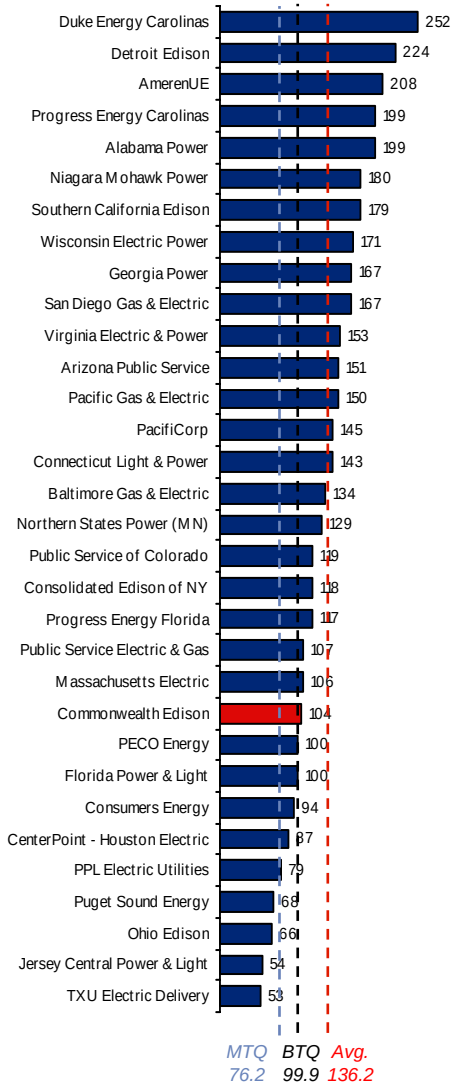
FERC Form 1 A&G Benchmarking

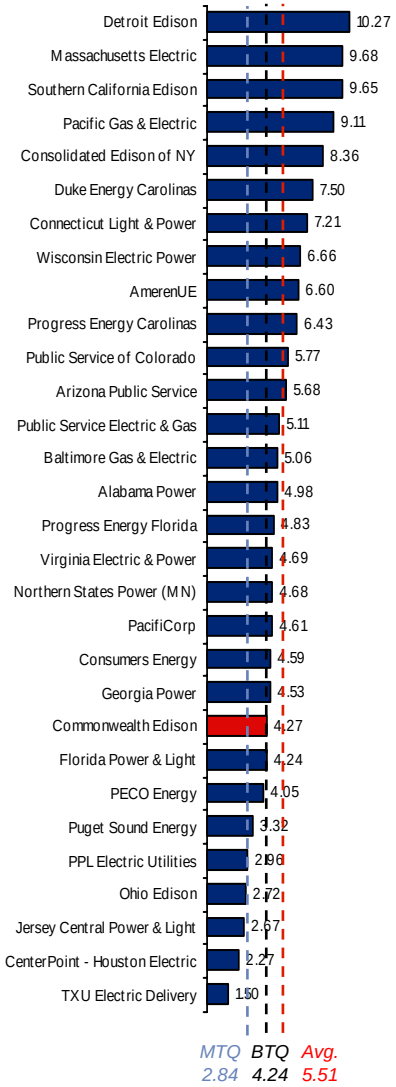
- Peer Groups and Summary Results
- 2000 to 2006 ComEd A&G Benchmarking Summary
- **2006 ComEd A&G Benchmarking Detailed View**

Customer Peer Group A&G (2006)

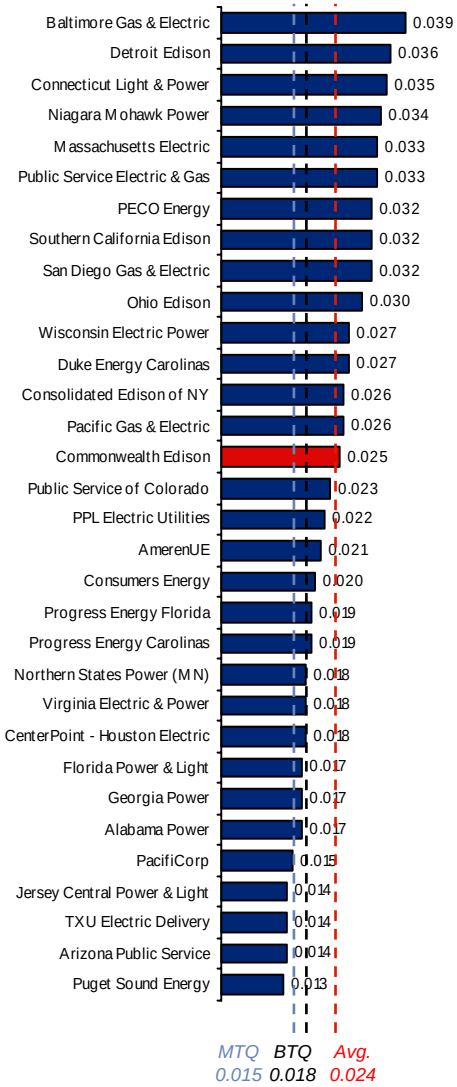
Total A&G per Customer



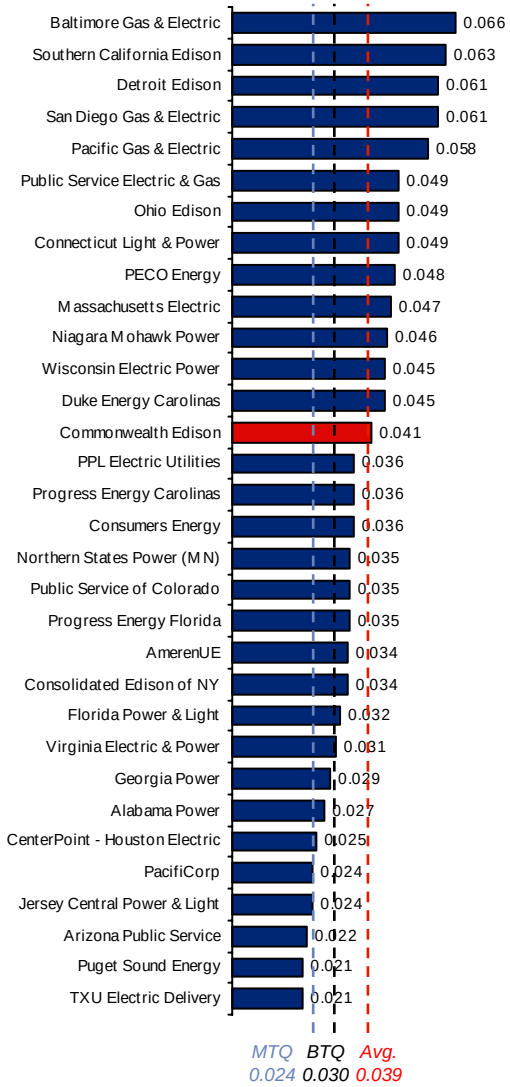
Total A&G per MWh



Total A&G per Gross Plant

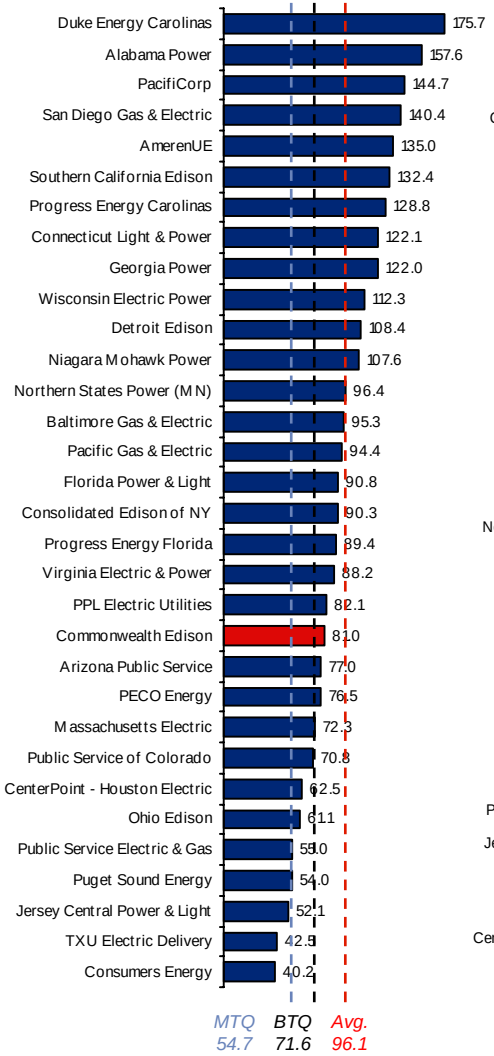


Total A&G per Net Plant

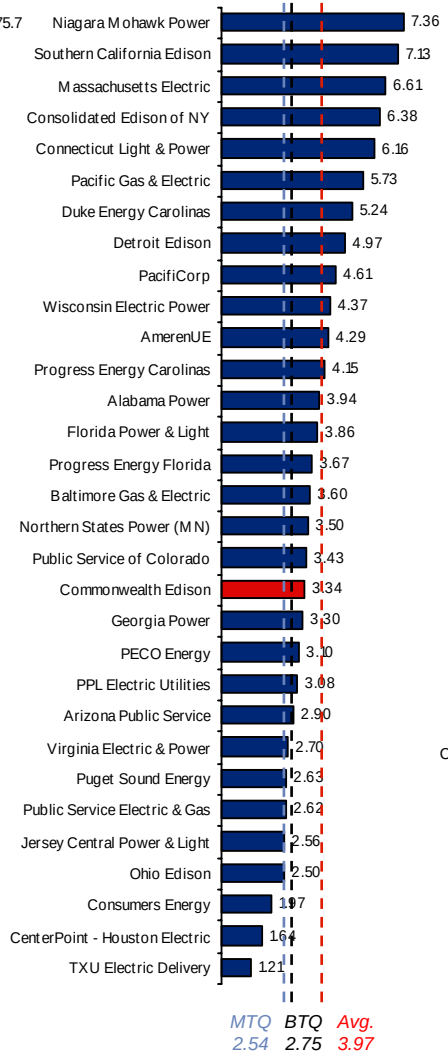


Customer Peer Group A&G w/o P&B (2006)

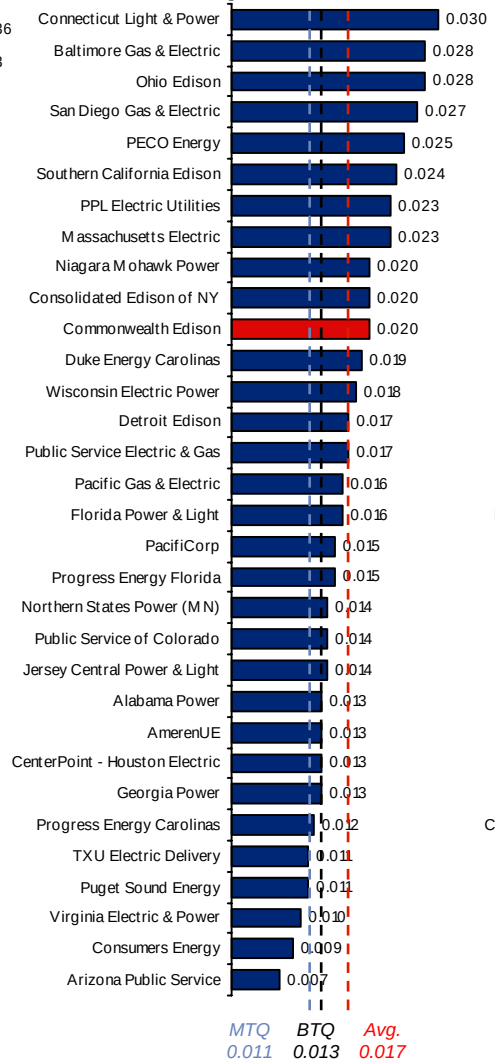
Total A&G less P&B per Customer



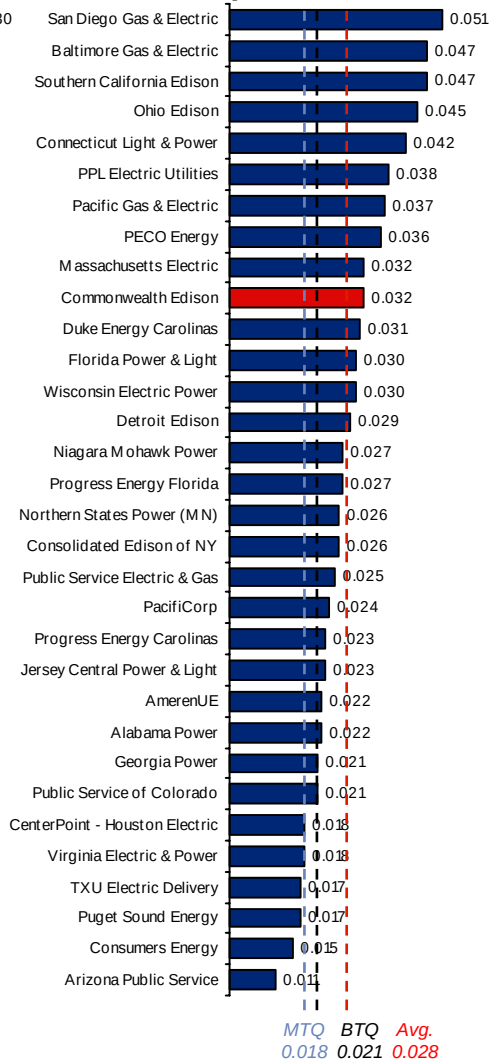
Total A&G less P&B per MWh



Total A&G less P&B per Gross Plant



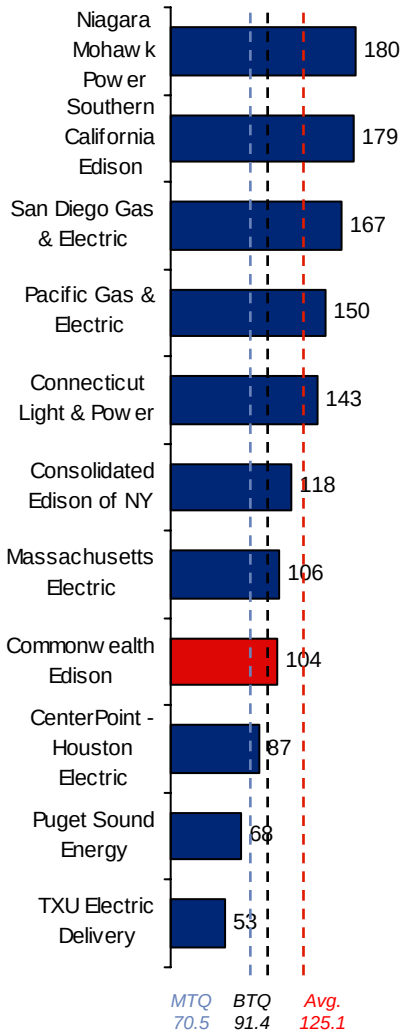
Total A&G less P&B per Net Plant



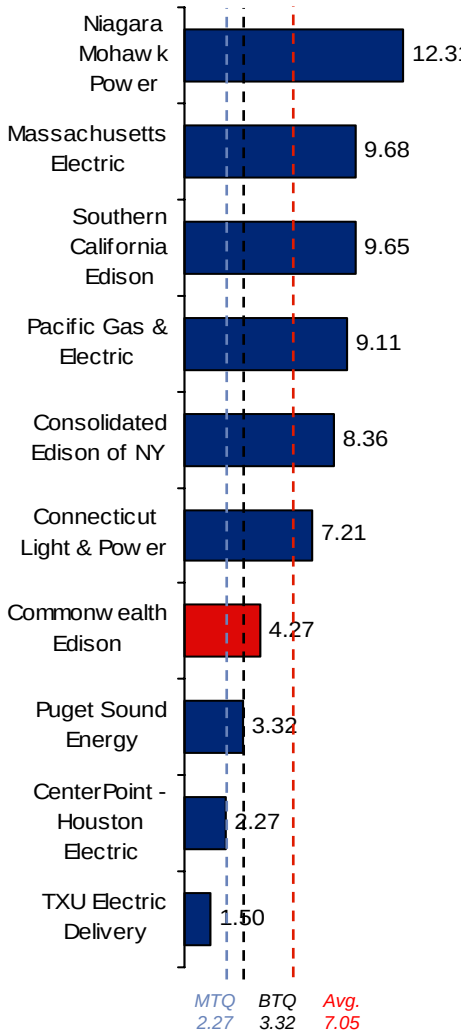
Note: P & B = Pensions and Benefits

Customer (T&D) Peer Group A&G (2006)

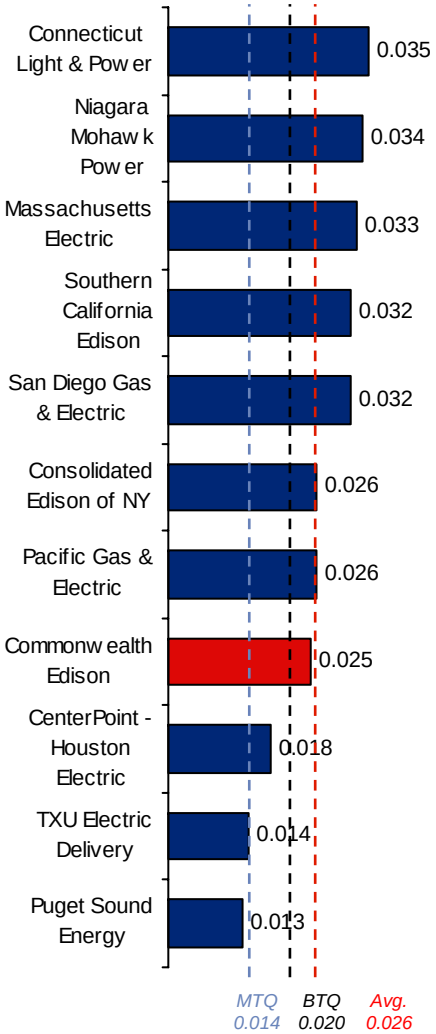
Total A&G per Customer



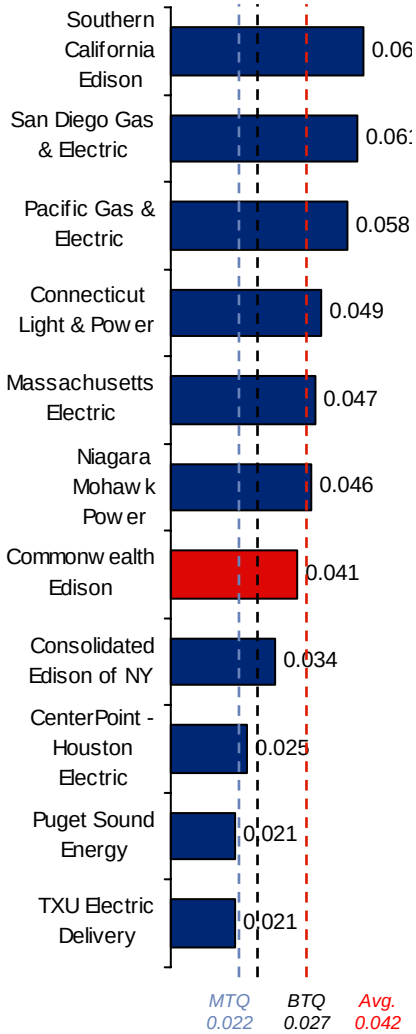
Total A&G per MWh



Total A&G per Gross Plant

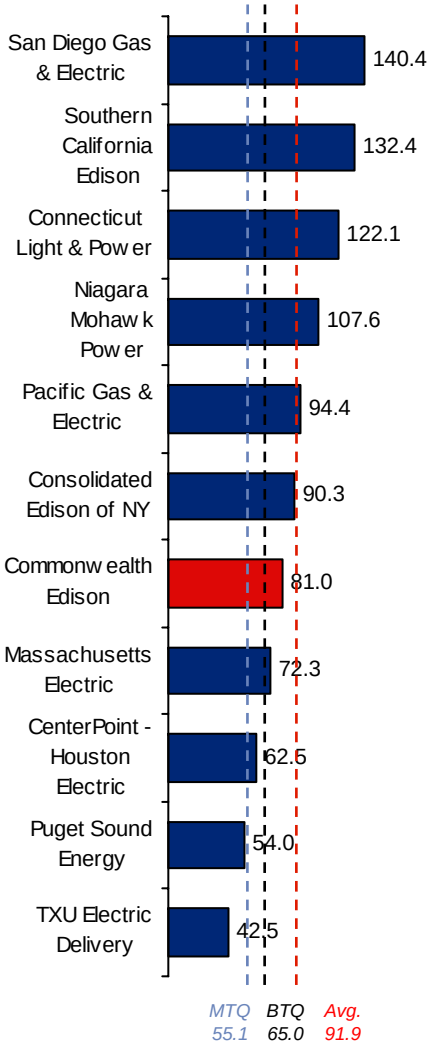


Total A&G per Net Plant

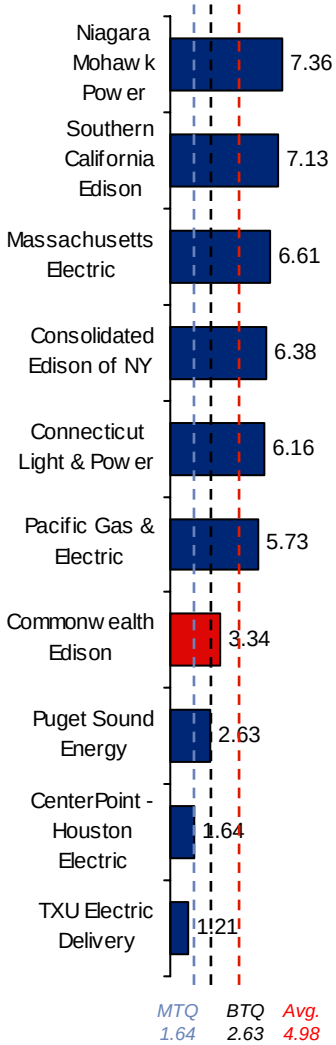


Customer (T&D) Peer Group A&G w/o P&B (2006)

