IRS required mortality table for 2008 funding valuation	RP 2000 with 10-year projection of mortality improvements	IRS required mortality table for 2009 funding valuation	IRS required mortality table for 2008 funding valuation	RP 2000 with 10-year projection of mortality improvements
Healthcare cost trend on covered charges	N/A	N/A	N/A	7.50% decreasing to ultimate trend of 5.0% in 2014	8.00% decreasing to ultimate trend of 5.0% in 2014	9.00% decreasing to ultimate trend of 5.0% in 2012

(a) Not applicable to the Exelon-sponsored former-AmerGen other postretirement benefit plan, as this plan does not have any plan assets.

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Assumed healthcare cost trend rates have a significant effect on the costs reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

Effect of a one percentage point increase in assumed healthcare cost trend	
on 2009 total service and interest cost components	$ 49
on postretirement benefit obligation at December 31, 2009	448
Effect of a one percentage point decrease in assumed healthcare cost trend on 2009 total service and interest cost components	(40)
on postretirement benefit obligation at December 31, 2009	(372)

Contributions

The following table provides contributions made by Generation, ComEd, PECO and BSC to the pension and other postretirement benefit plans:

	Pension Benefits			Other Postretirement Benefits		
	2009	2008	2007	2009 (a)	2008 (a)	2007 (a)
Generation	$ 201	$ 37	$ 24	$ 64	$ 71	$ 78
ComEd	164	9	3	50	49	52
PECO	31	11	1	21	29	31
BSC	45 (b)	23 (b)	8 (b)	12	14	18
Exelon	$ 441	$ 80	$ 36	$ 147	$ 163	$ 179

(a) The Registrants present the cash contributions above net of Federal subsidy payments received on each of their respective Consolidated Statements of Cash Flows. Exelon, Generation, ComEd and PECO received Federal subsidy payments of $10 million, $5 million, $3 million and $1 million, respectively, in 2009, $12 million, $5 million, $3 million and $2 million, respectively, in 2008, and $6 million, $3 million, $2 million and $1 million, respectively, in 2007.

(b) $1 million and $5 million of this amount was deferred under Exelon's deferred compensation plan as of 2008 and 2007. None of the amount was deferred as of December 31, 2009.

Funding is based upon actuarially determined contributions that take into account the minimum contribution required under ERISA, as amended, for the pension plans and the amount deductible for income tax purposes for the other postretirement benefit plans. Management considers these and other factors when making funding decisions. The calculation of funding requirements for pension plans requires election of a methodology to determine the actuarial value of assets and the interest rate used to measure the pension liabilities. Recent pension funding guidance has modified some of those elections.

The Pension Protection Act of 2006 (the Act) became effective January 1, 2008 and requires companies to, among other things, maintain certain defined minimum funding thresholds (or face plan benefit restrictions). Generally, effective January 1, 2008 (January 1, 2009 for most union-represented employees), Exelon prospectively amended the vesting schedule, benefit crediting rate and investment crediting rate of its relevant cash balance pension plans in accordance with interim guidance issued by the U.S. Treasury Department pursuant to the Act. These changes to the cash balance pension plans did not have a significant impact on Exelon's results of operations or cash flows. In March and September 2009, the U.S. Treasury Department provided guidance on the selection of the corporate bond yield curve for determining the interest rate used to calculate plan liabilities and determine pension funding requirements. There are other legislative and regulatory funding relief proposals also being discussed. Exelon is monitoring the progress of these initiatives and evaluating their potential impact on funding requirements and strategies.

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

The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) was signed into law in December 2008. WRERA grants plan sponsors relief from certain funding requirements and benefit restrictions, and also provides some technical corrections to the Act. There are two primary provisions that impact funding results for Exelon. First, required contributions will be based on a percentage of the funding target for years beginning before 2011, rather than a funding target of 100%. These percentages are 92%, 94% and 96% in 2008, 2009 and 2010, respectively. Second, one of the technical corrections, referred to as asset smoothing, allows the use of average asset amounts, including expected returns (subject to certain limitations), for a 24-month period prior to the measurement date, in the determination of funding requirements. Exelon has elected to utilize asset smoothing for its largest pension plan and market value of assets for its remaining plans. These elections are expected to provide Exelon the opportunity to defer certain contributions to later years and potentially mitigate future contributions through investment market recovery.

