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FORM 10-K

EXELON CORP - EXC

Filed: April 01, 2002 (period: December 31, 2001)

Annual report which provides a comprehensive overview of the company for the past year

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 OR

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

Commission File Number	Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	23-2990190
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	36-0938600
1-1401	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
EXELON CORPORATION: Common Stock, without par value	New York, Chicago and Philadelphia
COMMONWEALTH EDISON COMPANY: Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Commonwealth Edison Company's 8.48% Subordinated Debt Securities and unconditionally guaranteed by Commonwealth Edison Company	New York
PECO ENERGY COMPANY: First and Refunding Mortgage Bonds: 6-3/8% Series due 2005, and 6-1/2% Series due 2003	New York

Effective January 1, 2001, Exelon contributed to ComEd a $1.1 billion non-interest bearing receivable for the purpose of funding future income tax payments resulting from the collection of instrument funding charges. Exelon repaid $125 million of this outstanding receivable during the fourth quarter of 2001 and the remainder will be repaid in the years 2002 through 2008. See ITEM 8. Financial Statements - ComEd - Note 17 - Related-Party Transactions.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

ComEd's contractual obligations as of December 31, 2001 representing cash obligations that are considered to be firm commitments are as follows:

(in millions)	Total	Payment Due within 1 Year	2-3 Years	4-5 Years	Due After 5 Years
Long-Term Debt	$6,821	$ 849	$1,276	$1,576	$3,120
Operating Leases	186	28	51	39	68
Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding the Company's Subordinated Debt Securities	350	--	--	--	350
Total Contractual Obligations	$7,357	$ 877	$1,327	$1,615	$3,538

See ITEM 8. Financial Statements and Supplementary Data - ComEd, Notes to Consolidated Financial Statements for additional information about:

- long-term debt see Note 10
- operating leases see Note 16
- Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding the Company's Subordinated Debt Securities see Note 13

fair value of goodwill is less than the carrying amount, an impairment loss would be reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss would be reflected as a cumulative effect of a change in accounting principle. As of December 31, 2001, ComEd's Consolidated Balance Sheets reflected approximately $4.9 billion in Goodwill, net of accumulated amortization. Annual amortization of goodwill of $126 million was discontinued upon adoption of SFAS No. 142. In the first quarter of 2002, ComEd has completed the first step of the transitional impairment analysis, which indicated that its goodwill is not impaired.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction under the doctrine of *promissory estoppel. This statement is effective for fiscal years beginning* after June 15, 2002 with initial application as of the beginning of the fiscal year. ComEd is in the process of evaluating the impact of SFAS No. 143 on its financial statements.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001 and provisions of this statement are generally applied prospectively. ComEd is in the process of evaluating the impact of SFAS No. 144 on its financial statements and does not expect the impact to be material.

RECLASSIFICATIONS Certain prior year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income or shareholders' equity.

2. Corporate Restructuring

During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses at ComEd and PECO. As part of the restructuring, the generation-related operations and assets and liabilities of ComEd were transferred to Generation. Additionally, certain operations and assets and liabilities of ComEd were transferred to Exelon Business Services Company (BSC). As a result, effective January 1, 2001, the operations of ComEd consist of its retail electricity distribution and transmission business in northern Illinois.

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

Decrease in Assets:	
Current Assets	$ (397)
Property, Plant and Equipment, net	(751)
Investments	(85)
Other Noncurrent Assets	(2,629)
Decrease in Liabilities:	
Current Liabilities	799
Long-Term Debt	--
Deferred Income Taxes	(24)
Other Noncurrent Liabilities	2,212
Net Assets Transferred	$ (905)

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

Treasury Stock Received	$ 1,344
Other Paid in Capital	24
Notes Payable - Affiliates	(463)
	$ 905

In connection with the restructuring, ComEd assigned its respective rights and obligations under various power purchase and fuel supply agreements to Generation. Additionally, ComEd entered into a power purchase agreement (PPA) with Generation.