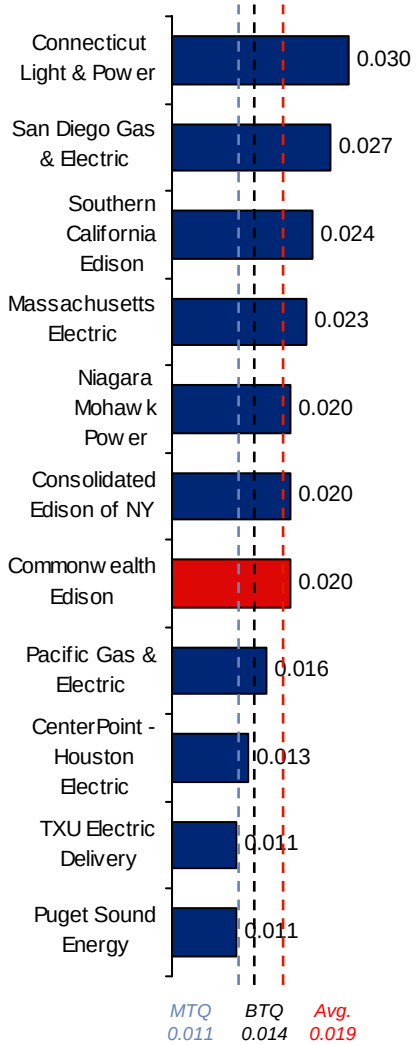
Total A&G less P&B per Customer



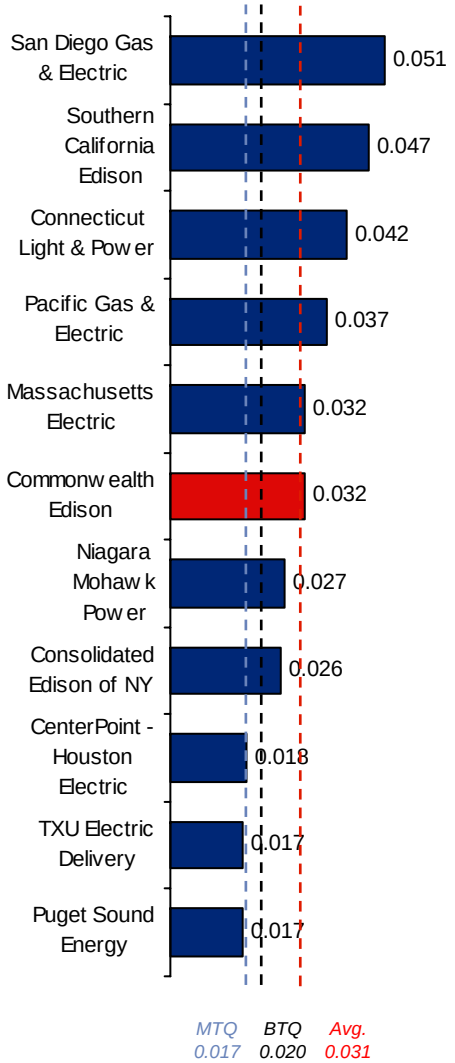
Total A&G less P&B per MWh



Total A&G less P&B per Gross Plant



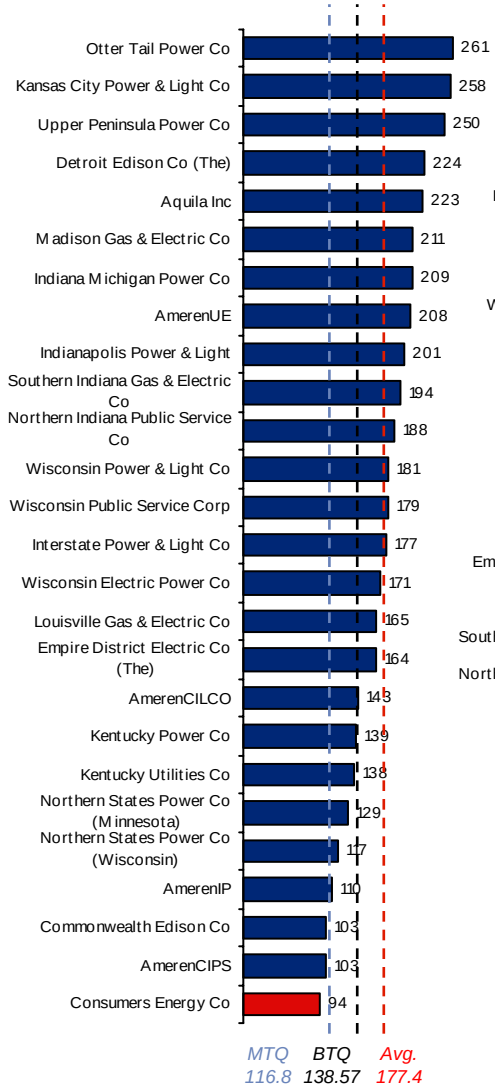
Total A&G less P&B per Net Plant



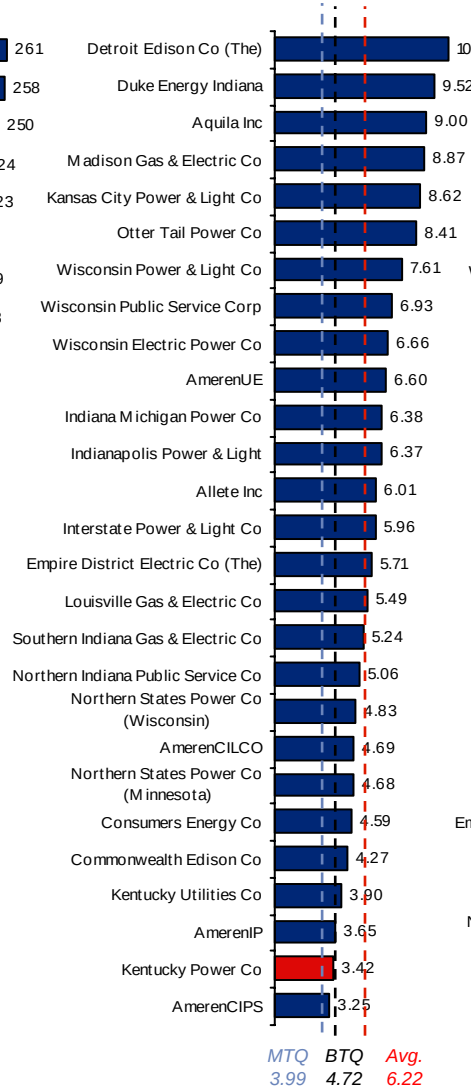
Note: P & B = Pensions and Benefits

Regional Peer Group A&G (2006)

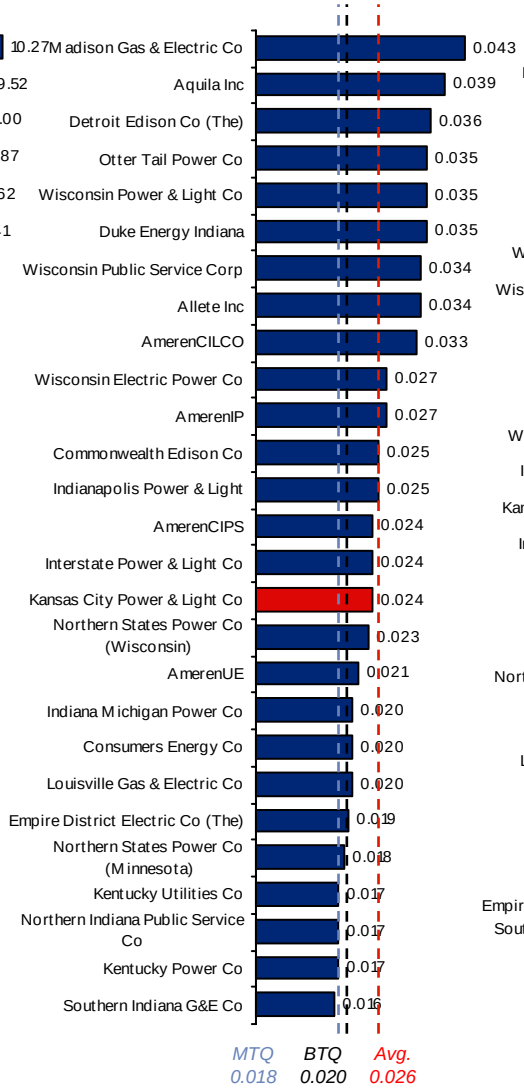
Total A&G per Customer



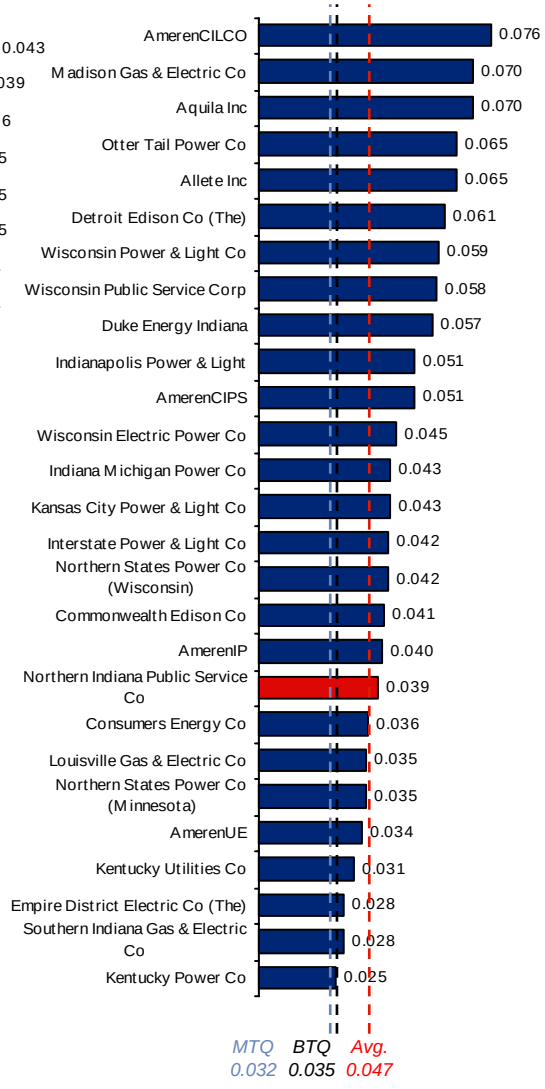
Total A&G per MWh



Total A&G per Gross Plant

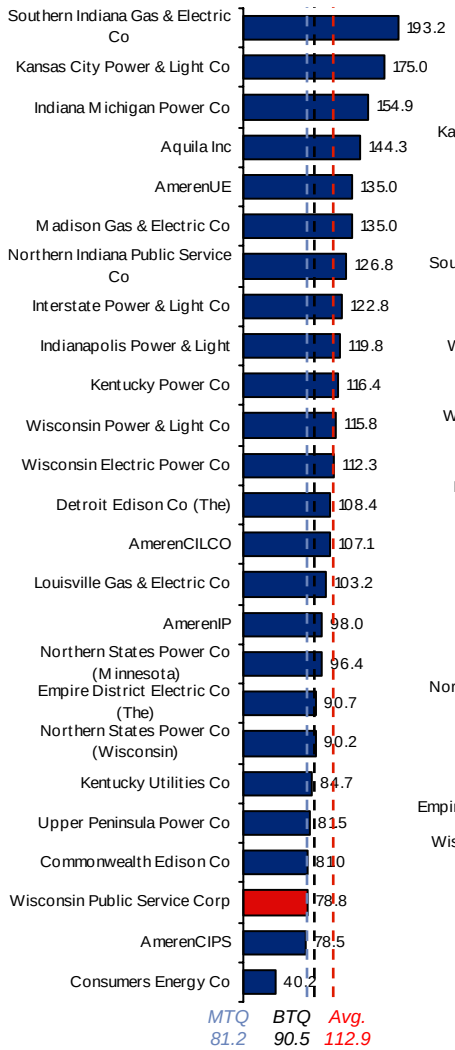


Total A&G per Net Plant

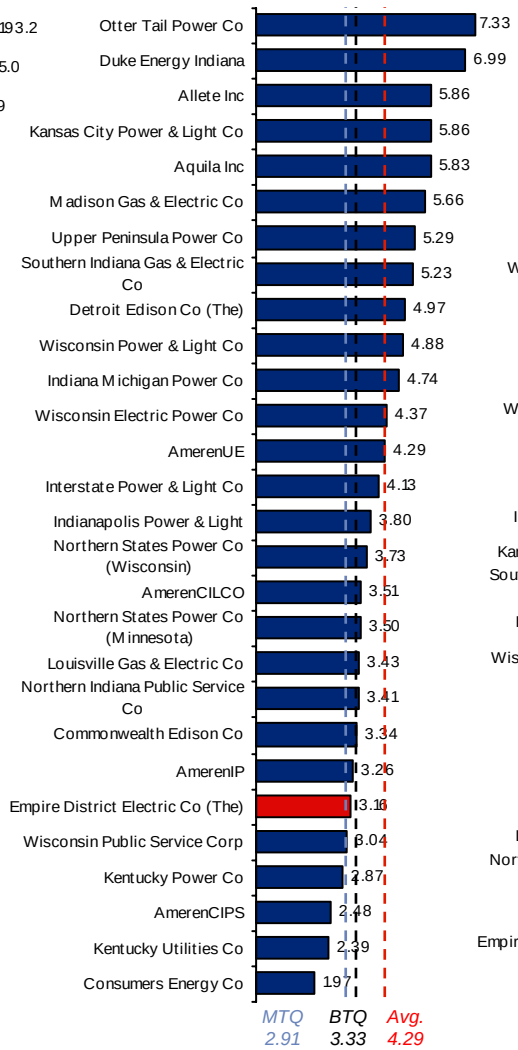


Regional Peer Group A&G w/o P&B (2006)

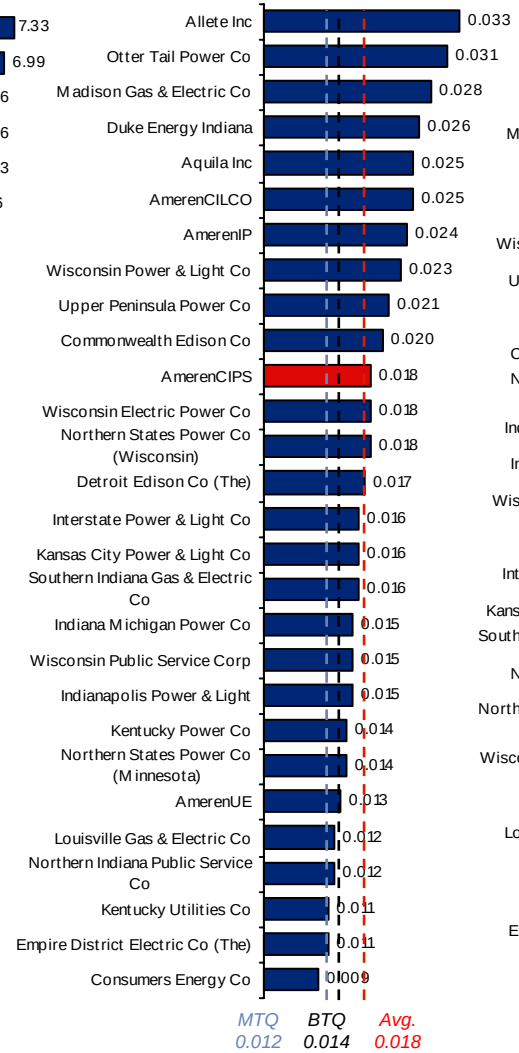
Total A&G less P&B per Customer



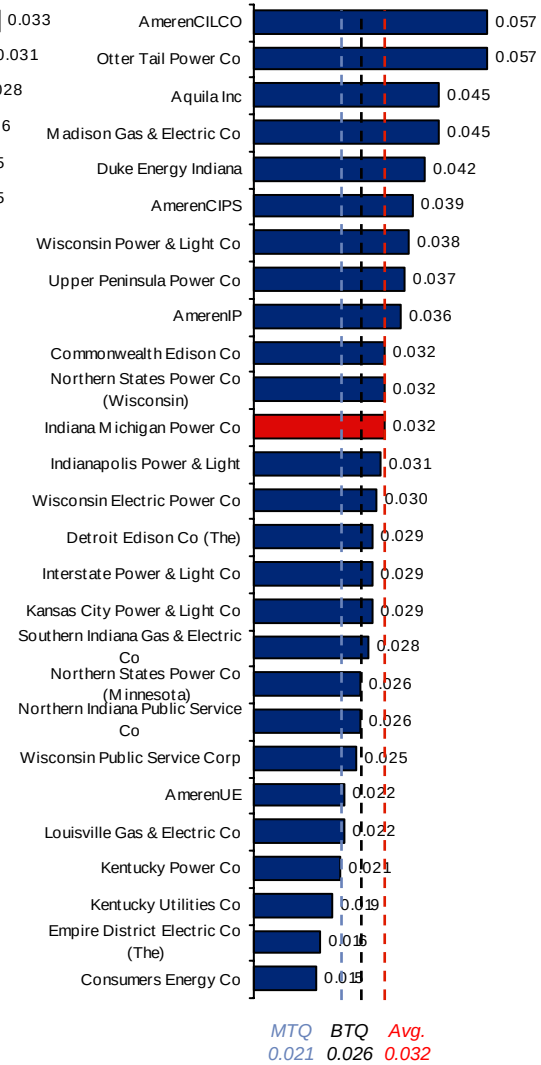
Total A&G less P&B per MWh



Total A&G less P&B per Gross Plant



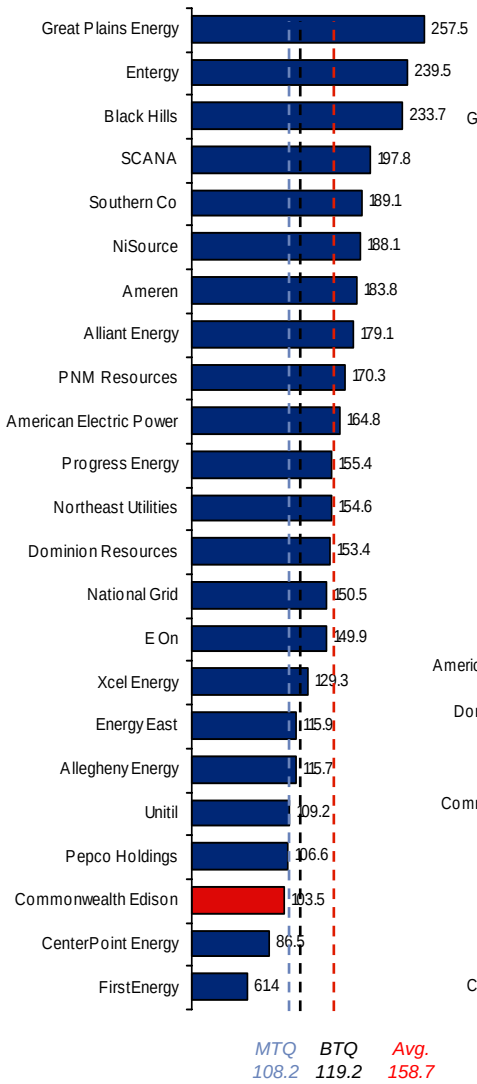
Total A&G less P&B per Net Plant



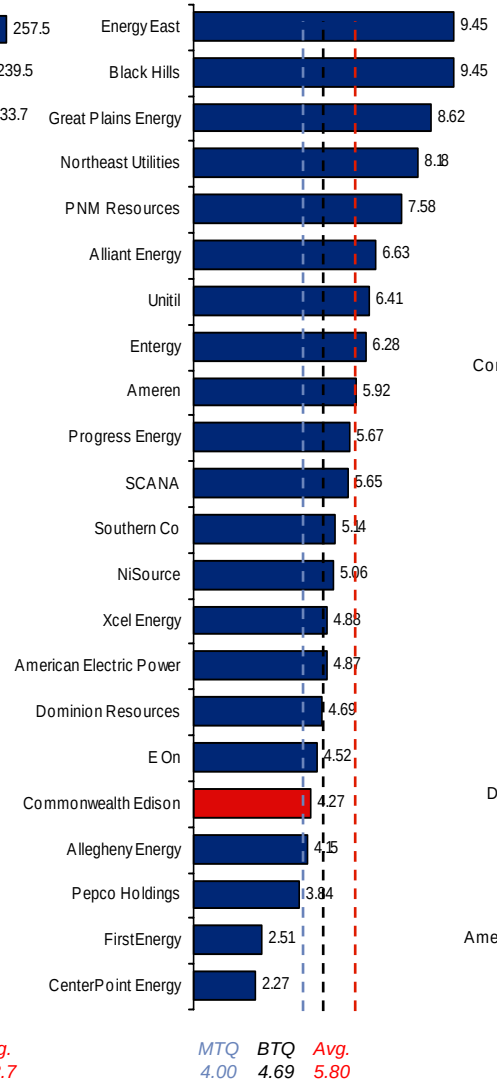
Note: P & B = Pensions and Benefits

Holding Company Peer Group A&G (2006)