During September 2009, Exelon made a discretionary pension contribution of $350 million to its largest pension plan. The contribution, combined with funding elections for the 2009 and 2010 plan years, is expected to reduce future contribution requirements.

Exelon allocates pension contributions to its subsidiaries in proportion to active service costs recognized. In addition, Exelon allocates other postretirement contributions to its subsidiaries in proportion to total costs recognized. Exelon expects to contribute approximately $417 million to the benefit plans in 2010, of which Generation, ComEd and PECO expect to contribute $198 million, $92 million and $67 million, respectively. Exelon's expected 2010 benefit plan contributions of $417 million include $261 million of minimum required pension contributions (including contributions to avoid benefit restrictions) and other postretirement contributions of $156 million (of which approximately $100 million is discretionary). These estimates are subject to the completion of a valuation report of Exelon's pension and other postretirement benefit obligations. This valuation report will reflect actual census data as of January 1, 2010 and claims activity as of December 31, 2009.

Estimated Future Benefit Payments

Estimated future benefit payments to participants in all of the pension plans and postretirement benefit plans as of December 31, 2009 were:

	Pension Benefits	Other Postretirement Benefits
2010	$ 708	$ 190
2011	639	199
2012	651	205
2013	677	212
2014	677	219
2015 through 2019	3,873	1,256
Total estimated future benefits payments through 2019	$ 7,225	$ 2,281

(a) Estimated future benefit payments do not reflect an anticipated Federal subsidy provided through the Prescription Drug Act. The Federal subsidies to be received by Exelon in the years 2010, 2011, 2012, 2013, 2014 and from 2015 through 2019 are estimated to be $10 million, $11 million, $12 million, $13 million, $14 million and $89 million, respectively.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Allocation to Exelon Subsidiaries

Generation, ComEd and PECO account for their participation in Exelon's pension and other postretirement benefit plans by applying multiemployer accounting. Employee-related assets and liabilities, including both pension and postretirement liabilities, were allocated by Exelon to its subsidiaries based on the number of active employees as of January 1, 2001 as part of Exelon's corporate restructuring. Exelon allocates the components of pension and other postretirement costs to the participating employers based upon several factors, including the measures of active employee participation in each participating unit. The obligation for Generation, ComEd and PECO reflects the initial allocation and the cumulative costs incurred and contributions made since January 1, 2001.

The following approximate amounts were included in capital and operating and maintenance expense during 2009, 2008 and 2007, respectively, for Generation's, ComEd's, PECO's and BSC's allocated portion of the Exelon-sponsored pension and other postretirement benefit plans:

	Generation	ComEd	PECO	BSC(a)	Exelon
2009	$ 240	$ 192	$ 47	$ 57	$ 536
2008	139	101	32	42	314
2007	142	101	32	45	320

(a) These amounts primarily represent amounts billed to Exelon's subsidiaries through intercompany allocations.