Under the PPA between ComEd and Generation, Generation has agreed to supply all of ComEd's load requirements through 2004. Prices for this energy vary depending upon the time of day and month of delivery. During 2005 and 2006, ComEd's PPA is a partial requirements agreement under which ComEd will purchase all of its required energy and capacity from Generation, up to the available capacity of the nuclear generating plants formerly owned by ComEd and transferred to Generation. Under the terms of the PPA, Generation is responsible for obtaining any required transmission service. The PPA also specifies that prior to 2005, ComEd and Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating the PPA effective December 31, 2004. ComEd will obtain any additional supply required from market sources in 2005 and 2006, and subsequent to 2006, will obtain all of its supply from market sources, which could include Generation.

The obligation for decommissioning ComEd's nuclear facilities and the related trust fund assets were transferred to Generation concurrently with the transfer of the generating plants and the related Nuclear Regulatory Commission (NRC) operating licenses as of January 1, 2001. ComEd had historically accounted for the current period's cost of decommissioning by recording a charge to depreciation expense and a corresponding liability in accumulated depreciation for its operating units and a reduction to regulatory assets for retired units (in current year dollars) on a straight-line basis over the NRC operating license life of the plants. As of December 31, 2000, ComEd's cumulative liability of $2.1 billion was recorded as a component of accumulated depreciation. Additionally, a $1.3 billion liability representing the present value of the estimated cost of decommissioning nuclear units previously retired was recorded as a long- term liability. These liabilities, as well as investments in trust fund assets of $2.7 billion to fund the costs of decommissioning, were transferred to Generation.

Additionally, as part of the corporate restructuring, ComEd's liability to the U.S. Department of Energy (DOE) for payment of its one-time fee for spent nuclear fuel disposal was transferred to Generation. As of December 31, 2000, this liability, including accrued interest, was $810 million. Also, provisions for nuclear insurance were assumed by Generation under terms and conditions commensurate with those previously borne by ComEd.

3. Merger

On October 20, 2000, Exelon became the parent corporation of PECO Energy Company (PECO) and ComEd as a result of the completion of the transactions contemplated by an Agreement and Plan of Exchange and Merger, as amended (Merger Agreement), among PECO, Unicom Corporation (Unicom) and Exelon. Pursuant to the Merger Agreement, Unicom merged with and into Exelon (Merger). In the Merger, each share of the outstanding common stock of Unicom was converted into 0.875 shares of common stock of Exelon plus $3.00 in cash. As a result of the Merger, Unicom ceased to exist and its subsidiaries, including ComEd, became subsidiaries of Exelon.

The Merger was accounted for using the purchase method of accounting. Purchase transactions resulting in one entity becoming substantially wholly owned by the acquiror establish a new basis of accounting in the acquired entity's records for the purchased assets and liabilities. Thus, the purchase price has been allocated to the underlying assets purchased and liabilities assumed based on their estimated fair values at the acquisition date. As a result of the application of the purchase method of accounting, the following fair value adjustments as adjusted to reflect final purchase price allocation, including the elimination of accumulated depreciation, retained earnings and other comprehensive income, were recorded in ComEd's Consolidated Balance Sheets:

	Total
Increase (Decrease) in Assets:	
Property, Plant and Equipment, net	$(4,791)
Goodwill	5,051
Other Assets	(254)
(Increase) Decrease in Liabilities and Shareholders' Equity:	
Deferred Income Taxes	1,756
Unamortized Investment Tax Credits	401
Merger Severance Obligation	(327)
Pension and Postretirement Benefit Obligations	471
Long-Term Debt and Preferred Securities	116
Other Liabilities	(20)
Other Paid in Capital	(3,201)
Retained Earnings	792
Accumulated Other Comprehensive Income	6

Reductions to the carrying value of property, plant and equipment balances primarily reflect the fair value of the nuclear generating assets based on discounted cash flow analyses and independent appraisals. Adjustments to deferred income taxes, long-term debt and preferred securities, and other assets and liabilities were recorded based on the estimate of fair market value.

Reductions to unamortized investment tax credits represents the adjustment of nuclear generating asset investment tax credits to fair value. Merger severance obligations relating to ComEd's employee exit costs were recorded in the purchase price allocation. Reductions to pension and postretirement benefit obligations primarily reflect elimination of unrecognized net actuarial gains, prior service costs and transition obligations.

Goodwill represents the purchase price allocation to ComEd of the cost in excess of net assets acquired in the Merger, which was amortized over a forty year period for 2000 and 2001. Annual amortization of goodwill related to the Merger of $126 million was discontinued upon adoption of SFAS 142.