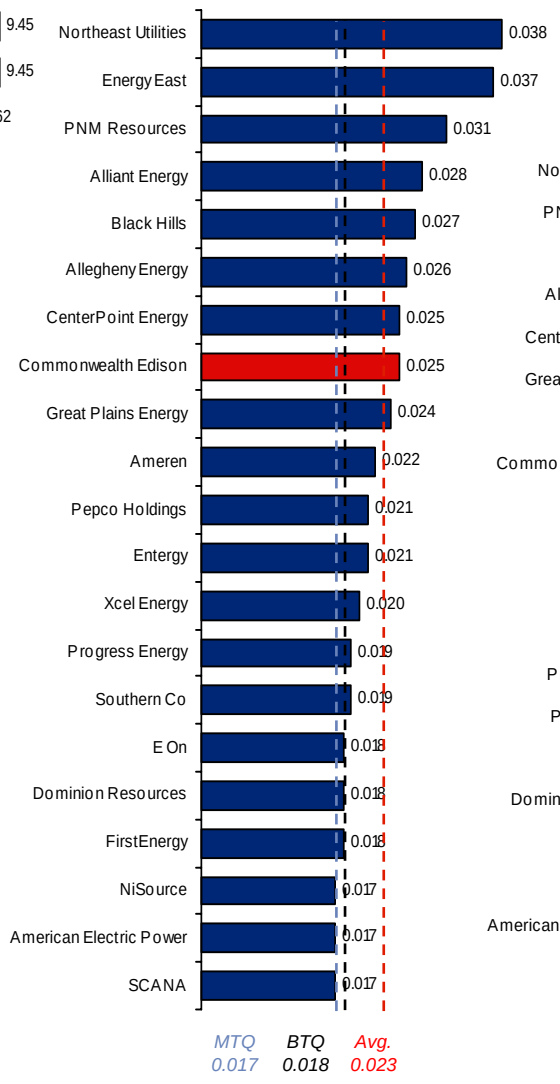
Total A&G per Customer



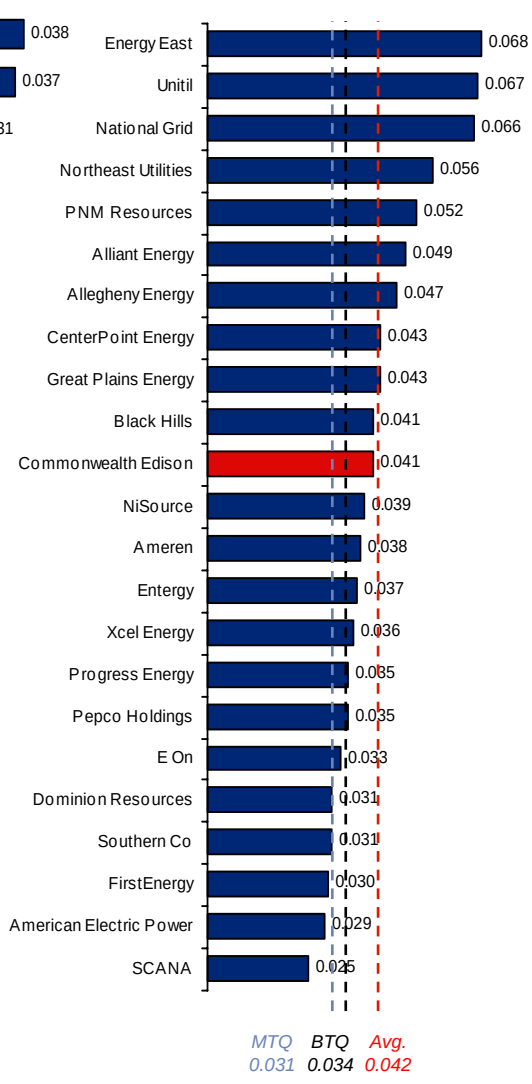
Total A&G per MWh



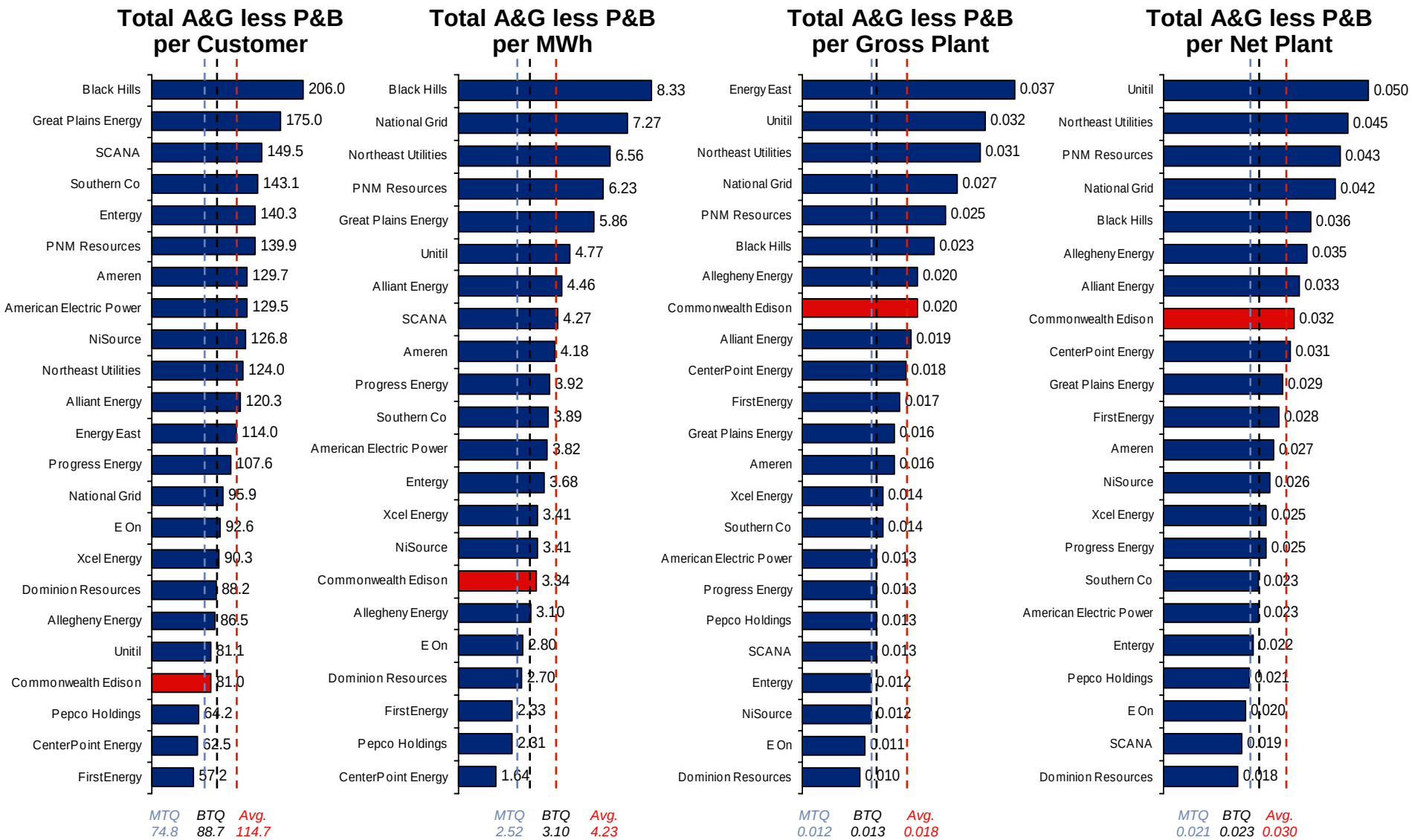
Total A&G per Gross Plant



Total A&G per Net Plant

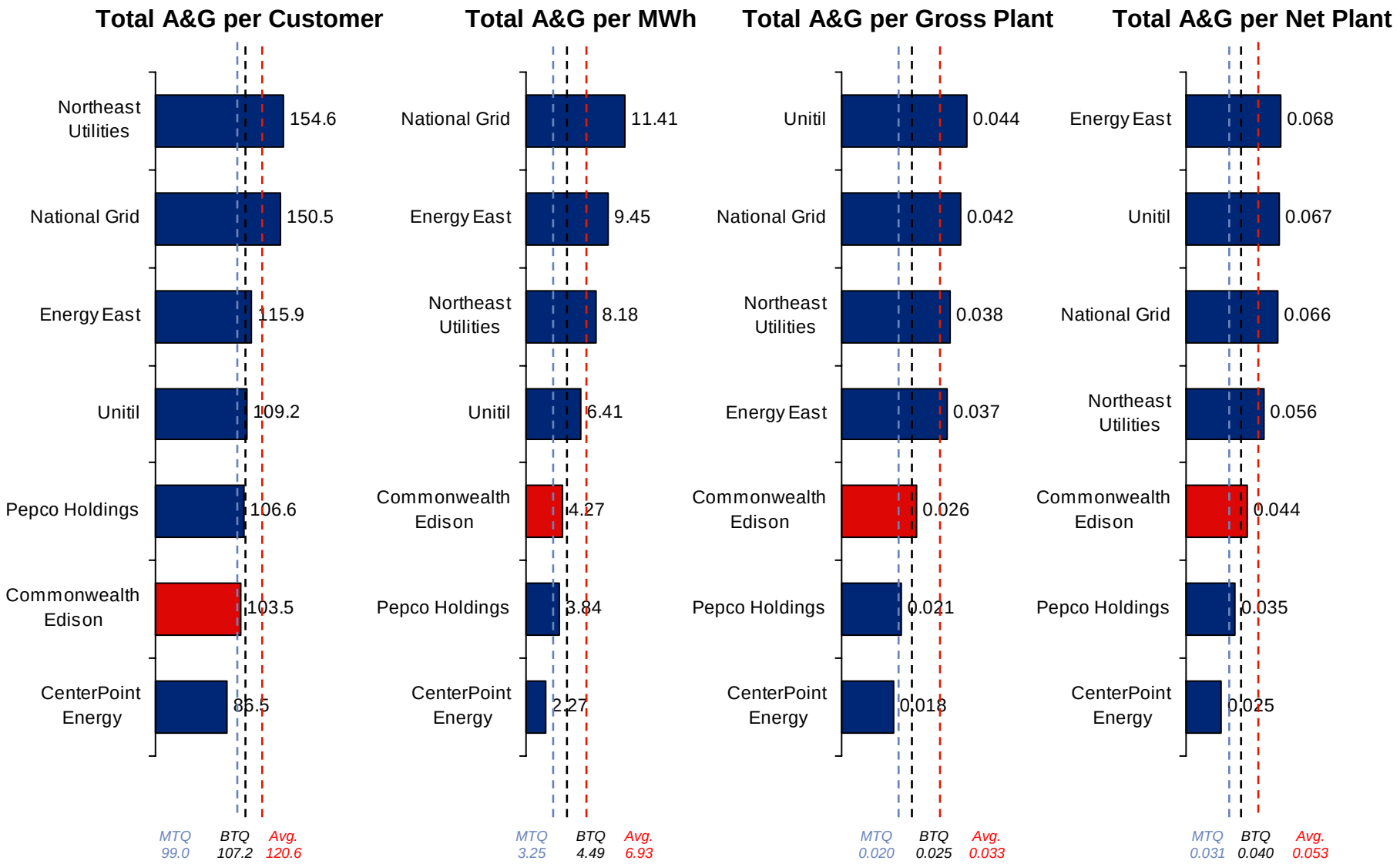


Holding Company Peer Group A&G w/o P&B (2006)

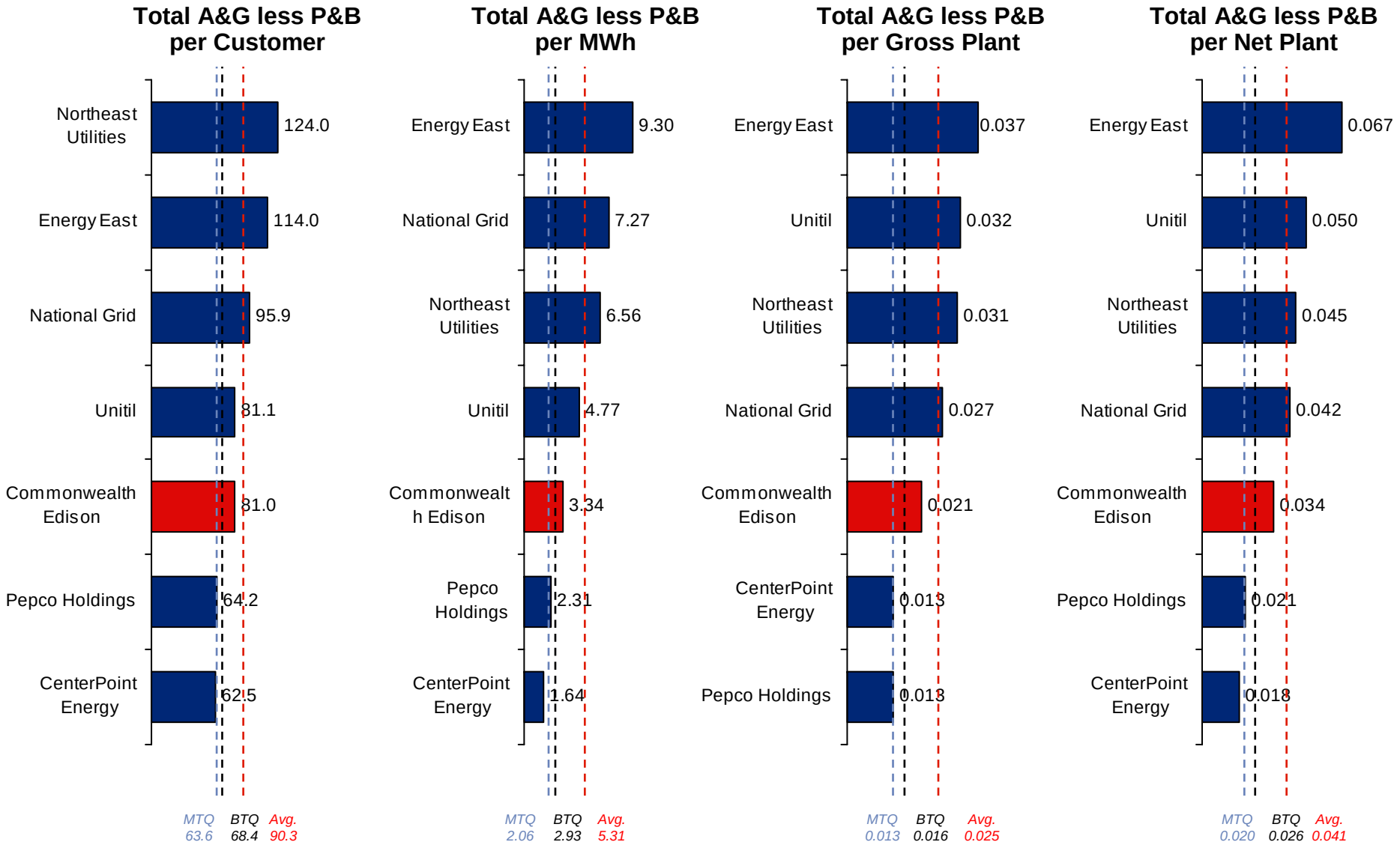


Note: P & B = Pensions and Benefits

Holding Company (T&D) Peer Group A&G (2006)



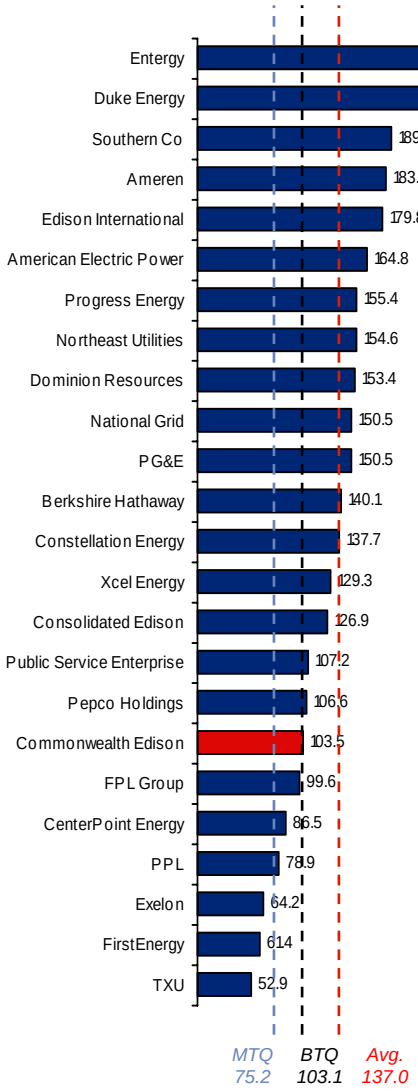
Holding Company (T&D) Peer Group A&G w/o P&B (2006)



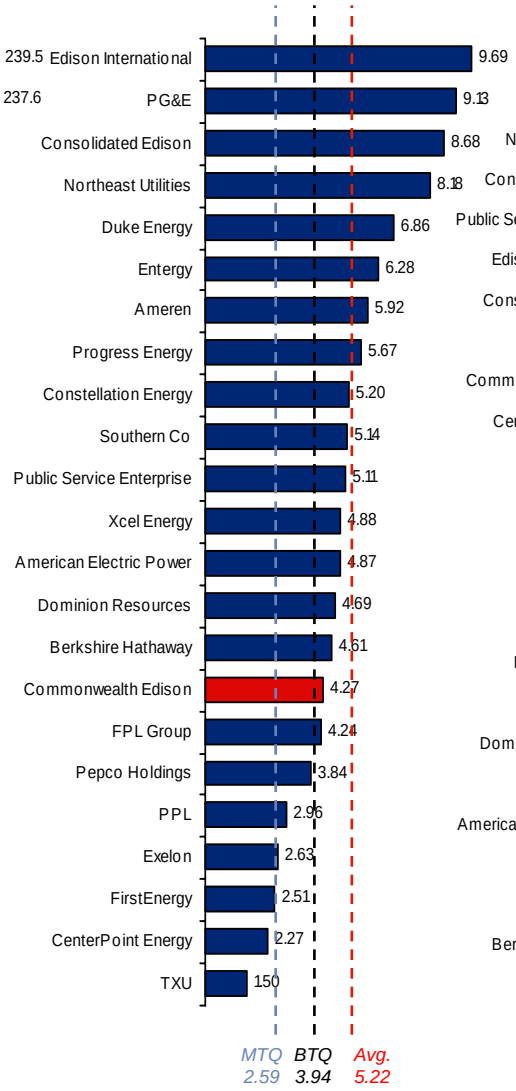
Note: P & B = Pensions and Benefits

Exelon Peer Group A&G (2006)