Plan Assets

Investment Strategy. Exelon's overall investment strategy is to achieve a mix of investments for long-term growth and for near-term benefit payments with diversification of asset types, fund strategies, and fund managers. Exelon seeks to achieve optimal asset returns while balancing the liquidity requirements of the plans' liabilities. Exelon utilizes a diversified, strategic asset allocation to efficiently and prudently generate investment returns that will meet the objectives of the investment trusts that hold the plan assets. Asset/liability studies are utilized to determine the specific asset allocations for the trusts. In general, Exelon's investment strategy reflects the belief that equities are expected to outperform fixed-income investments and are well-suited to bear the risk of added volatility over the long-term. Accordingly, the asset allocations of the trusts usually reflect a higher allocation to equities as compared to fixed-income securities. Equity securities primarily include investments in diversified portfolios of domestic large cap and small cap firms. Equity securities also include non-U.S. equity securities, which are used to diversify some of the volatility of the U.S. equity market while providing comparable long-term returns. Fixed-income securities include diversified portfolios invested across a broad spectrum of primarily investment-grade securities. These portfolios have the Barclays Aggregate Bond Index as their benchmark. In the pension trusts, Exelon generally maintains approximately 10% of its plan assets in alternative asset classes. Alternative asset classes are utilized to provide additional diversification and return potential and include investments in private equity and real estate. On a quarterly basis, Exelon reviews the actual asset allocations and follows a rebalancing procedure in order to remain within an allowable range, as defined by its policy, of its targeted allocation percentages. Exelon's investment guidelines limit the amount of allowed exposure to investments in more volatile sectors and limit concentrations based on established criteria. A change in the overall investment strategy could significantly impact the expected rate of return on plan assets.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Exelon's pension plan's weighted average asset allocations at December 31, 2009 and 2008 and target allocation for 2009 were as follows:

Asset Category	Target Allocation at December 31, 2009	Percentage of Plan Assets at December 31, 2009	2008
Equity securities			
Large Cap	30-35%	32%	26%
Small Cap	10	9	8
International	15	15	13
Private Equity	5	6	6
Total Equity Securities	60-65%	62%	53%
Fixed Income Securities	35-40%	34%	42%
Real Estate	5%	4%	5%
Total		100%	100%

Exelon's other postretirement benefit plan's weighted-average asset allocations at December 31, 2009 and 2008 and target allocation for 2009 were as follows:

Asset Category	Target Allocation at December 31, 2009	Percentage of Plan Assets at December 31, 2009	2008
Equity securities			
Large Cap	35-40%	39%	35%
Small Cap	5-10%	10	9
International	15	15	14
Total Equity Securities	60-65%	64%	58%
Fixed Income Securities	35-40%	36%	42%
Total		100%	100%

Securities Lending Programs. The majority of the benefit plans participate in a securities lending program with the trustees of the plans' investment trusts. The program authorizes the trustee of the particular trust to lend securities, which are assets of the plan, to approved borrowers. The trustees require borrowers, pursuant to a security lending agreement, to deliver collateral to secure each loan. The loaned securities are required to be collateralized by cash, U.S. Government securities or irrevocable bank letters of credit. Initial collateral levels are no less than 102% and 105% of the market value of the borrowed securities for collateral denominated in U.S. and foreign currency, respectively. Subsequent collateral levels, which are adjusted daily, must be maintained at a level no less than 100% of the market value of borrowed securities. Cash collateral received is invested in collateral funds comprised primarily of short term investment vehicles. Collateral may not be sold or re-pledged by the trustees, however, the borrowers may sell or re-pledge the loaned securities. Exelon's benefit plans bear the risk of loss with respect to unfavorable changes in the fair value of the invested cash collateral. Such losses may result from a decline in the fair value of specific investments or due to liquidity impairments resulting from current market conditions. Exelon, the trustees and the borrowers have the right to terminate the lending agreement at any time. In the event of termination, the borrowers must return the loaned securities or surrender the collateral. Losses recognized by the trust were not material during the years ended December 31, 2009 and 2008. Management continues to monitor the performance of the invested collateral and work closely with the trustees to limit any potential losses.

In the fourth quarter of 2008, Exelon decided to end its participation in the securities lending program and chose to initiate a gradual withdrawal of the trusts' investments in order to minimize potential losses due to the absence of liquidity in the market. As part of its withdrawal plan and in order to minimize losses, Exelon temporarily increased its securities on loan during 2009. This temporary increase does not change Exelon's intent to end its participation in the securities lending program. Currently, the weighted average maturity of the securities within the collateral funds is approximately 4 months. The fair value of securities on loan was approximately $356 million and $269 million at December 31, 2009 and 2008, respectively. The fair value of the cash and non-cash collateral received for these loaned securities was $365 million at December 31, 2009 and $274 million at December 31, 2008. A portion of the income generated through the investment of cash collateral is remitted to the borrowers, and the remainder is allocated between the trusts and the trustees in their capacity as security agents.