Goodwill associated with the Merger increased by $262 million in 2001 as a result of the finalization of the purchase price allocation. The adjustment resulted primarily from the after-tax effects of a reduction of the regulatory asset for decommissioning retired nuclear plants, additional employee separation costs and the finalization of other purchase price allocations.

MERGER-RELATED COSTS

In connection with the Merger, ComEd recorded certain reserves for restructuring costs. Costs incurred prior to the Merger were charged to expense. Costs incurred subsequent to the Merger were reflected as part of the application of purchase accounting and did not affect results of operations.

ComEd's Merger-related costs charged to expense in 2000 were $67 million consisting of $26 million of direct incremental costs and $41 million for employee costs. Direct incremental costs represent expenses directly associated with completing the Merger, including professional fees, regulatory approval and other merger integration costs. Employee costs represent estimated severance payments provided under Exelon's Merger Separation Plan (MSP) for eligible employees whose positions were eliminated before October 20, 2000 due to integration activities of the merged companies.

Included in the purchase price allocation is a liability for employee costs and liabilities for estimated costs of exiting business activities that were not compatible with the strategic business direction of Exelon of $36 million. During 2001, ComEd finalized its plans for consolidation of functions, including negotiation of an agreement with the union regarding severance benefits to union employees and recorded adjustments to the purchase price allocation. The employee liabilities are as follows:

	Original Estimate	2001 Adjustments	Adjusted Liabilities
Employee severance payments (a)	$128	$ 25	$153
Actuarially determined pension and postretirement costs (b)	158	(13)	145
Relocation and other severance (a)	21	8	29
Total ComEd - Employee Cost	$307	$ 20	$327

(a) The increase is a result of the identification in 2001 of additional positions to be eliminated.

(b) The reduction results from lower estimated pension and post retirement welfare benefits reflecting revised actuarial estimates.

The involuntary terminations are a result of merger integration and reengineering of processes, primarily in the areas of corporate support, generation, and energy delivery. During 2001 a portion of the liabilities that related to Generation employees were transferred to Generation as part of the corporate restructuring. Approximately 1,228 ComEd positions, reflecting the corporate restructuring, have been identified to be eliminated as a result of the Merger. ComEd anticipates that $85 million of employee costs will be funded from its pension and postretirement benefit plans and $92 million will be funded from general corporate funds. ComEd has terminated 399 employees as of December 31, 2001. The remaining positions are expected to be eliminated by the end of 2002.

SUPPLEMENTAL CASH FLOW INFORMATION

	For the Year Ended December 31, 2001	For the Period October 20- December 31, 2000	For the Period January 1- October 19, 2000	For the Year Ended December 31, 1999
Cash paid during the year:				
Interest (net of amount capitalized)	$451	$ 88	$ 418	$588
Income taxes (net of refunds)	$300	$ 11	$1,190	$485
Noncash investing and financing:				
Capital lease obligations incurred	--	--	--	$ 2
Common stock repurchase	--	$850	--	--
Settlement of forward share Repurchase arrangement	--	--	$ 993	--
Deferred tax on fossil plant sale	--	--	$1,094	--
Net assets transferred as a result of the restructuring, net of note payable	$1,368	--	--	--
Contribution of receivable from parent	$1,062	--	--	--
Purchase accounting estimate adjustments	$ (85)	--	--	--
Regulatory asset fair value adjustment	$ 347	--	--	--
Retirement of treasury shares	$2,023	--	--	--
Depreciation and amortization:				
Property, plant and equipment	$369	$ 82	$ 543	$706
Nuclear fuel	--	44	144	66
Regulatory assets	170	9	257	46
Decommissioning	--	16	68	84
Goodwill	126	23	--	---
Total Depreciation and amortization	$665	$174	$1,012	$902

SUPPLEMENTAL BALANCE SHEET INFORMATION

REGULATORY ASSETS

	at December 31, 2001	at December 31, 2000
Nuclear decommissioning costs for retired plants	$ 310	$ 719
Recoverable transition costs	277	385
Loss on reacquired debt	54	35
Recoverable deferred income taxes (see Note 11)	26	(29)
Total	$ 667	$ 1,110

See Note 5 - Regulatory Issues - regarding the decrease in nuclear decommissioning costs for retired plants from the prior year.