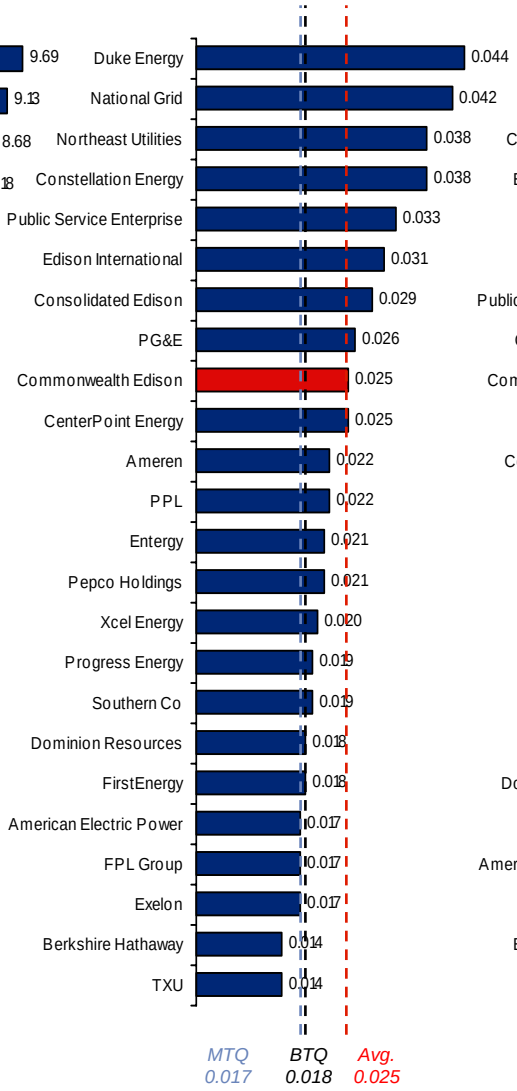
Total A&G per Customer



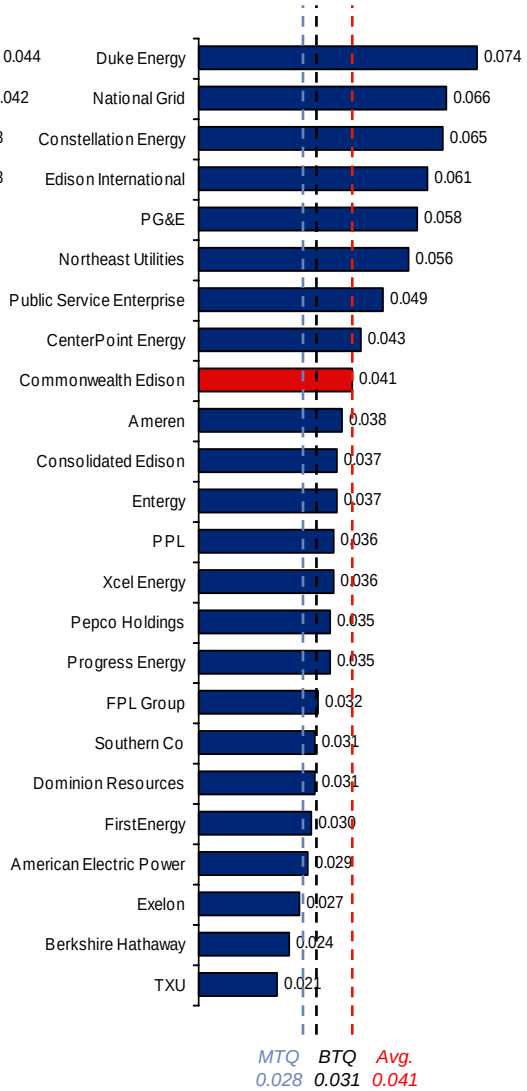
Total A&G per MWh



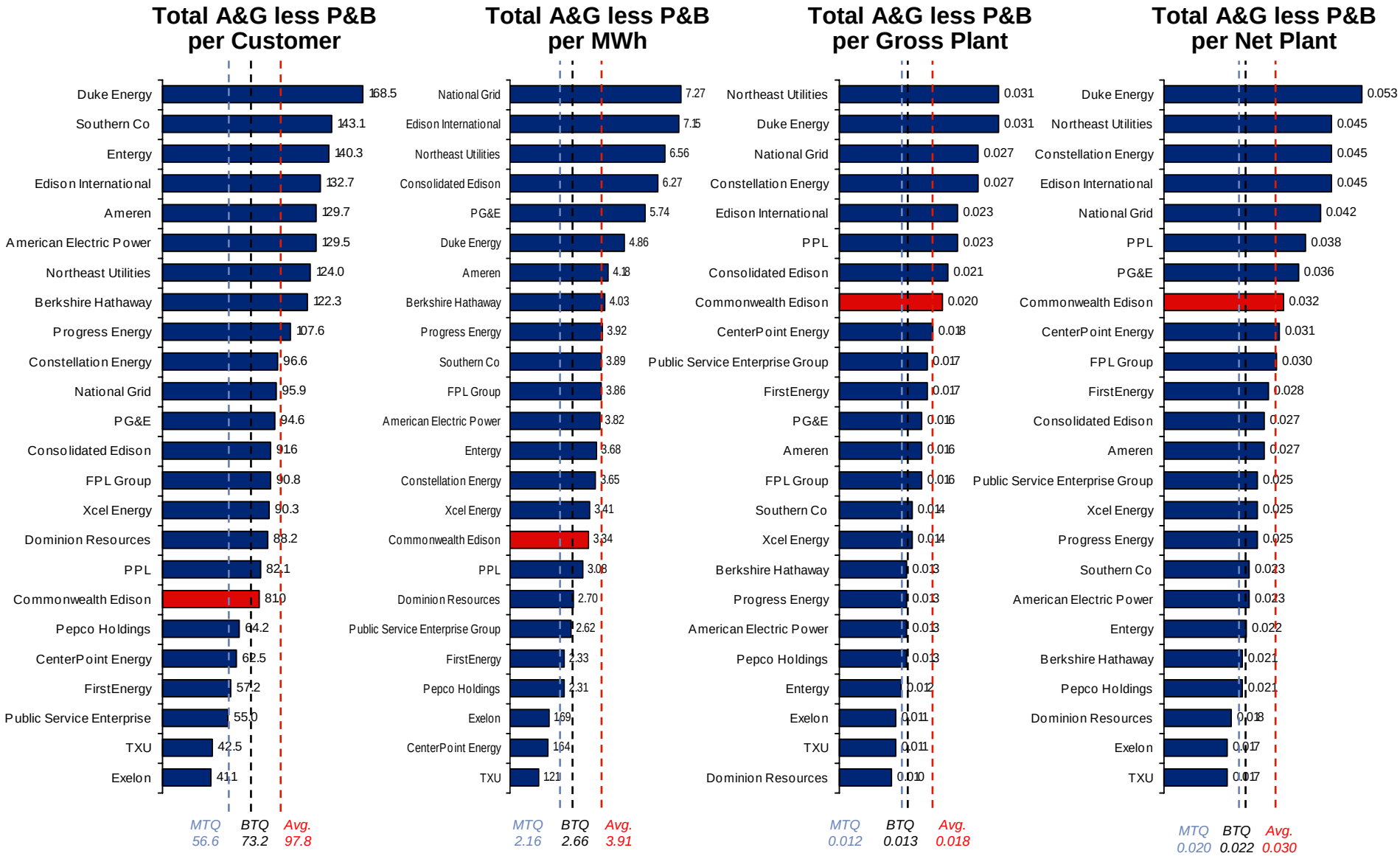
Total A&G per Gross Plant



Total A&G per Net Plant

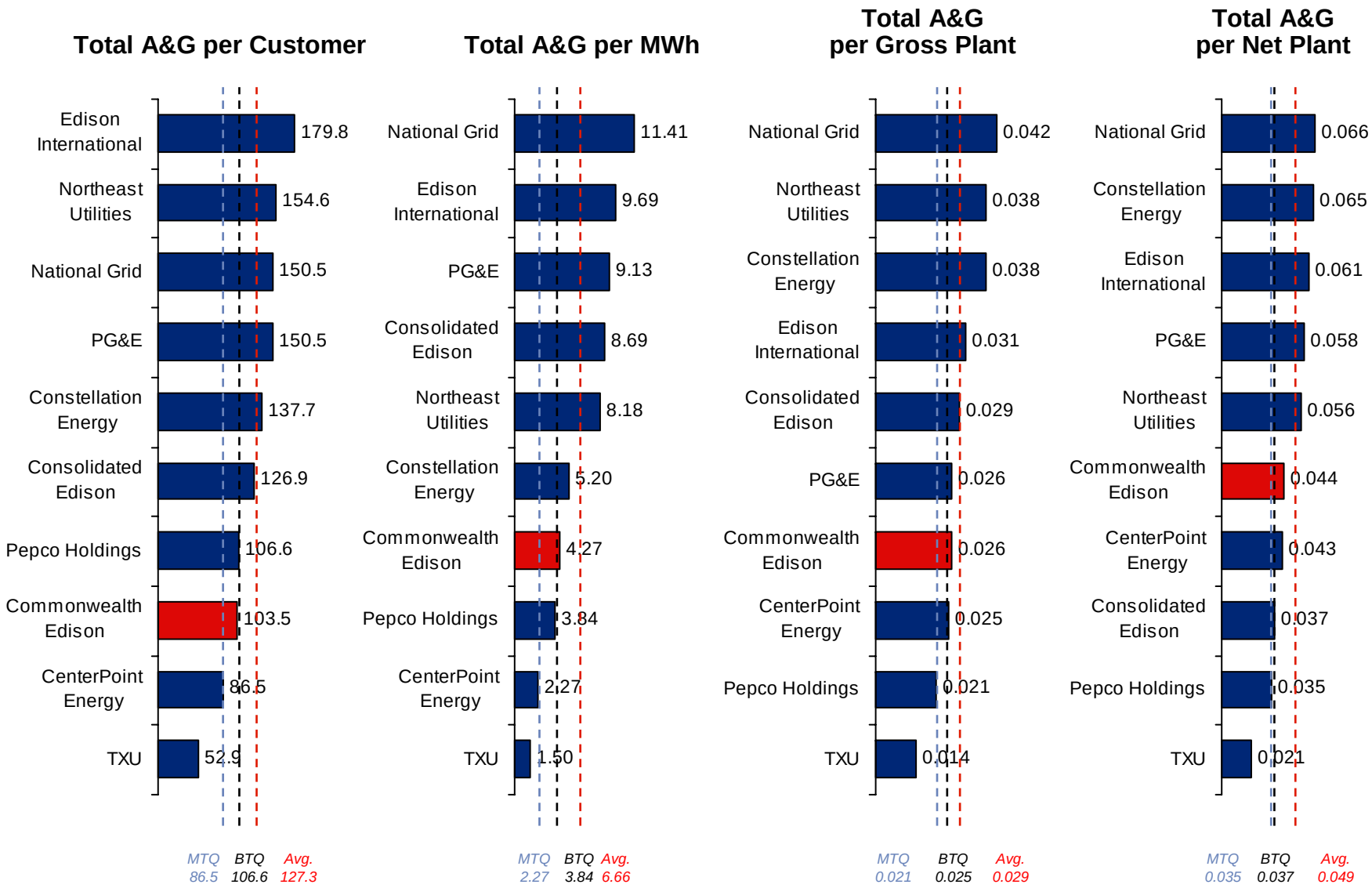


Exelon Peer Group A&G w/o P&B (2006)

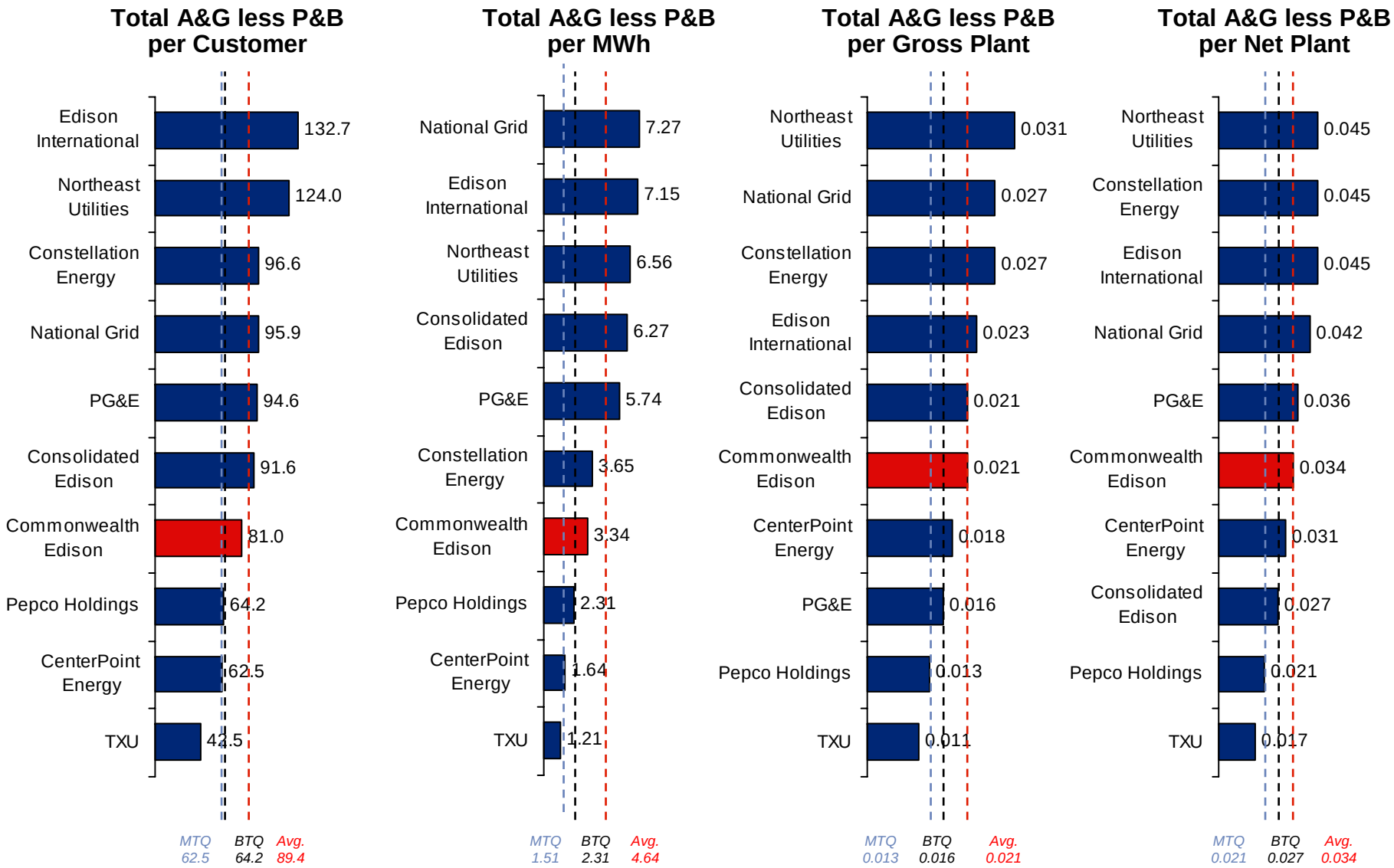


Note: P & B = Pensions and Benefits

Exelon (T&D) Peer Group A&G (2006)

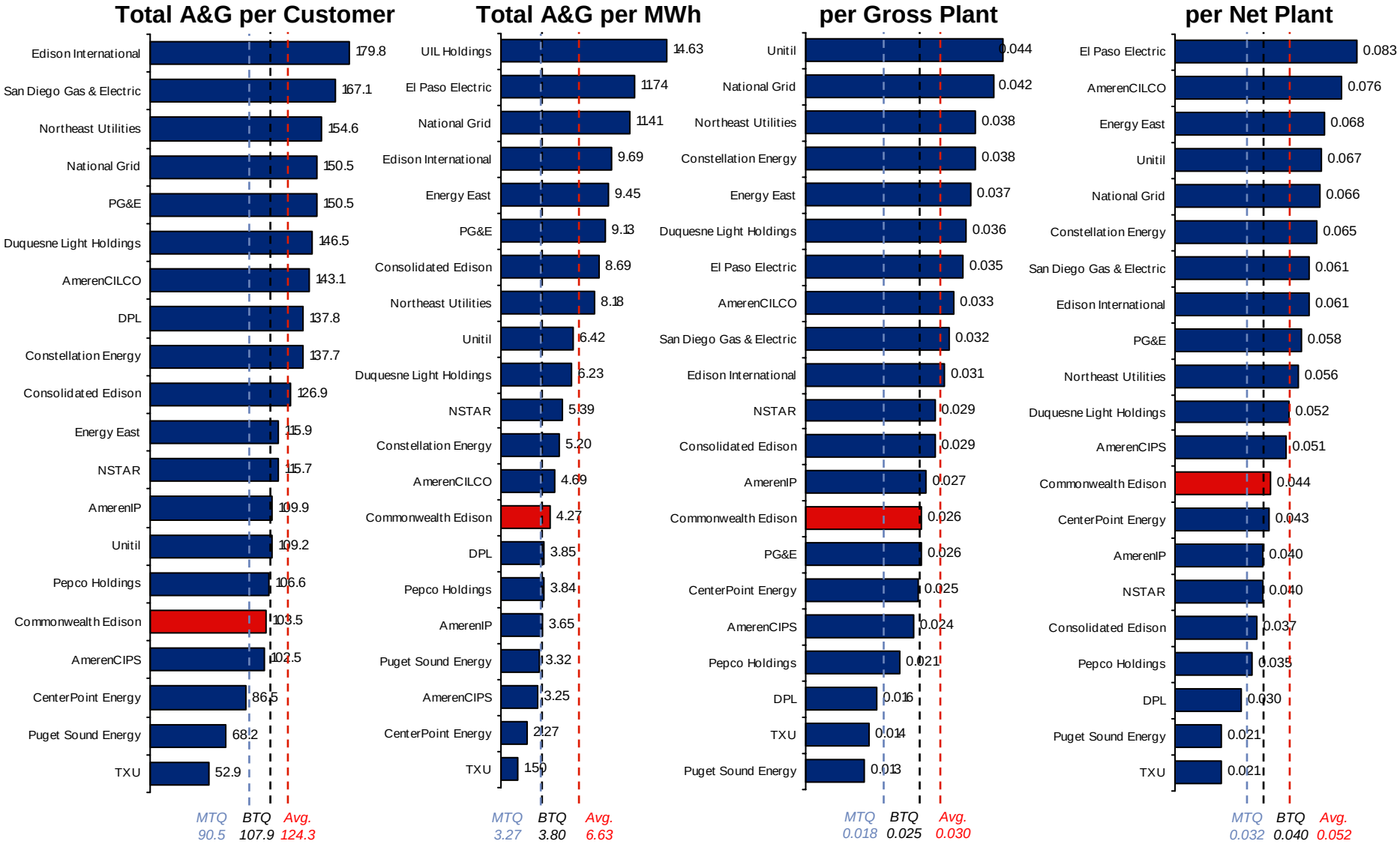


Exelon (T&D) Peer Group A&G w/o P&B (2006)

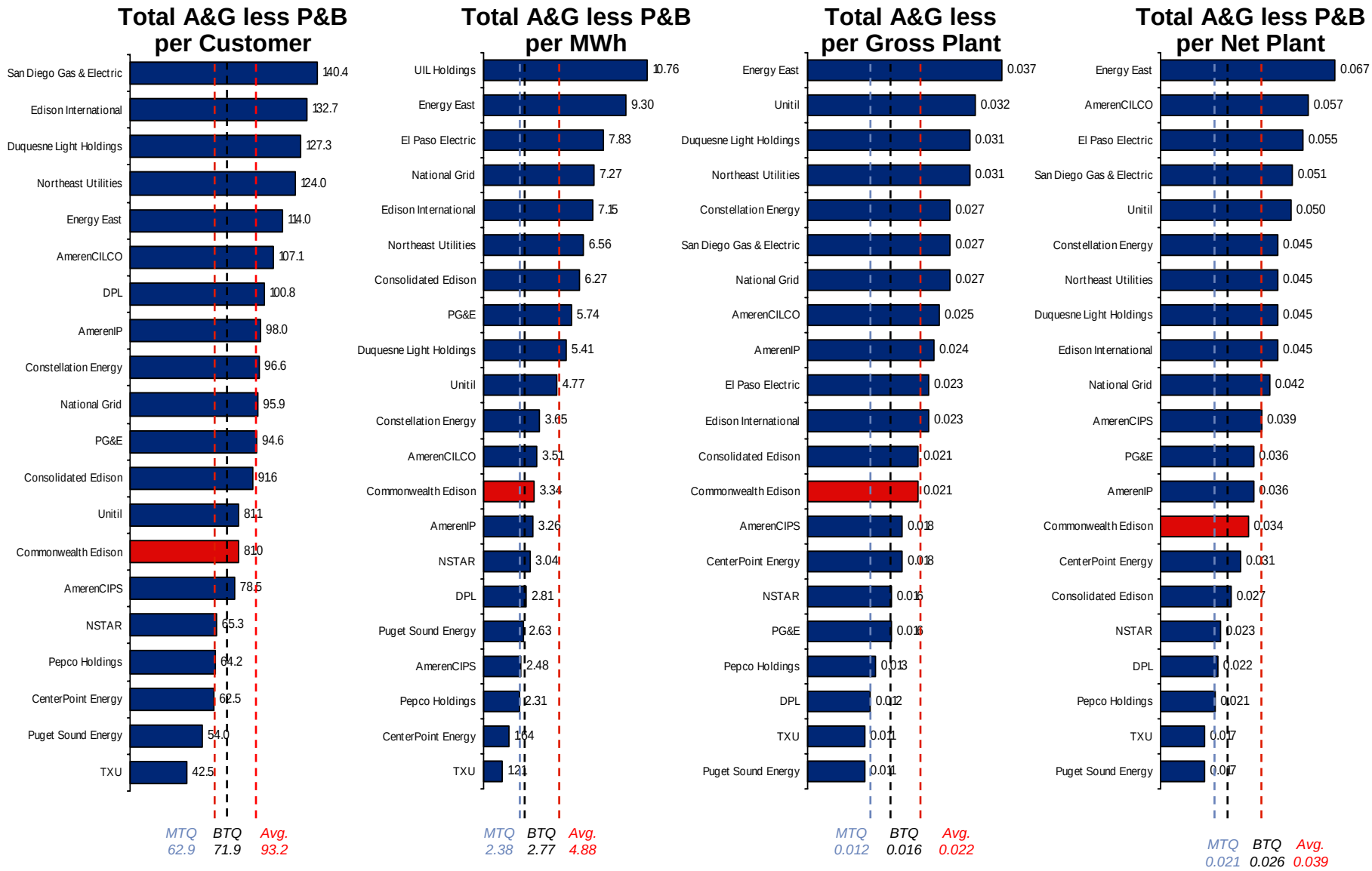


Note: P & B = Pensions and Benefits

T&D Peer Group A&G (2006)



T&D Peer Group A&G w/o P&B (2006)



Note: P & B = Pensions and Benefits

Exhibit 9-3
FERC Form 1 Benchmarking Sensitivity Analysis

The purpose of this exhibit is to provide support for ComEd's performance in the FERC Form 1 benchmarking results presented in **Section 9 – Relative Cost Performance** and **Exhibit 9-2**. We performed a sensitivity analysis to determine the change in ComEd A&G expenses that must occur to cause benchmarking results to change across metrics (i.e., Customers, MWh Sold, Gross Assets and Net Assets).

Figure 9-9 below illustrates how the sensitivity analysis should be viewed. Figure 9-10 is an example of how the analysis was conducted for the T&D peer group.

Figure 9-9
Interpretation of Sensitivity Analysis

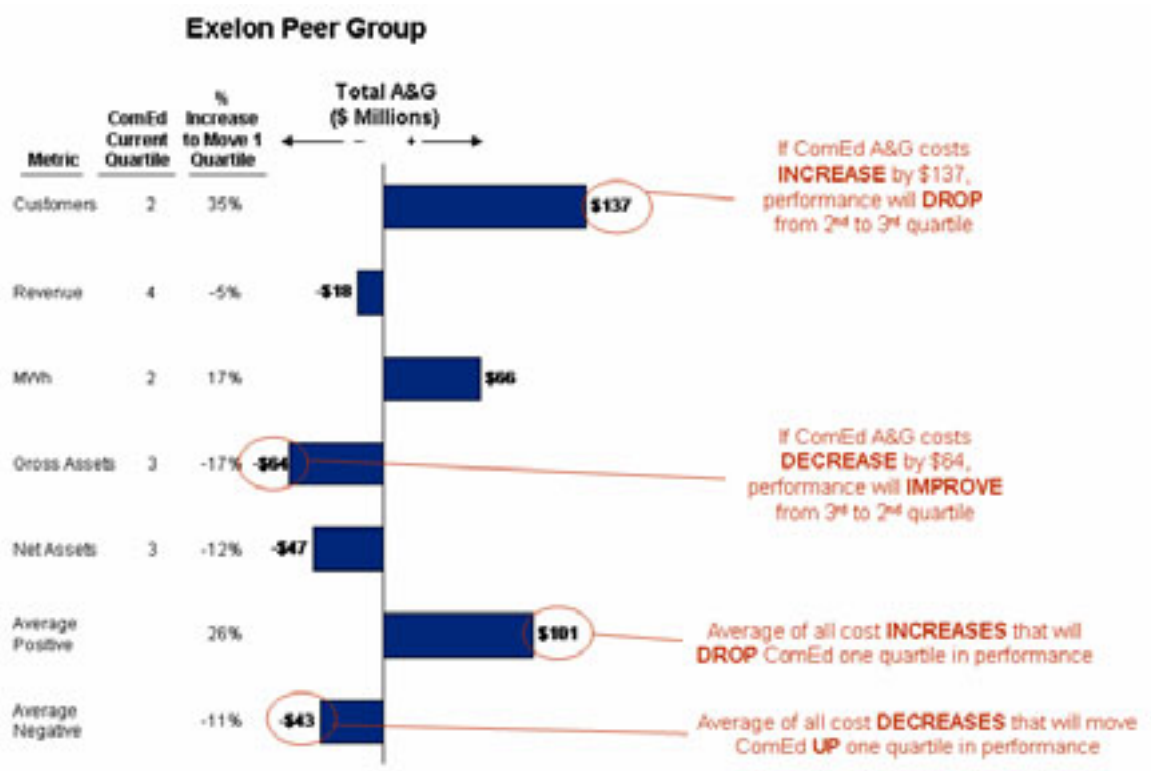
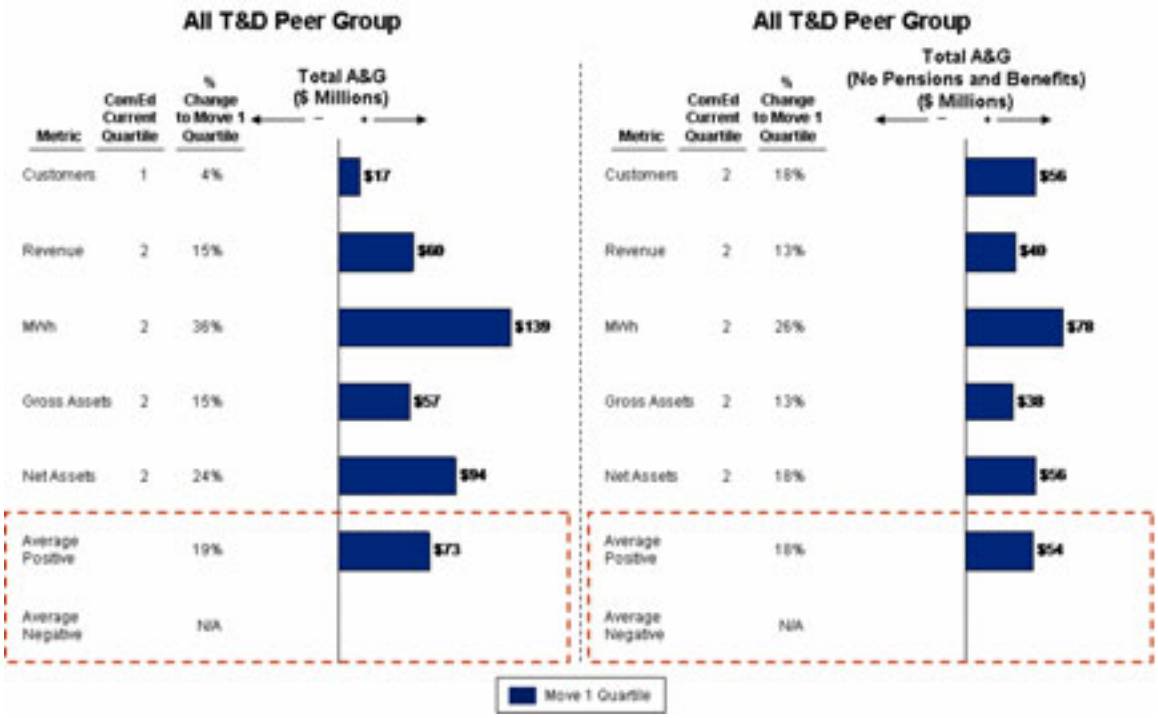


Figure 9-10
T&D Peer Group Sensitivity Analysis (with and without Pensions and Benefits)



Additional peer groups were analyzed, and as presented in **Figure 9-11**, the amount by which ComEd A&G would need to change to cause an increase or decrease in quartile performance is significant in light of 2006 A&G expense of $387 million. For example, ComEd A&G must increase, on average, $72 million to cause a one quartile decline in performance across benchmarking metrics. Alternatively, ComEd A&G costs must decrease, on average, $36 million to cause a one quartile improvement in performance across benchmarking metrics.