Concentrations of Credit Risk. Exelon evaluated its pension and other postretirement benefit plans' asset portfolios for the existence of significant concentrations of credit risk as of December 31, 2009. Types of concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, type of industry, foreign country, and individual fund. As of December 31, 2009, there were no significant concentrations (defined as greater than 10 percent of plan assets) of risk in Exelon's pension and other postretirement benefit plan assets.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

Fair Value Measurements

The following table presents Exelon's pension and other postretirement benefit plan assets measured and recorded at fair value on Exelon's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2009:

As of December 31, 2009 (in millions) (a) (f)	Level 1	Level 2	Level 3	Total
Pension Plan Assets				
Cash equivalents	$ 37	$ —	$ —	$ 37
Equity securities	1,367	—	—	1,367(b)
Commingled funds	515	3,641	450	4,606(c)
Fixed Income				
Debt securities issued by the U.S. Treasury and other				— (d)
U.S. government corporations and agencies	140	23	—	163(d)
Debt securities issued by states of the United States and by political subdivisions of the states	—	11	—	11(d)
Corporate debt securities	—	245	—	245(d)
Federal agency mortgage-backed securities	—	825	—	825(e)
Non-federal agency mortgage-backed securities	—	342	—	342(e)
Fixed Income subtotal	140	1,446	—	1,586
Real Estate	154	—	156	310
Pension Plan Assets subtotal	$ 2,203	$ 5,087	$ 606	$ 7,896
Other postretirement benefit plan assets				
Cash equivalents	4	—	—	4
Equity securities	199	—	—	199(b)
Commingled funds	112	894	—	1,006(c)
Fixed Income				
Debt securities issued by the U.S. Treasury and other				
U.S. government corporations and agencies	14	2	—	16
Debt securities issued by states of the United States and by political subdivisions of the states	—	103	—	103(d)
Corporate debt securities	—	20	—	20(d)
Federal agency mortgage-backed securities	—	94	—	94(e)
Non-federal agency mortgage-backed securities	—	34	—	34(e)
Fixed Income subtotal	14	253	—	267
Real Estate	1	—	—	1
Postretirement benefit plan subtotal	$ 330	$ 1,147	$ —	$ 1,477
Total pension and other postretirement benefit plan assets	$ 2,533	$ 6,234	$ 606	$ 9,373

(a) See Note 7—Fair Value of Assets and Liabilities for a description of levels within the fair value hierarchy.

(b) The performance of equity portfolios is benchmarked against the Standard and Poor's (S&P) 500 Index, Russell 2000 Index or the Morgan Stanley Capital International Europe, Australasia and Far East (EAFE) Index. Excludes a $210 million payable for collateral on loaned securities in connection with the benefit plans' participation in securities lending programs.

(c) The benefit plans own commingled funds that invest in equity and fixed income securities, private equity, and real estate. The commingled funds that invest in equity securities seek to out-perform the S&P 500 Index, Morgan Stanley Capital International EAFE Index and Russell 2000 Index. The commingled funds that hold fixed income securities invest primarily in domestic investment grade securities, including corporate, municipal, and U.S. Treasury securities. The commingled funds that hold private equity investments seek to track the Russell 2000 plus 300 basis points. The commingled funds that hold direct investments in real estate are diversified by geography and type of property. These funds are benchmarked to the National Council of Real Estate Investment Fiduciaries (NCREIF) index.

(d) This category predominantly represents diverse issues of domestic, investment-grade fixed income securities. Excludes a $148 million payable for collateral on loaned securities in connection with the benefit plans' participation in securities lending programs.

(e) This category represents investments in federal agency, commercial and residential mortgage-backed securities that seek to out-perform the Barclays Capital Aggregate Index. Excludes a $7 million payable for collateral on loaned securities in connection with the benefit plans' participation in securities lending programs.