Please refer to the report for the overall conclusions related to the FERC Form 1 benchmarking analysis.

Figure 9-11
Sensitivity Analysis Summary

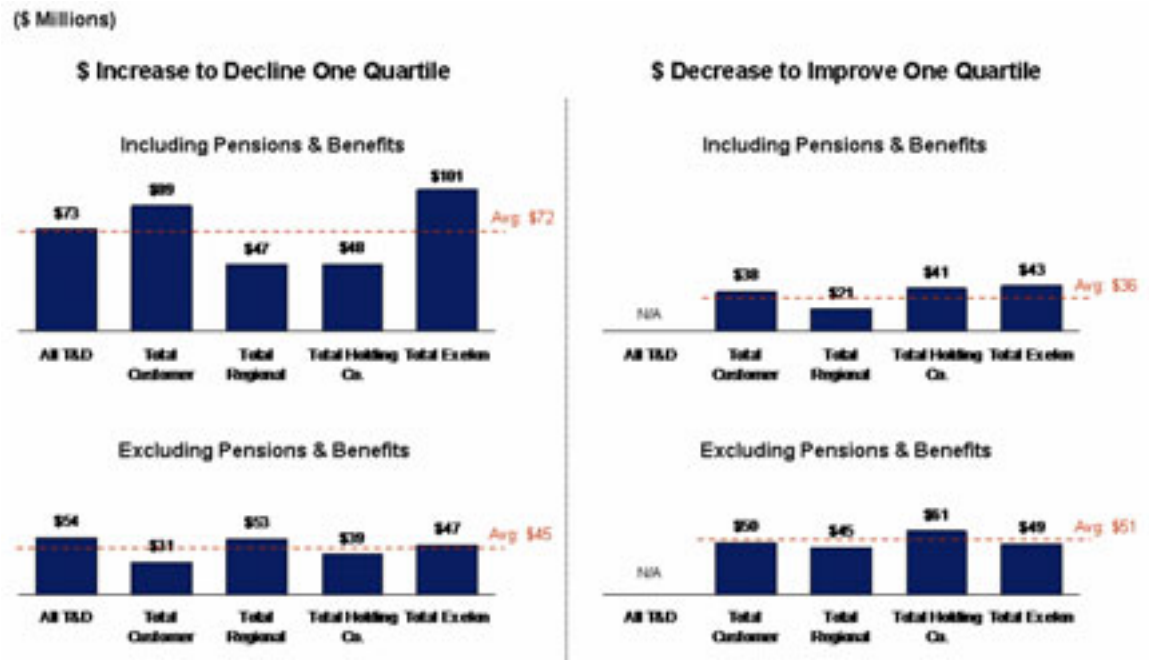


Exhibit 9-4
FERC Form 1 Benchmarking Regression Analysis

The purpose of this exhibit is to explain the appropriateness of metrics used for FERC benchmarking. The metrics considered for benchmarking were Customers, MWh Sold, Gross Assets and Net Assets. Correlations and multivariate regressions were used to evaluate these four metrics. Please refer to the report for the overall conclusions related to the FERC Form 1 benchmarking.

Correlations

The extent to which each metric is correlated with A&G expenses during 2006 was examined across all five peer groups (T&D, Customer, Regional, Holding Company, Exelon). High correlation between a given metric and A&G suggest there exists a relationship.

As presented in **Figure 9-12**, correlations between each metric and A&G are at least approximately 65%. Since all four metrics are highly correlated with A&G expenses across peer groups (*i.e.*, correlation is close to 100%), each can reasonably serve as a benchmarking metric for A&G. Note that the Customer, Regional, Holding Company and Exelon peer groups are presented on a combined basis; the correlations within each individual peer group are not significantly different from the average across all four groups as presented in **Figure 9-12**.

Figure 9-12
FERC Benchmarking Correlations

	Metric	Correlation with A&G Expense	
		Incl P&B	Excl P&B
T&D Group	Customers	93%	92%
	MWh	67%	67%
	Gross Assets	96%	94%
	Net Assets	93%	92%
	Average	**87%**	**86%**
Subset Total Groups	Customers	79%	N/A
	MWh	74%	N/A
	Gross Assets	89%	N/A
	Net Assets	87%	N/A
	Average	**84%**	N/A

Multivariate regressions

To further assess the appropriateness of metrics used for benchmarking, we performed multivariate regression analysis. A logarithmic regression model was used (*i.e.*, the model used the natural log of both the independent and dependent variables) to capture the effects of economies of scale on A&G expenses.

Judging results across peer groups, the "best fit" regression equations were determined to identify the variables that were best able to "predict" A&G expenses. This "best fit" equation used the Gross Assets and Customers metrics. MWh sold was statistically significant in several iterations of multivariate regressions and is highly correlated with A&G (and thus a valuable metric on which to perform benchmarking analysis), but its ability to predict A&G appears to be slightly less than that of Gross Assets and Customers. Net Assets and Gross Assets show a high degree of correlation with each other are each statistically significant when separately included in regression equations; however, we used Gross Assets in the regressions since it generally produced higher R^2 (*i.e.*, explained a higher degree of variance in A&G expenses across companies). It should be noted that Net Assets is also a strong predictor of A&G expenses.

The "best fit" regression results for each peer group are presented in **Figure 9-13**.

Figure 9-13
Peer Group Multivariate Regression Equations

	Peer Group	Regression Formula(1)	Adj(2) R^2
	T&D	= 2.95 + 0.39G + 0.52C*	86.8%
	T&D (excl P&B)	= 3.62 + 0.29G + 0.60C*	86.3%
Total Group	Customer	= -1.39 + 0.64G*** + 0.40C**	78.4%
	Customer (excl P&B)	= -0.54 + 0.54G*** + 0.49C***	75.7%
	Exelon	= 0.76 + 0.68G*** + 0.21C	71.5%
	Exelon (excl P&B)	= 0.47 + 0.63G*** + 0.28C	73.0%
	Regional	= 2.07 + 0.52G*** + 0.37C**	90.0%
	Regional (excl P&B)	= -0.37 + 0.76G*** + 0.12C	88.0%
	Holding Co	= 1.48 + 0.55G*** + 0.36C***	96.3%
	Holding Co (excl P&B)	= 2.34** + 0.44G*** + 0.45C***	94.7%

*** Significant at 99% confidence level
** Significant at 95% confidence level
* Significant at 90% confidence level

Variable Legend

G: Gross Assets
C: Customers

General Note: Variables deemed significant with high levels of confidence and Adj. R^2 values close to 100% are generally signs of better regression equations
(1) All coefficients and variables presented are logged (e.g., 0.10C is the same as 0.10 x Ln(Customers)); dependent variable is also logged
(2) Used adjusted (a.k.a., corrected, unbiased) R^2 to compensate for the fact that adding new variables to a model always makes it easier to fit the model to the sample data. This is a better estimate of the potential explanatory power of the model than the (unadjusted) R^2

Figure 9-14 shows how actual A&G expenses compared to those predicted by the T&D peer group regression models presented in **Figure 9-13** for each company. The companies are presented from highest to lowest predicted A&G, and the dots represent actual A&G expenses. As shown on the figures, ComEd A&G was actually lower than predicted in the T&D peer group when pensions and benefits are included and excluded.

Figure 9-14
T&D Peer Group Regression Curves

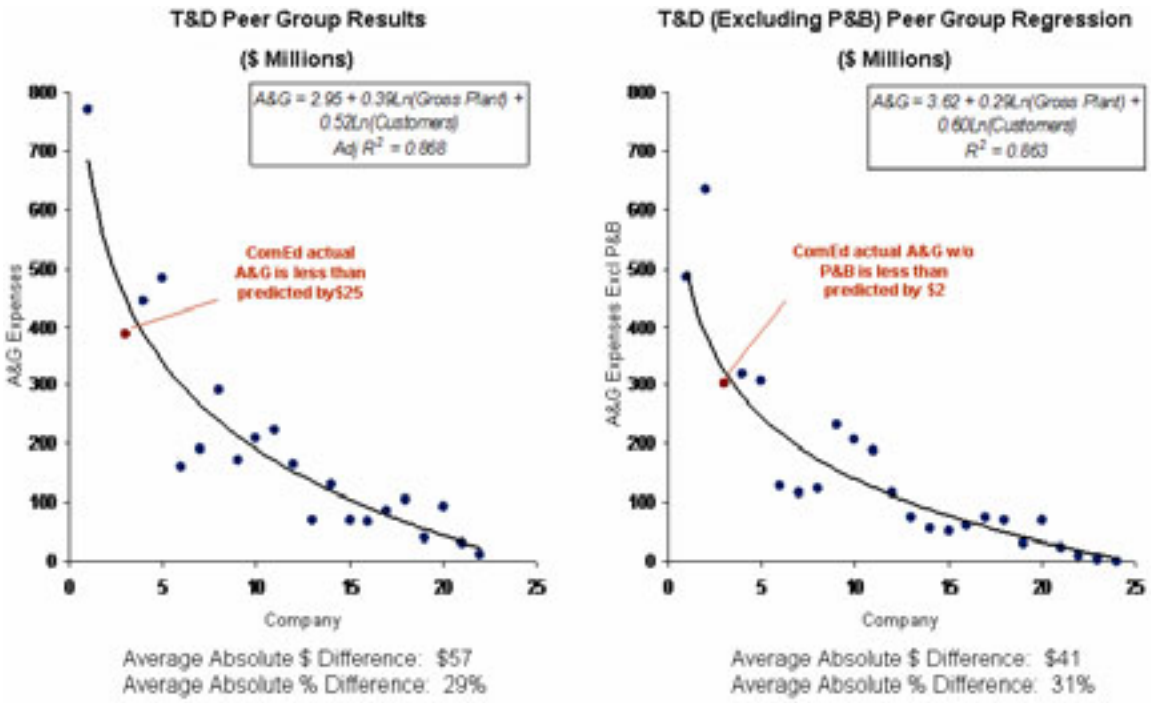
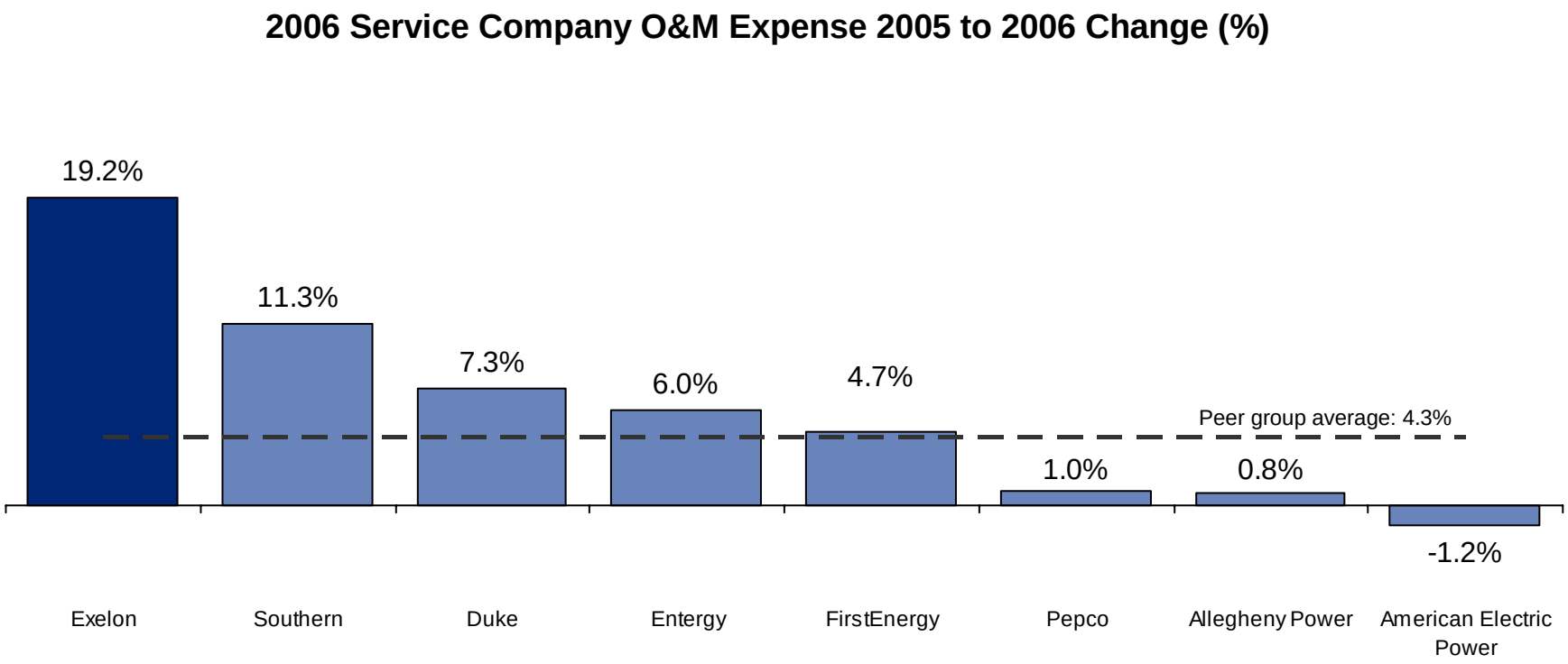


Exhibit 9-5: FERC Form 60 Service Company Benchmarking

- Service company O&M costs were compared against seven different factors – change from 2005, percentage of total company O&M, percentage of revenue, per customer, per total company FTE, per service company FTE, and percentage of total assets – to reflect a comprehensive basis from which to compare EBSC cost performance against these peers. Human resources and information technology were compared as a percentage of total company FTE's while accounting staffing levels were compared as a percentage of total company assets. In addition, as part of this analysis, total A&G expense was measured as a percentage of utility O&M as well as per customer at the operating company level rather than the service company level.

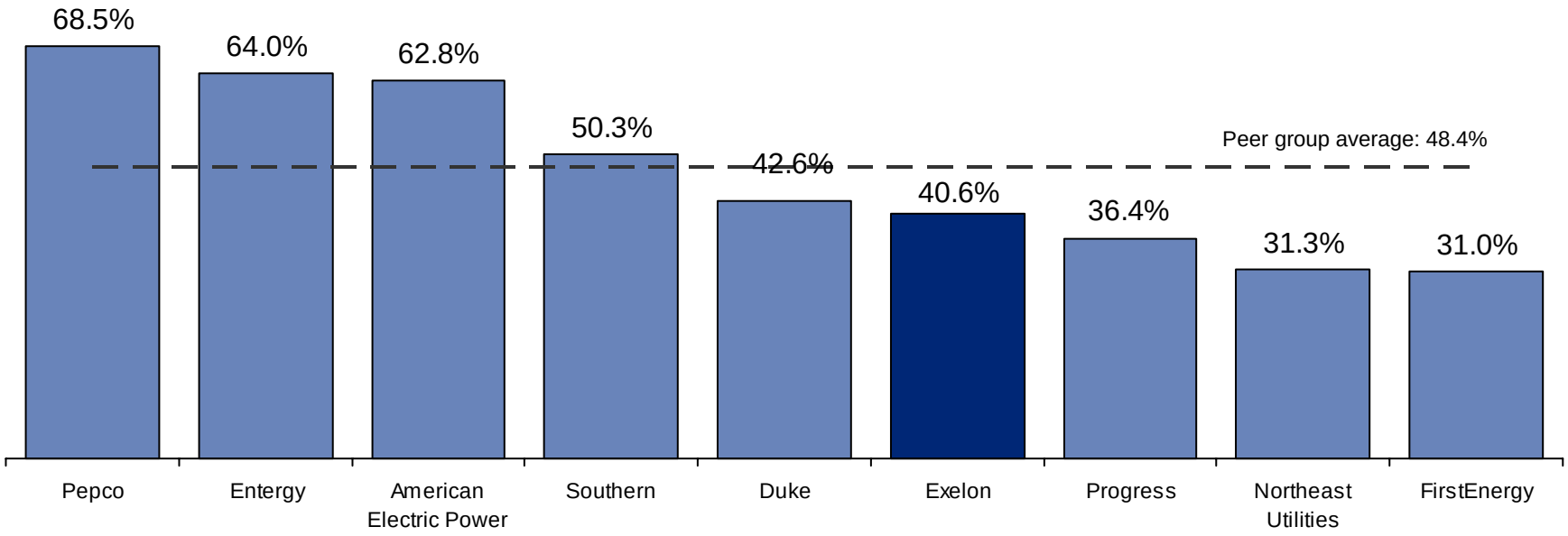
Service Company O&M Cost Trends



Source: 2006 FERC Form 60 filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Service Company Benchmarking – Total Company

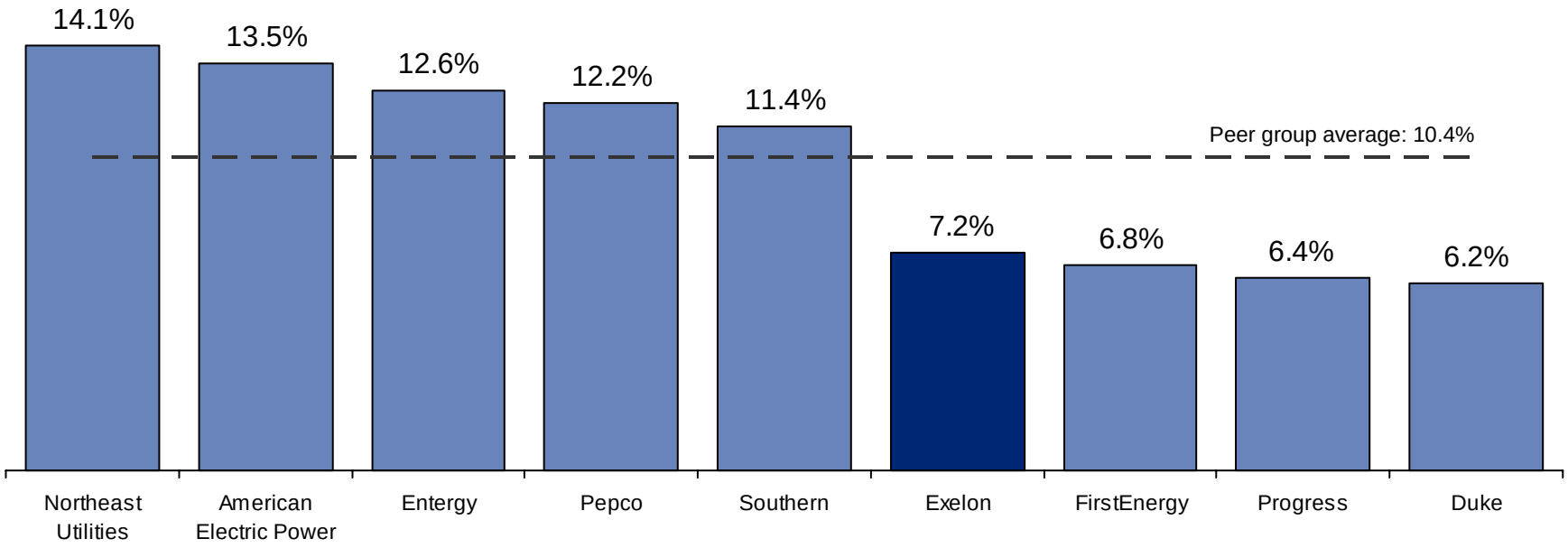
2006 Service Company O&M Expense as a Percentage of Total O&M[1]



Source: Energy Velocity data, 2006 FERC Form 60 filings, Booz Allen Hamilton analysis.
1) Total O&M Excludes Fuel and Purchasing Power
Note: Statistical Outliers removed using the Inner Quartile Range Method