(f) The total fair value of pension and other postretirement benefit plan assets excludes $20 million of interest and dividends receivable and $40 million related to pending sales transactions.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value for pension and other postretirement benefit plans during the year ended December 31, 2009:

(in millions)	Commingled funds in private equity investments	Commingled funds in direct real estate	Total
Pension Assets			
Balance as of January 1, 2009	$ 808	$ 232	$ 1,040
Actual return on plan assets:			
Relating to assets still held at the reporting date	57	(88)	(31)
Relating to assets sold during the period	35	—	35
Purchases, sales and settlements	136	12	148
Transfers into (out of) Level 3	(586)	—	(586)
Balance as of December 31, 2009	$ 450	$ 156	$ 606
Other Postretirement Benefits			
Balance as of January 1, 2009	$ 53	$ —	$ 53
Relating to assets sold during the period	23	—	23
Transfers into (out of) Level 3	(76)	—	(76)
Balance as of December 31, 2009	$ —	$ —	$ —

Valuation Techniques Used to Determine Fair Value

Cash equivalents. Investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash equivalents and are included in the recurring fair value measurements hierarchy as Level 1 or Level 2.

Equity securities. With respect to individually held equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, which Exelon is able to independently corroborate. Preferred and common corporate stocks are valued based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on exchanges which contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

Commingled funds. Commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with Exelon's overall investment strategy. The values of the majority of commingled funds are not publically quoted and must trade through a broker. For equity and fixed-income commingled fund traded through a broker, the fund administrator values the fund using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities. These funds have been categorized in Level 2. Equity and fixed-income funds with publically quoted prices have been categorized in Level 1. Private equity commingled funds are generally partnerships in which a benefit plan is a limited partner. These partnerships generate capital returns through investing in enterprises such as other limited partnerships or other pooled investment vehicles which, in turn, make equity-oriented investments in venture capital companies. Private equity commingled funds are valued by investment managers on a periodic basis using pricing models that use market, income, and cost valuation methods. Since these valuation inputs are not highly observable, private equity funds have been categorized as Level 3.

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

Fixed-income securities. For fixed income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. The trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the portfolio managers challenge an assigned price and the trustees determine that another price source is considered to be preferable. Exelon has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, Exelon selectively corroborates the fair values of securities by comparison to other market-based price sources. Investments in U.S. Treasury securities have been categorized in Level 1 because they trade in highly-liquid and transparent markets. The fair values of fixed income securities, excluding U.S. Treasury securities, are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized as Level 2. To draw parallels from the trading and quoting of fixed income securities with similar features, pricing services consider various characteristics including the issuer, maturity, purpose of loan, collateral attributes, prepayment speeds, interest rates and credit ratings in order to properly value these securities.

Real Estate. Real estate investment trusts are valued daily based on quoted prices in active markets and are categorized in Level 1. Real estate commingled funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. Since these valuation inputs are not highly observable, real estate investments have been categorized as Level 3 investments.

401(k) Savings Plan (Exelon, Generation, ComEd and PECO)

Exelon, Generation, ComEd and PECO participate in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their pre-tax income in accordance with specified guidelines. Exelon, Generation, ComEd and PECO match a percentage of the employee contribution up to certain limits. The cost of matching contributions to the savings plan totaled the following:

For the Years Ended	Exelon	Generation	ComEd	PECO
2009	$ 70	$ 36	$ 20	$ 8
2008	66	33	19	7
2007	63	30	18	6

14. Corporate Restructuring and Plant Retirements (Exelon, Generation, ComEd and PECO)

The Registrants provide severance and health and welfare benefits to terminated employees primarily based upon each individual employee's years of service and compensation level. The Registrants accrue amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

Combined Notes to Consolidated Financial Statements—(Continued)
(Dollars in millions, except per share data unless otherwise noted)

The following table presents total severance benefits costs, recorded as operating and maintenance expense for the year ended December 31, 2009:

Severance Benefits Expense (a)(b)	Generation	ComEd	PECO	Other	Exelon
Corporate restructuring—2009	$ 11	$ 19	$ 3	$ 1	$ 34
Plant retirements—2009 (c)	7	—	—	—	7
Total severance benefits expense	$ 18	$ 19	$ 3	$ 1	$ 41

(a) The amounts above include $7 million, $4 million, and $2 million at Generation, ComEd and PECO, respectively, for amounts billed through intercompany allocations for the year ended December 31, 2009.