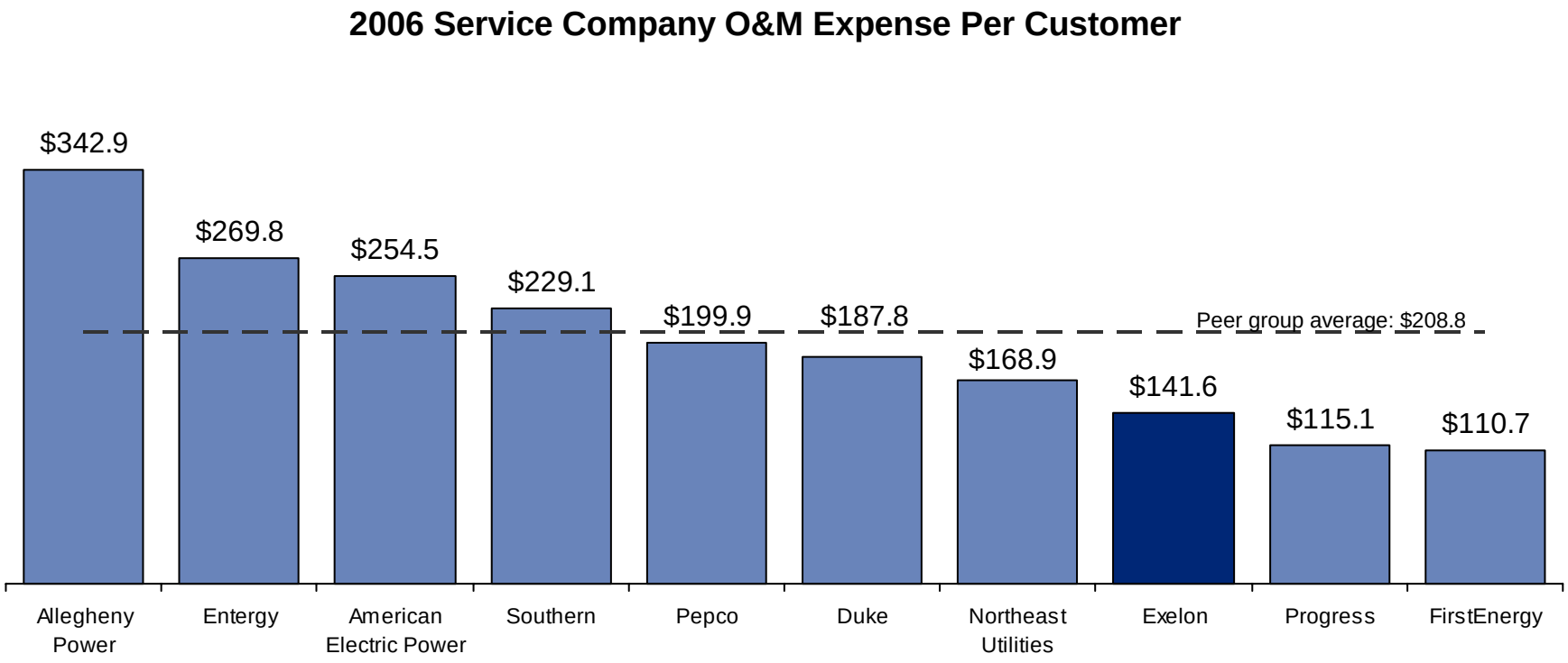
Service Company Benchmarking – Revenue

2006 Service Company O&M Expense as a Percentage of Revenue[1]



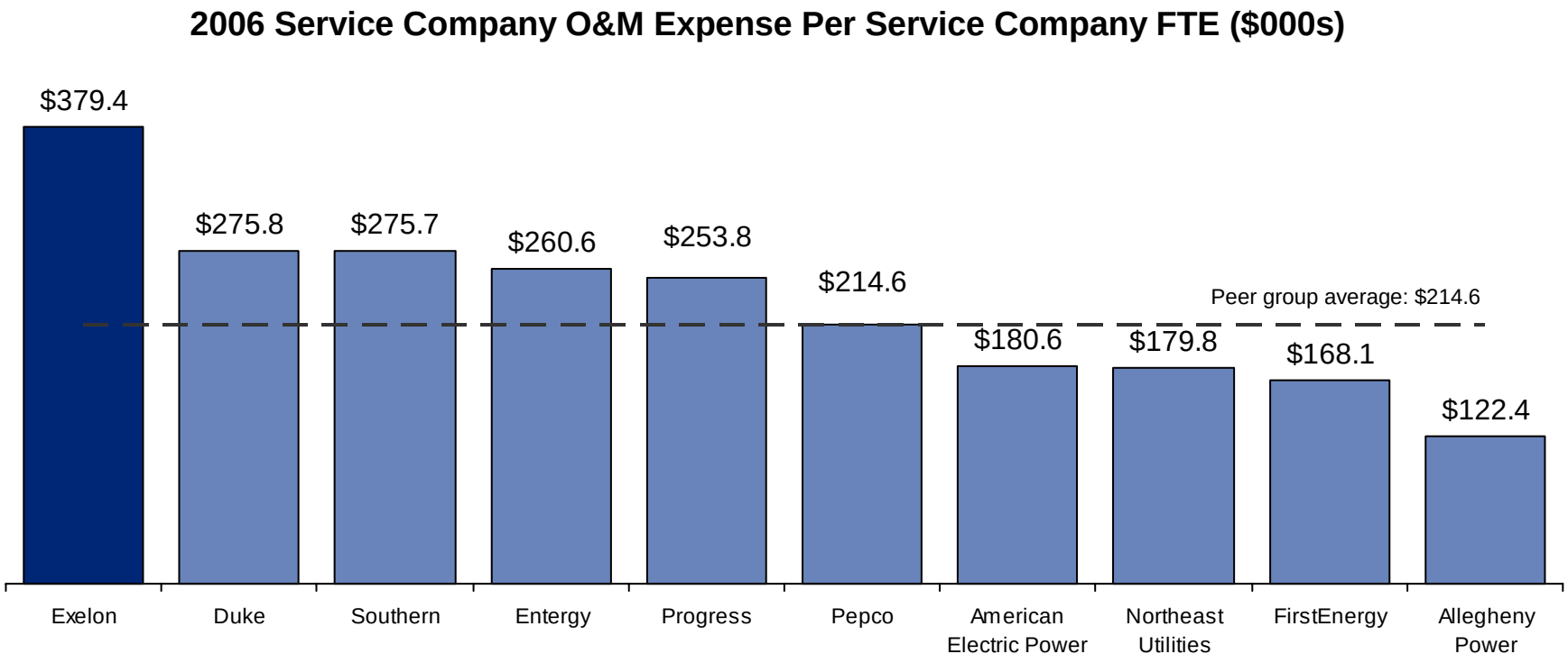
(1) Fuel Expenses and Purchased Power Costs were removed from Revenue totals.
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Service Company Benchmarking – Customers



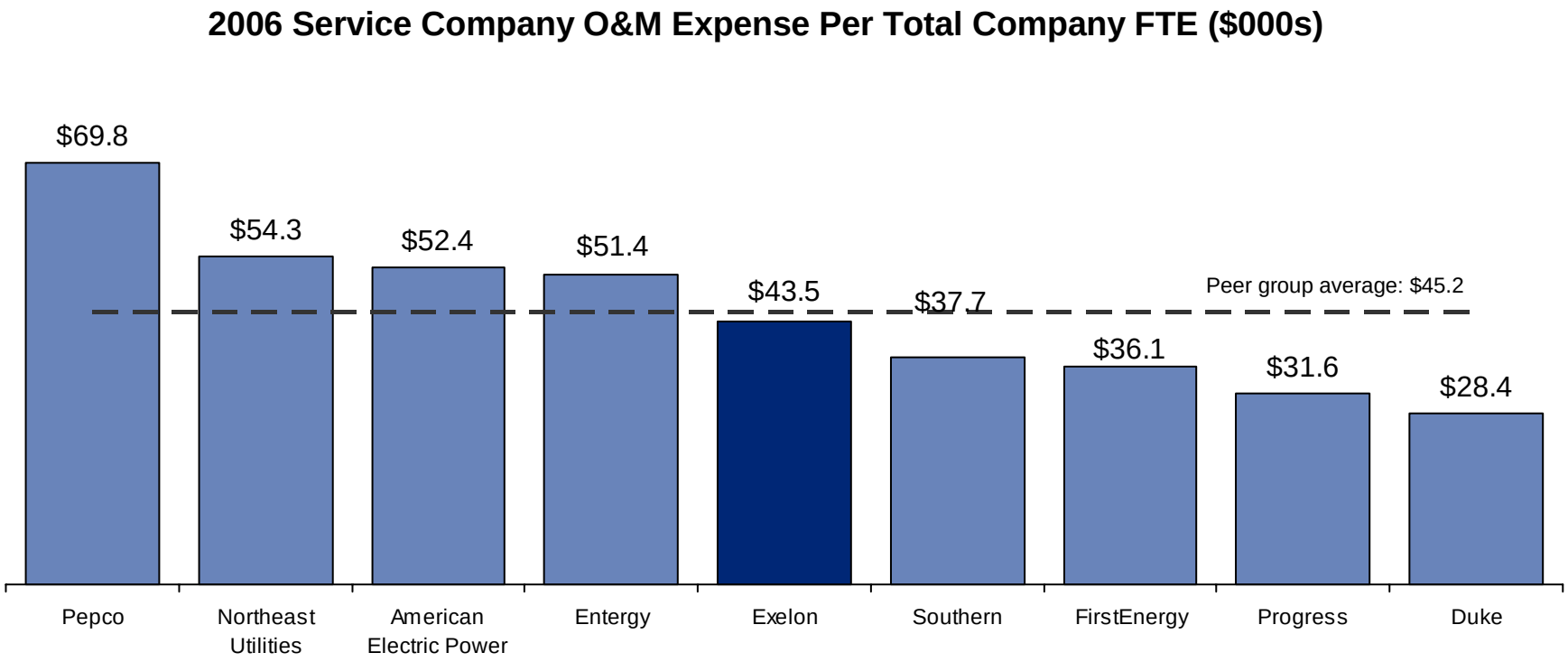
Source: Energy Velocity data, 2006 FERC Form 60 filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Service Company Benchmarking – ServCo FTEs



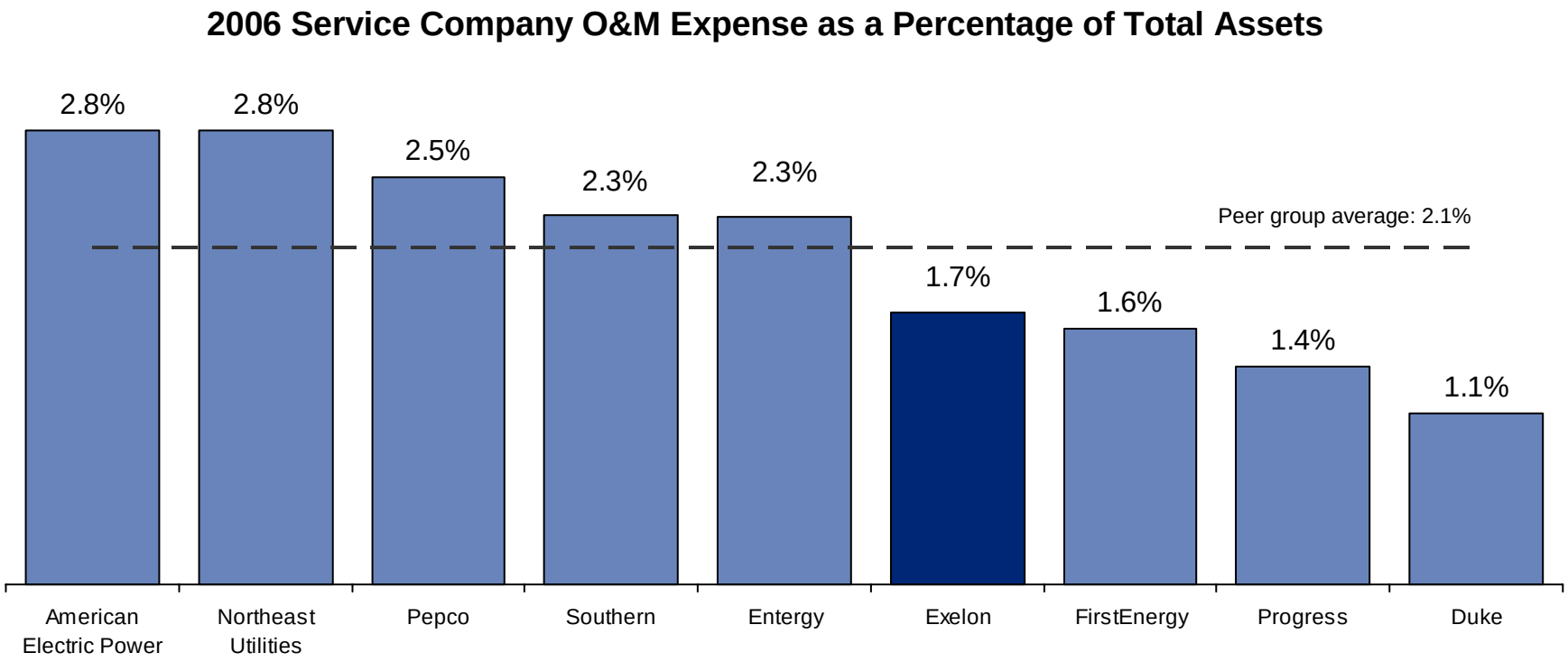
Source: Energy Velocity data, 2006 FERC Form 60 filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Service Company Benchmarking – Total FTEs



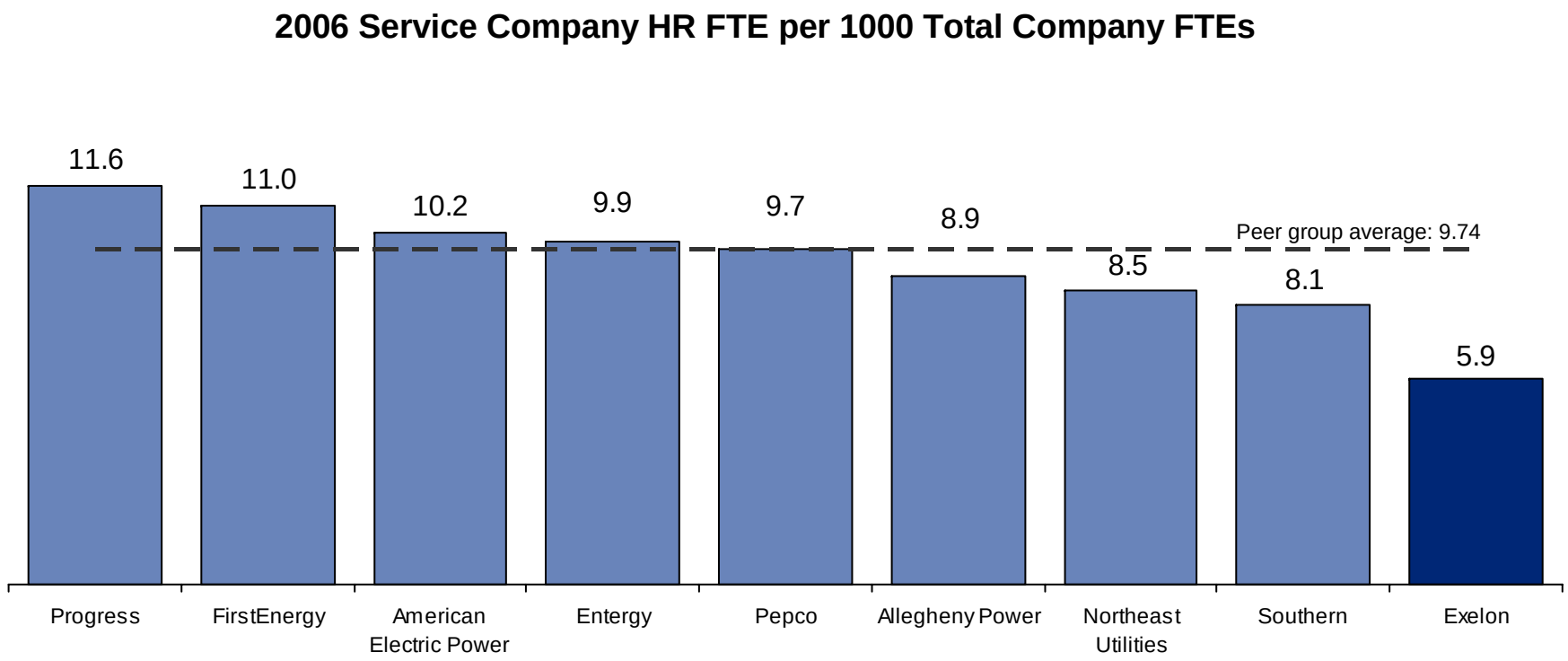
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Service Company Benchmarking – Assets



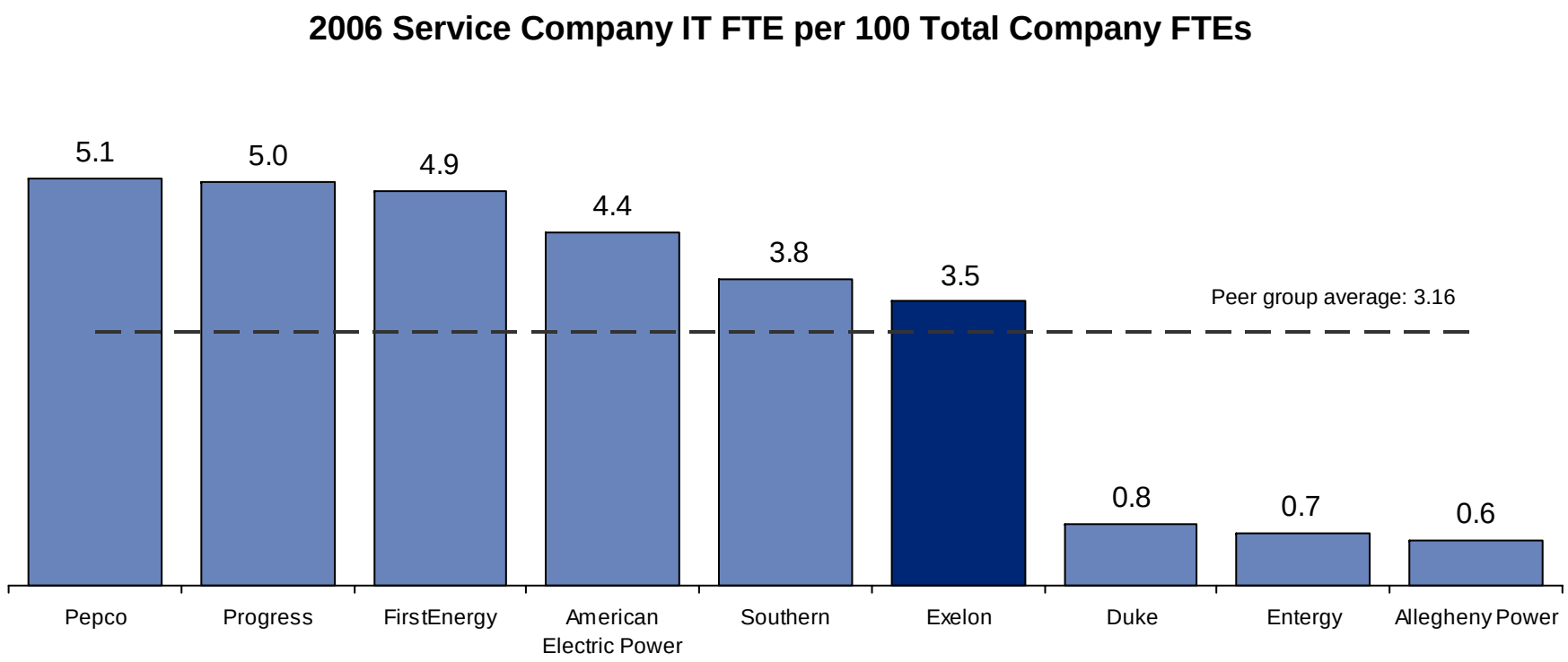
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Functional Benchmarking – HR



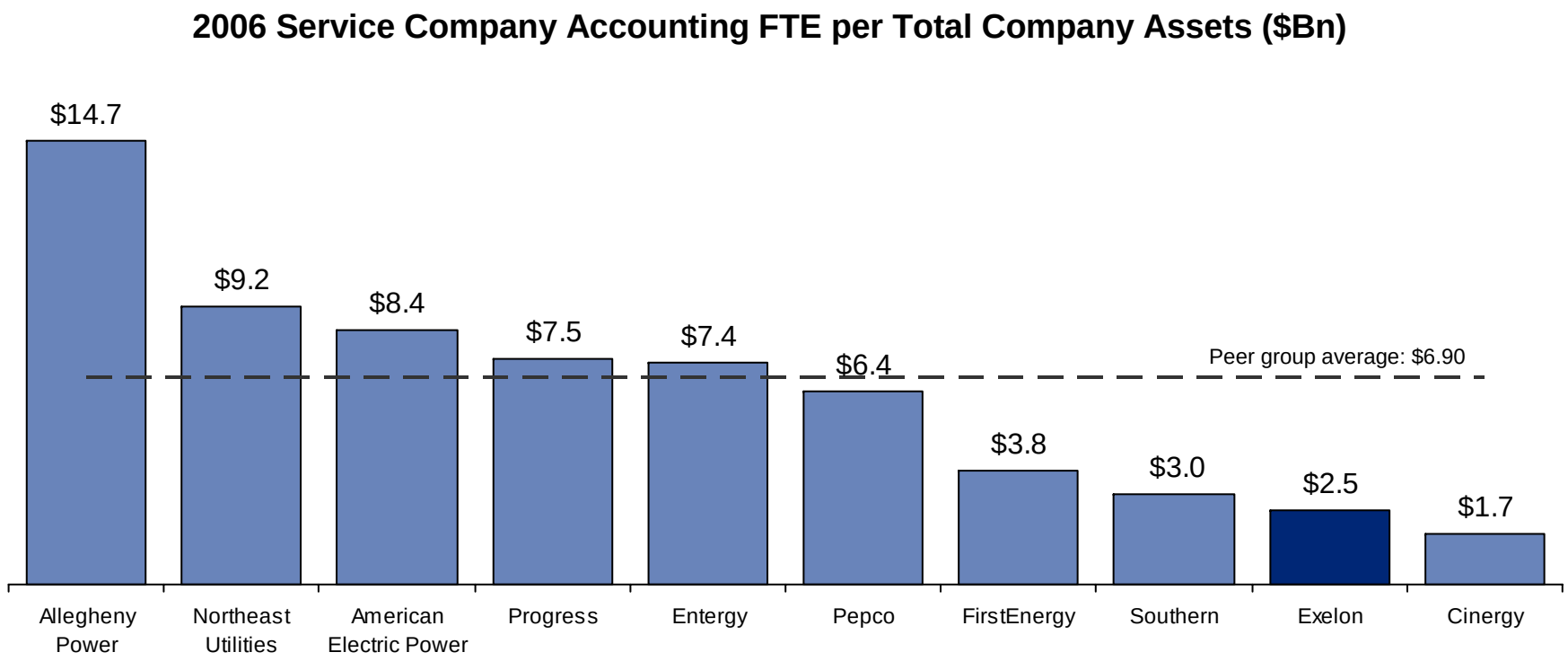
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Functional Benchmarking – IT



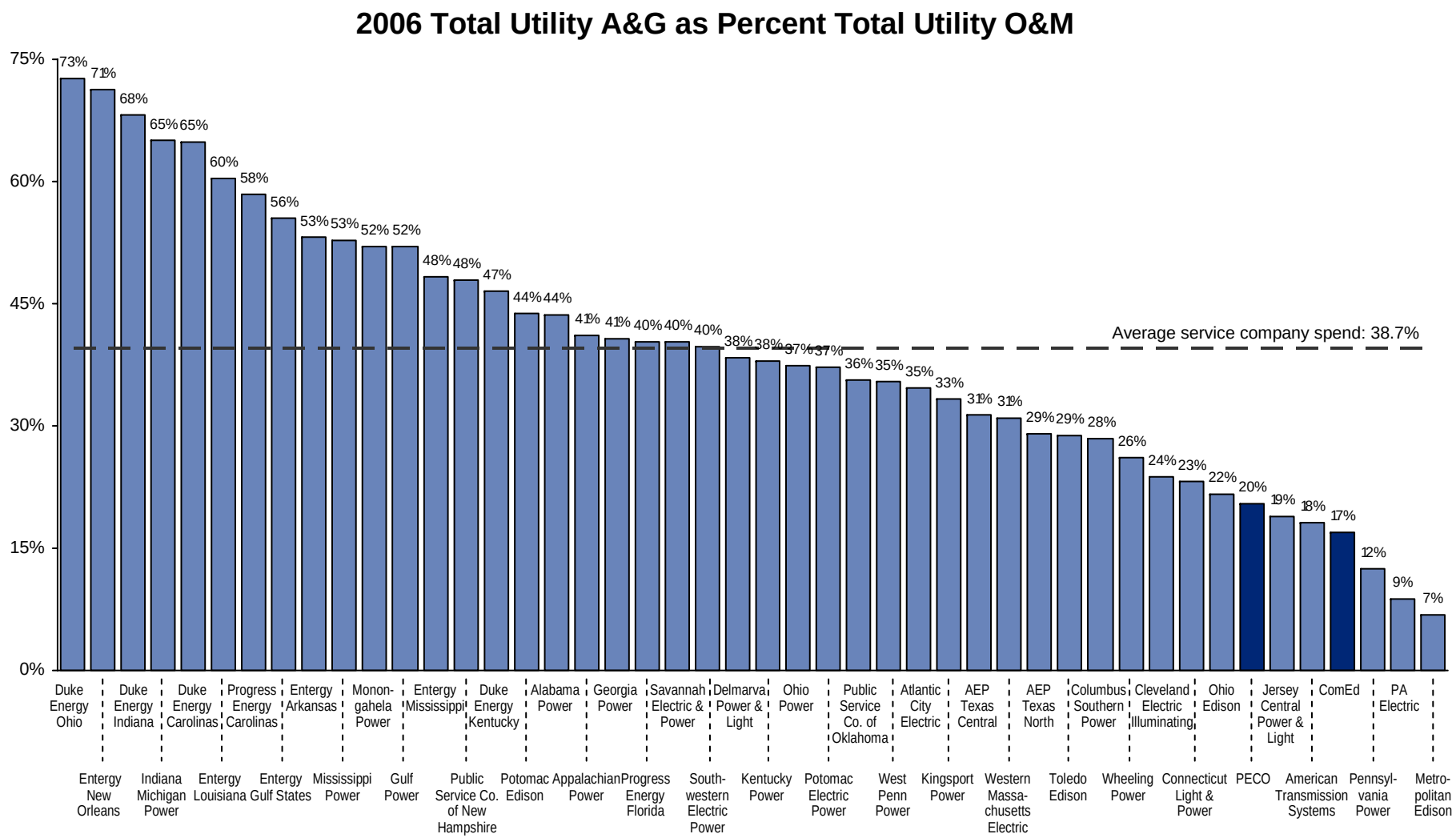
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Allegheny Energy Service Corporation and Northeast Utilities Service Company do not provide IT services to the holding company.
Note: Statistical Outliers removed using the Inner Quartile Range Method

Functional Benchmarking – Accounting



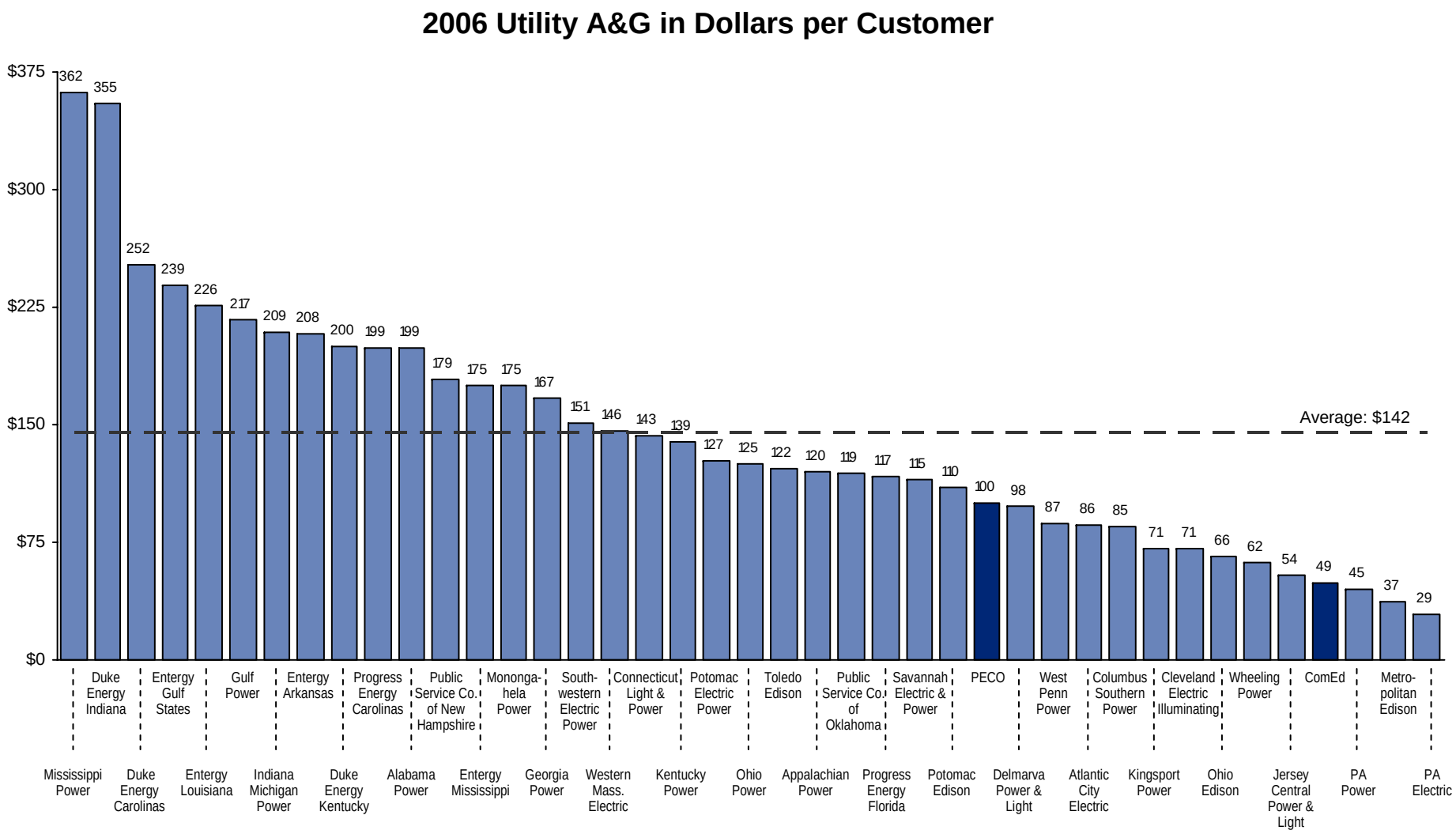
Source: Energy Velocity data, 2006 FERC Form 60 filings, 2006 company SEC 10K filings, Booz Allen Hamilton analysis.
Note: Statistical Outliers removed using the Inner Quartile Range Method

A&G Benchmarking – Operating Company



Source: 2005 FERC Form 60s, Energy Velocity data, Booz Allen Hamilton analysis.

A&G Benchmarking – Customer View

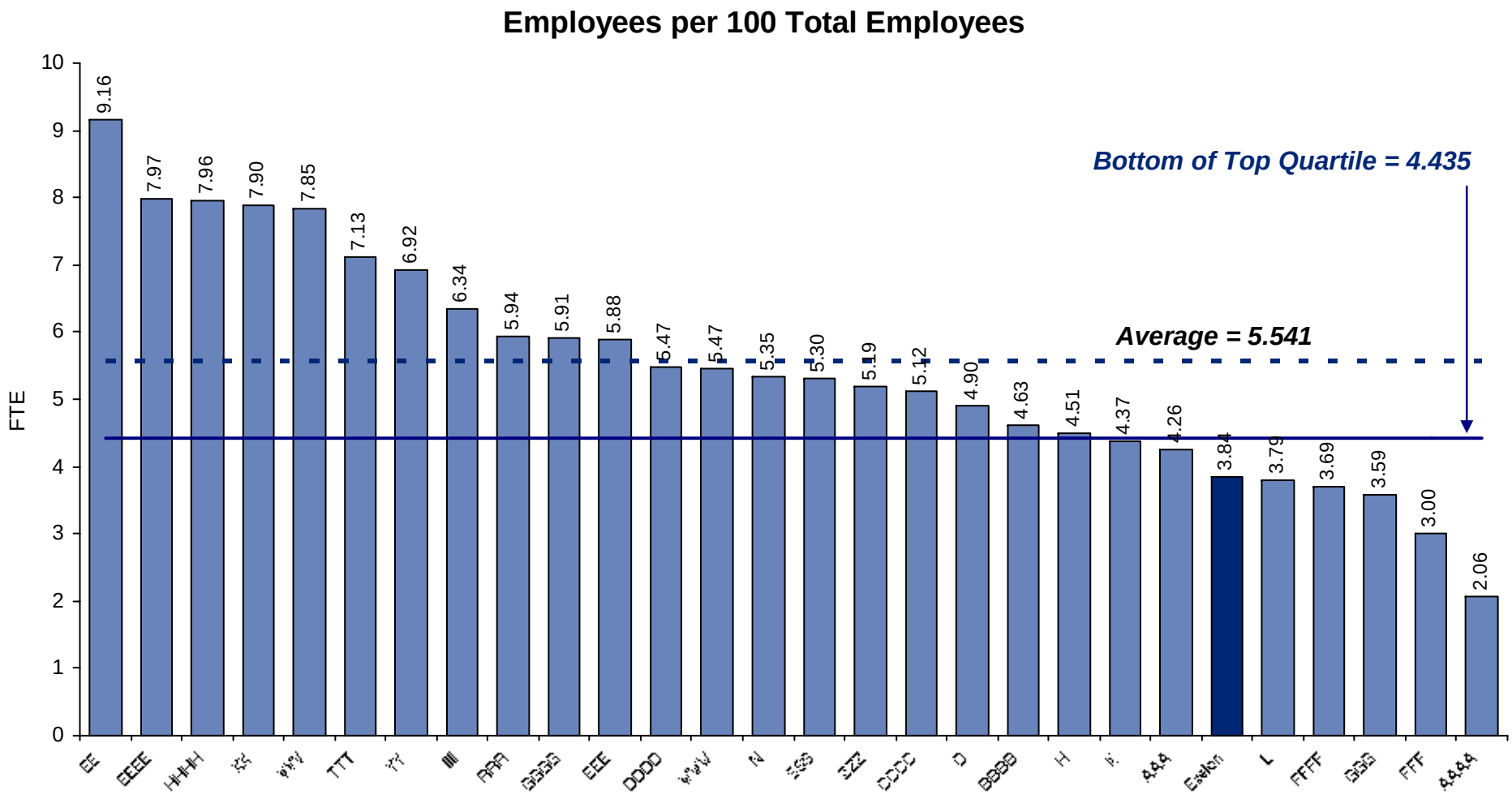


Source: 2005 FERC Form 60s, Energy Velocity data, Booz Allen Hamilton analysis.

Exhibit 9-6: Functional Staffing Level Benchmarking

- We conducted a separate benchmarking analysis based on Exelon staffing levels. This analysis also reflects data (contained in a confidential Booz Allen database) for over 30 different data sets from utilities between late 1999 and 2006. **Exhibit 9-1** contains a full description of the steps we took to ensure that staffing levels and comparisons were analyzed on a consistent basis.

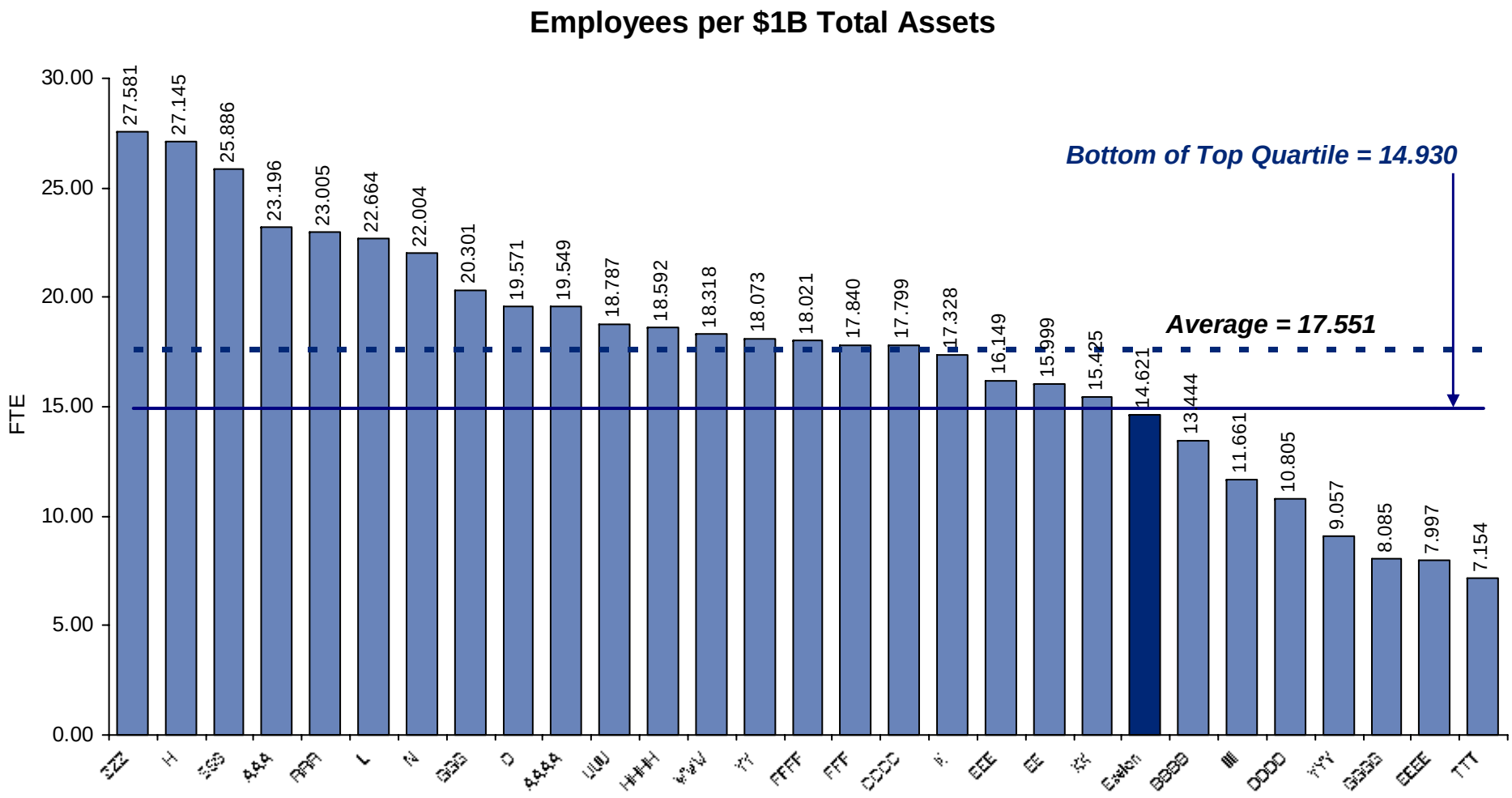
Information Services and Telecom



Notes: Outliers removed using the inner-quartile range method

Source: Booz Allen proprietary labor data base.

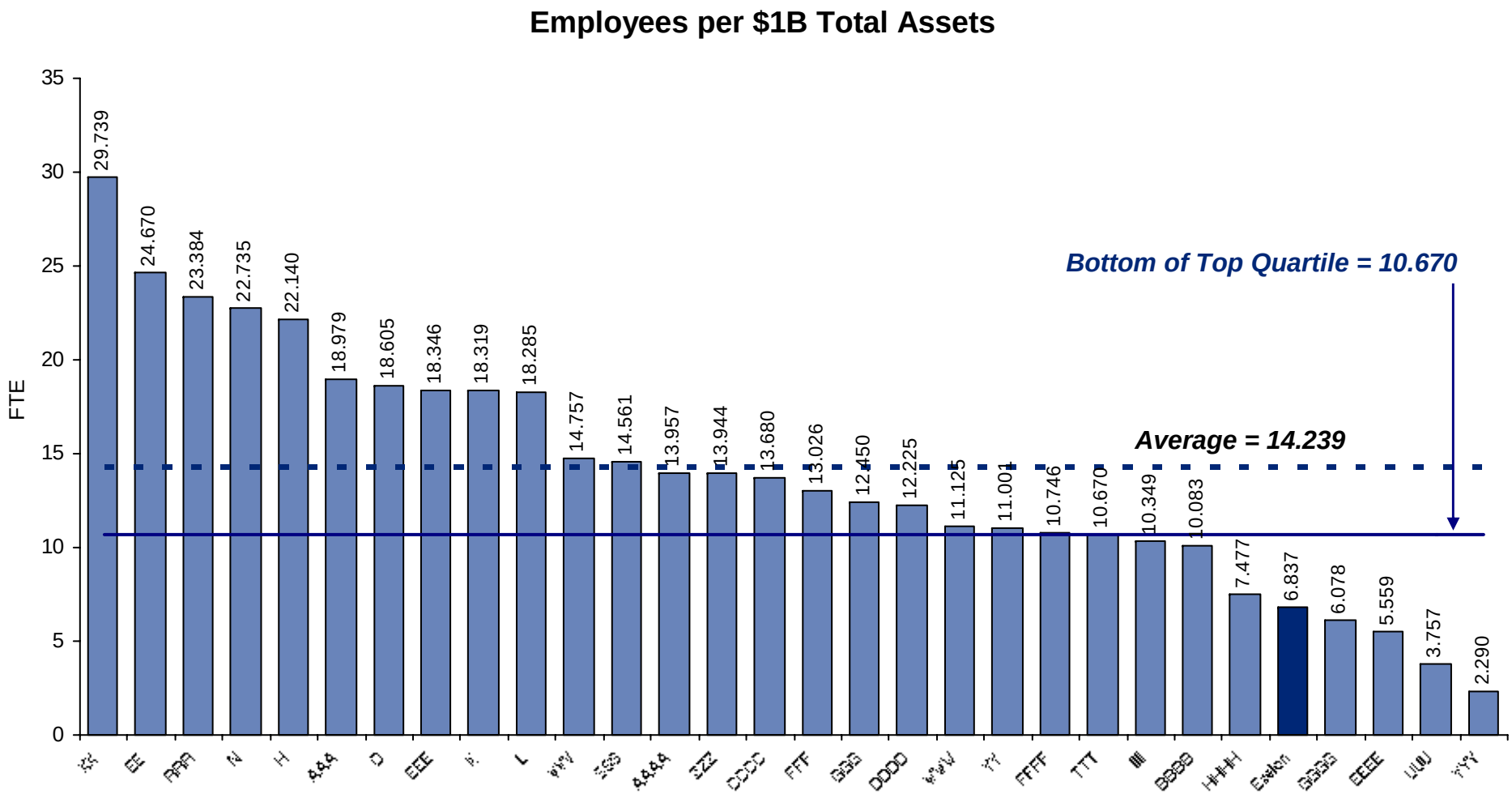
Finance, Accounting, and Planning



Notes: Outliers removed using the inner-quartile range method

Source: Booz Allen proprietary labor data base.