(b) The severance benefits costs include $1 million of stock compensation expense collectively at Generation and ComEd for which the obligation is recorded in equity for the year ended December 31, 2009, respectively. Severance benefits also include $4 million and $2 million at Exelon and ComEd, respectively, of contractual termination benefits expense for which the obligation is recorded in other postretirement benefits.

(c) Severance-related expenses associated with plant retirements are described below.

Corporate restructuring (Exelon, Generation, ComEd and PECO). On June 18, 2009, Exelon announced a restructured senior executive team and major spending cuts, including the elimination of approximately 500 employee positions. Exelon eliminated approximately 400 corporate support positions, mostly located at corporate headquarters, and 100 management level positions at ComEd, the majority of which was completed by September 30, 2009. These actions were in response to the continuing economic challenges confronting all parts of Exelon's business and industry especially in light of the commodity-driven nature of Generation's markets, necessitating continued focus on cost management through enhanced efficiency and productivity.

Exelon recorded a pre-tax charge for estimated salary continuance and health and welfare severance benefits of $40 million in June 2009 as a result of the planned job reductions. Subsequent to June, Exelon recorded a net pre-tax credit of approximately $6 million, which included a $10 million reduction in estimated salary continuance and health and welfare severance benefits, offset by $4 million of expense for contractual termination benefits. Cash payments under the plan began in July 2009 and will continue through 2010. Substantially all cash payments are expected to be made by the end of 2010 or early 2011 resulting in the completion of the corporate restructuring plan.

The following table presents the activity of severance obligations for the corporate restructuring from January 1, 2009 through December 31, 2009, excluding obligations recorded in equity:

Severance Benefits Obligation	Generation	ComEd	PECO	Other	Exelon
Balance at January 1, 2009	$ —	$ —	$ —	$ —	$ —
Severance charges recorded	7	12	2	18	39
Cash payments	(1)	(5)	—	(4)	(10)
Other adjustments	(3)	—	(1)	(6)	(10)
Balance at December 31, 2009	$ 3	$ 7	$ 1	$ 8	$ 19

Plant Retirements (Exelon and Generation). On December 2, 2009, Exelon announced its intention to permanently retire three coal-fired generating units and one oil/gas-fired generating unit, effective May 31, 2011. The units to be retired are Cromby Generating Station (Cromby) Unit 1 and Unit 2 and Eddystone Generating Station (Eddystone) Unit 1 and Unit 2. In connection with these retirements, Exelon will eliminate approximately 280 employee positions, the majority of which are located at the units to be retired. These actions were in response to the economic outlook related to the continued operation of these four units. Total expected costs for Generation related to the announced retirements is $40 million, which includes $18 million for estimated salary continuance and health and welfare severance benefits, a $17 million write down of inventory and $5 million of shut down costs. Additionally, approximately $218 million of accelerated depreciation expense will be recorded ratably until the plant shutdown date. During the year ended December 31, 2009, Generation recorded a pre-tax charge of $24 million related to the announced retirements, which included a $7 million charge for estimated salary continuance and health and welfare severance benefits, and $17 million of expense for the write down of inventory recorded within operating and maintenance expense in Exelon and Generation's Consolidated Statements of Operations. Additionally, Generation recorded $32 million of accelerated depreciation expense within depreciation and amortization expense in Exelon's and Generation's Consolidated Statements of Operations.

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

The following table presents the activity of severance obligations for the announced Cromby and Eddystone retirements in December of 2009 from January 1, 2009 through December 31, 2009, excluding obligations recorded in equity:

Severance Benefits Obligation	Exelon and Generation
Balance at January 1, 2009	$ —
Severance charges recorded	7
Cash payments	—
Balance at December 31, 2009	$ 7

On January 5, 2010, PJM notified Exelon that based upon its preliminary analysis, the retirement of one or more of the Cromby and Eddystone units may result in reliability impacts to the transmission system. On February 1, 2010, Generation notified PJM that to the extent the retirement of these units results in reliability impacts, Generation would continue operations beyond its desired deactivation date during the period of construction of the necessary transmission upgrades, provided that Exelon receives the required environmental permits and adequate cost-based compensation. Upon determination of which, if any, units continue to operate beyond May 31, 2011, Generation will reevaluate the appropriate depreciation useful lives for the impacted units at the time of and based on final operating and cost recovery arrangements made with PJM.

15. Preferred Securities (Exelon, ComEd and PECO)

At December 31, 2009 and 2008, Exelon was authorized to issue up to 100,000,000 shares of preferred securities, none of which were outstanding.

Preferred and Preference Securities of Subsidiaries

At December 31, 2009 and 2008, ComEd prior preferred securities and ComEd cumulative preference securities consisted of 850,000 shares and 6,810,451 shares authorized, respectively, none of which were outstanding.

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At December 31, 2009 and 2008, PECO cumulative preferred securities, no par value, consisted of 15,000,000 shares authorized and the outstanding amounts set forth below. Shares of preferred securities have full voting rights, including the right to cumulate votes in the election of directors.

	Redemption Price (a)	December 31, 2009 Shares Outstanding	2008 Shares Outstanding	2009 Dollar Amount	2008 Dollar Amount
Series (without mandatory redemption)					
$4.68 (Series D)	$ 104.00	150,000	150,000	$ 15	$ 15
$4.40 (Series C)	112.50	274,720	274,720	27	27
$4.30 (Series B)	102.00	150,000	150,000	15	15
$3.80 (Series A)	106.00	300,000	300,000	30	30
Total preferred securities		874,720	874,720	$ 87	$ 87

(a) Redeemable, at the option of PECO, at the indicated dollar amounts per share, plus accrued dividends.

18. Common Stock (Exelon, Generation, ComEd and PECO)

At December 31, 2009 and 2008, Exelon's common stock without par value consisted of 2,000,000,000 shares authorized and 659,798,515 and 658,154,642 shares outstanding, respectively. At December 31, 2009 and 2008, ComEd's common stock with a $12.50 par value consisted of 250,000,000 shares authorized and 127,016,519 shares outstanding. At December 31, 2009 and 2008, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding.

ComEd had 75,294 and 75,410 warrants outstanding to purchase ComEd common stock as of December 31, 2009 and 2008, respectively. The warrants entitle the holders to convert such warrants into common stock of ComEd at a conversion rate of one share of common stock for three warrants. At December 31, 2009 and 2008, 25,098 and 25,137 shares of common stock, respectively, were reserved for the conversion of warrants.

Share Repurchases

Share Repurchase Programs. In April 2004, Exelon's Board of Directors approved a discretionary share repurchase program that allows Exelon to repurchase shares of its common stock on a periodic basis in the open market. The share repurchase program is intended to mitigate, in part, the dilutive effect of shares issued under Exelon's employee stock option plan and Exelon's ESPP. The aggregate value of the shares of common stock repurchased pursuant to the program cannot exceed the economic benefit received after January 1, 2004 due to stock option exercises and share purchases pursuant to Exelon's ESPP. The economic benefit consists of the direct cash proceeds from purchases of stock and the tax benefits associated with exercises of stock options. The 2004 share repurchase program has no specified limit on the number of shares that may be repurchased and no specified termination date. Any shares repurchased are held as treasury shares unless cancelled or reissued at the discretion of Exelon's management. During 2008, 6.6 million shares of common stock were purchased under this share repurchase program for $500 million.

On August 31 and December 19, 2007, Exelon's Board of Directors approved a share repurchase program for up to $1.25 billion and $500 million of Exelon's outstanding common stock, respectively. In 2007, Exelon entered into agreements to repurchase a total of $1.25 billion of Exelon's common