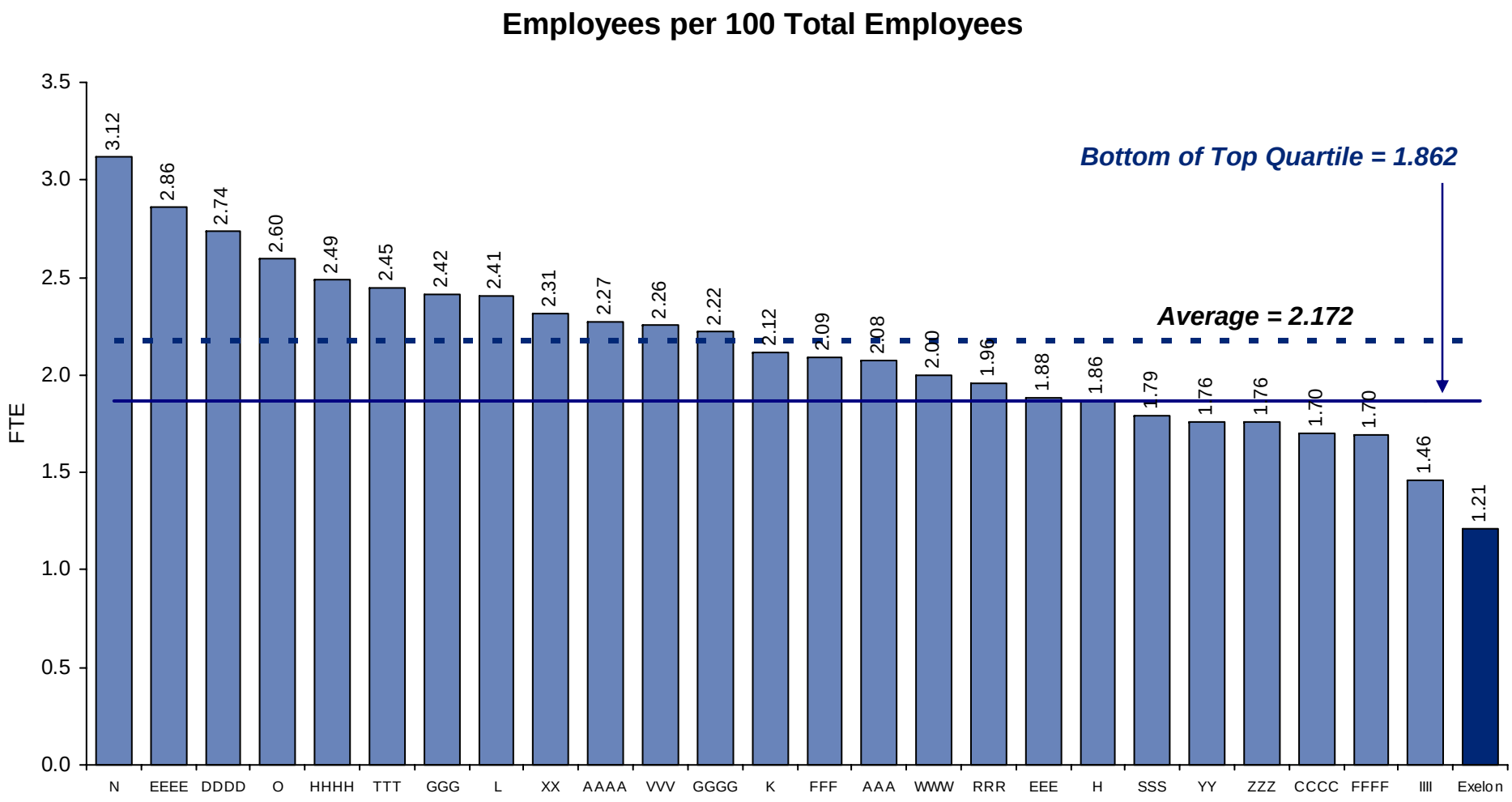
Purchasing and Materials Mgmt – Supply Chain



Notes: Outliers removed using the inner-quartile range method

Source: Booz Allen proprietary labor data base.

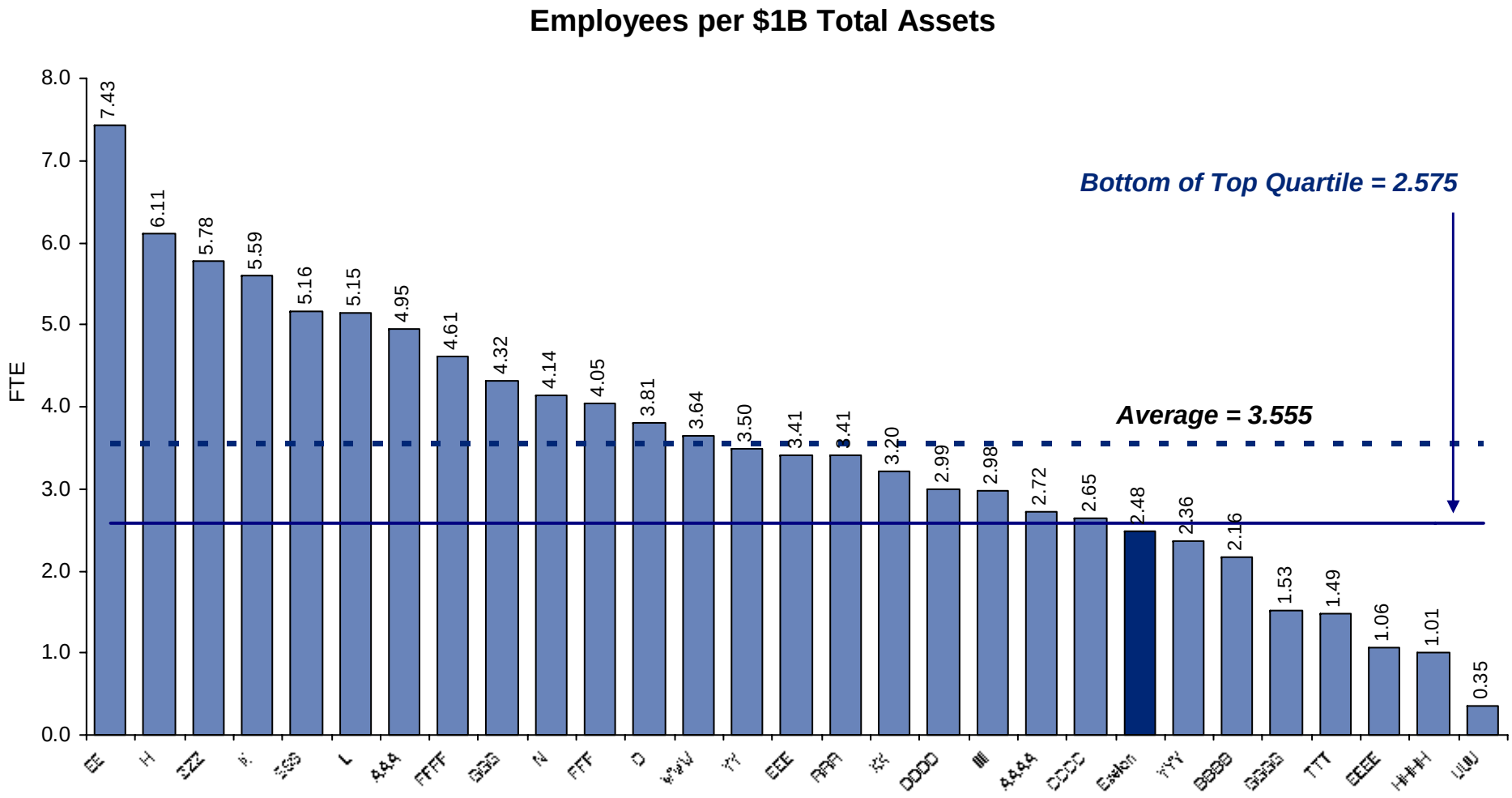
Human Resources



Notes: Outliers removed using the inner-quartile range method

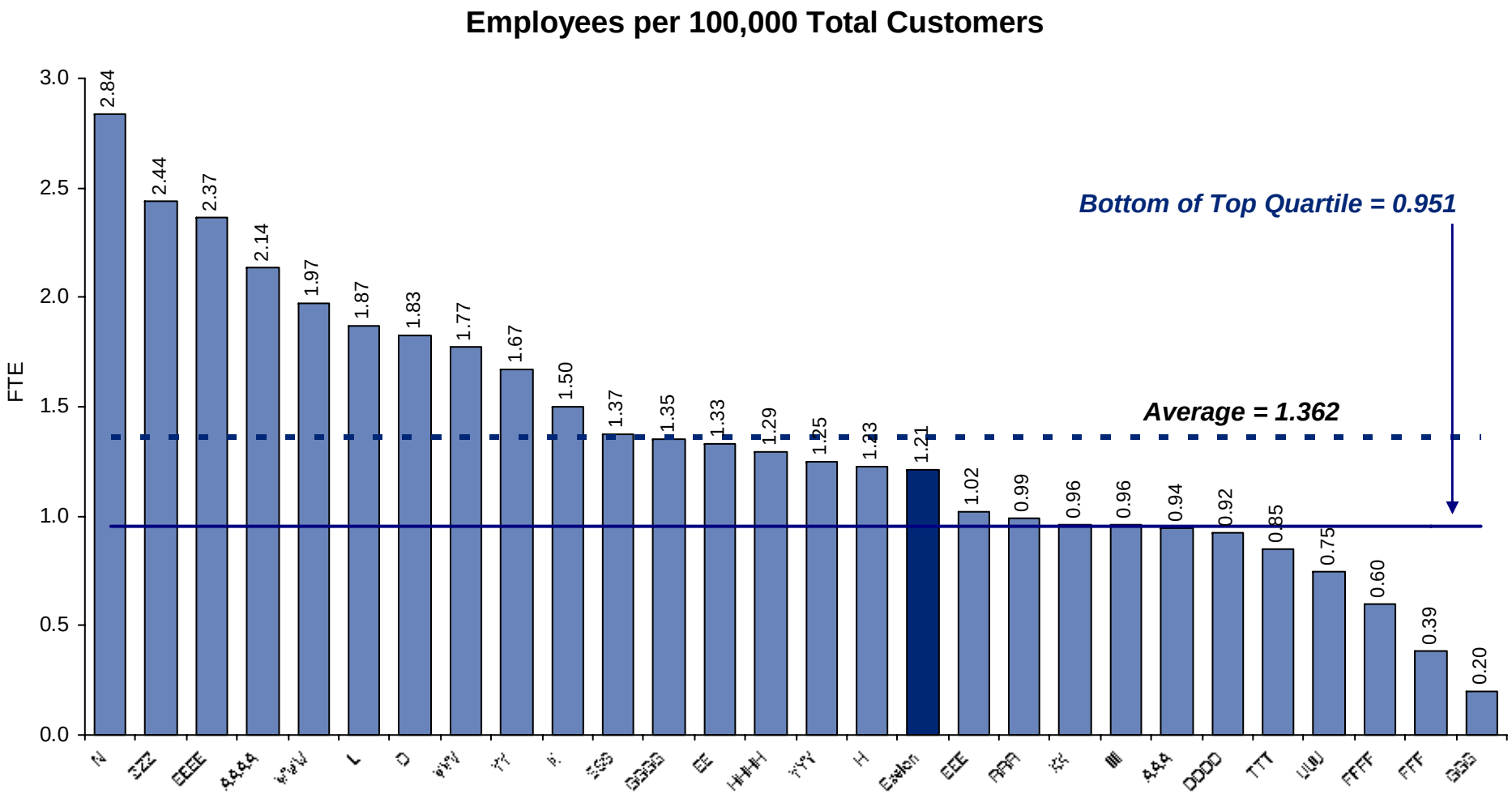
Source: Booz Allen proprietary labor data base.

Legal



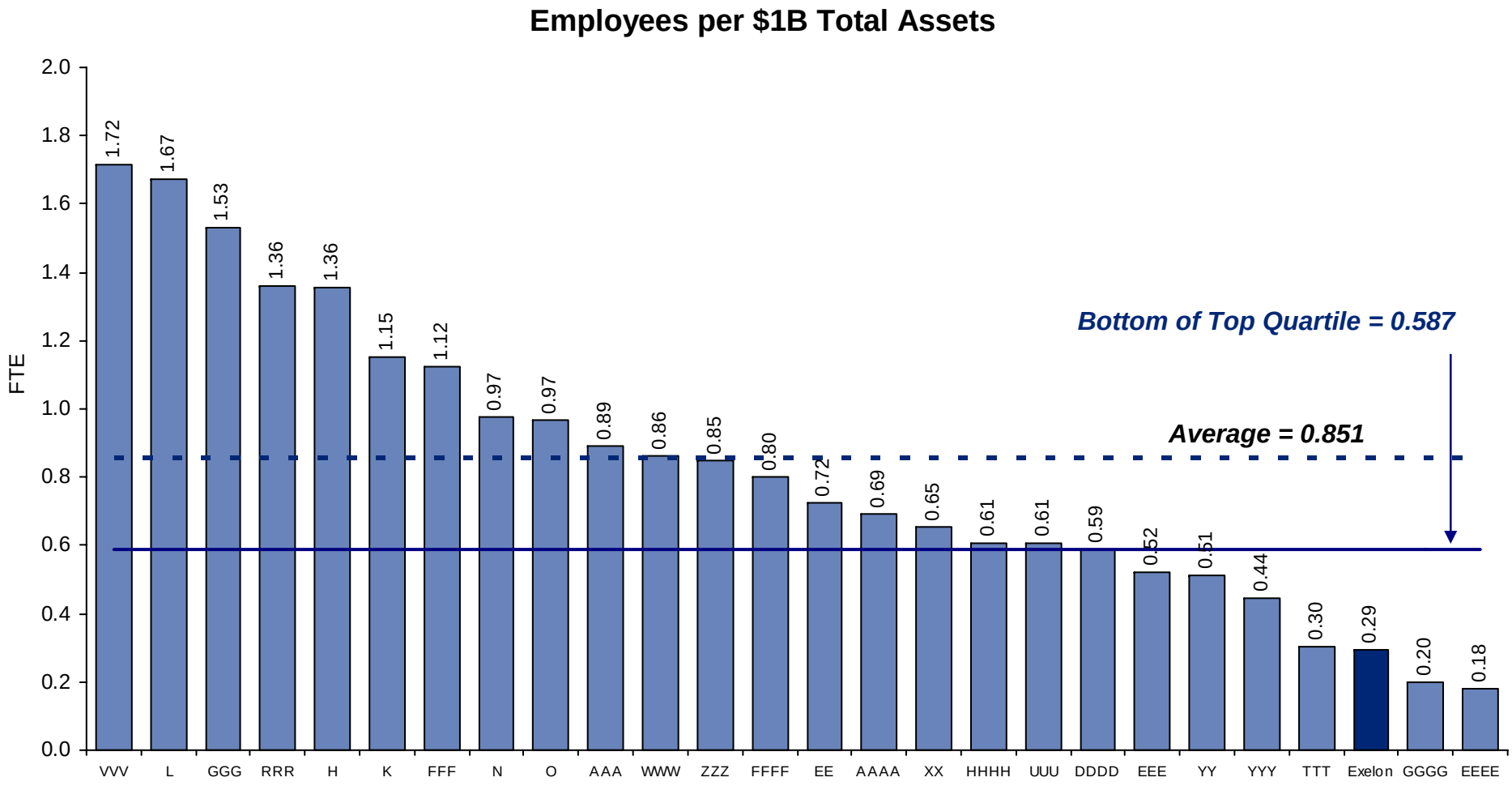
Notes: Outliers removed using the inner-quartile range method
Source: Booz Allen proprietary labor data base.

Public Relations and Corporate Communications



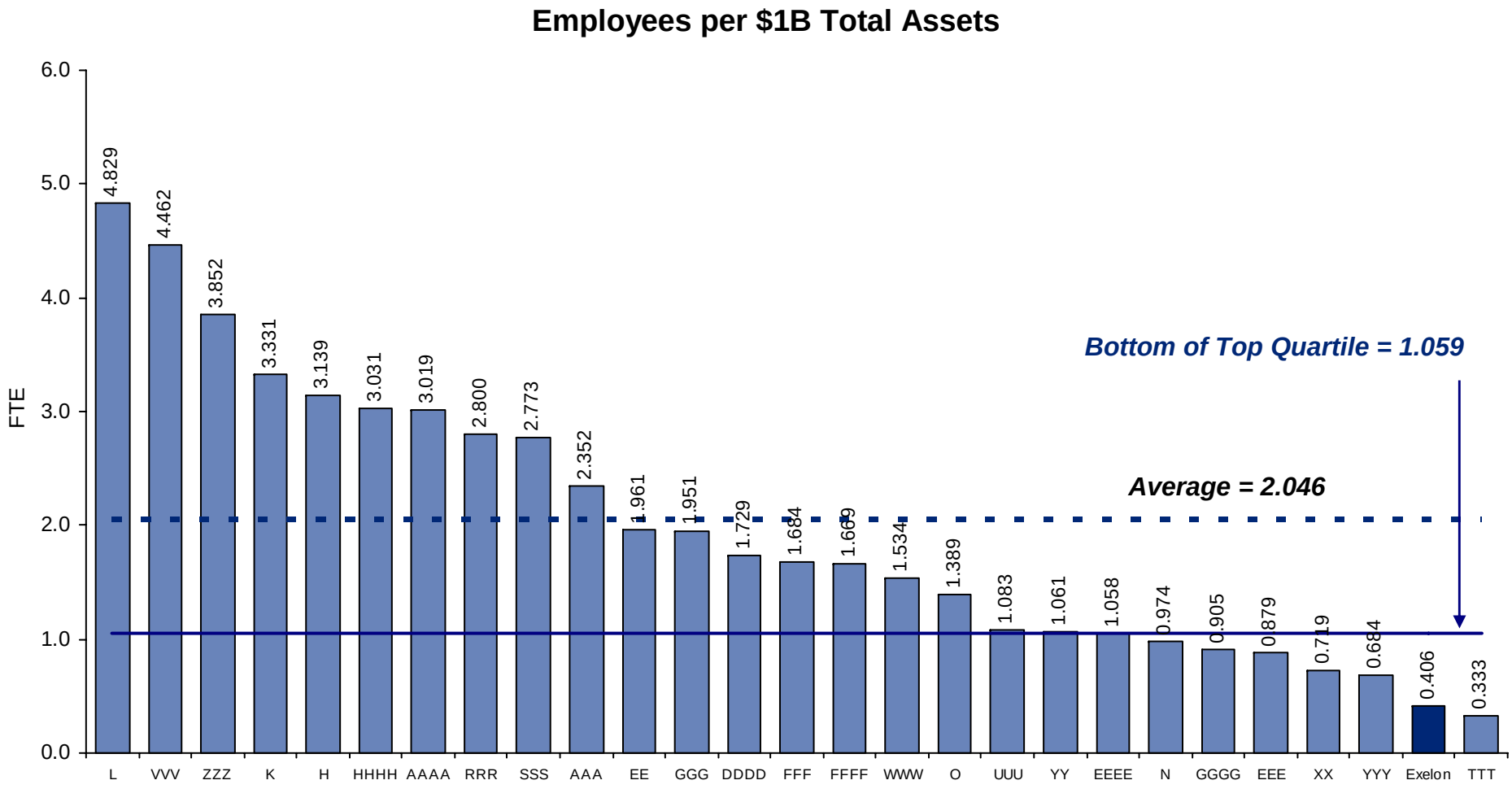
Notes: Outliers removed using the inner-quartile range method
Source: Booz Allen proprietary labor data base.

Payroll Accounting and Administration



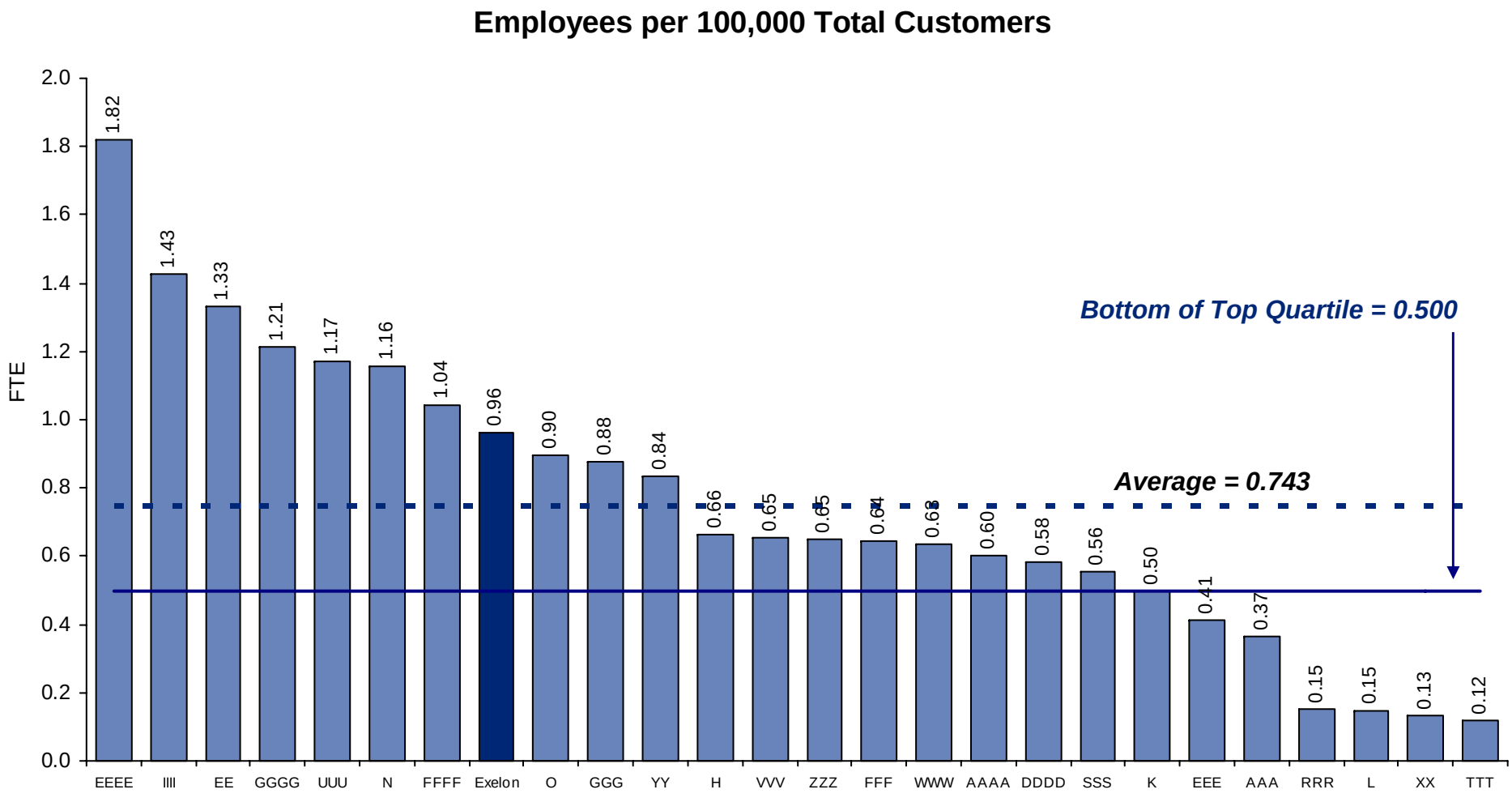
Notes: Outliers removed using the inner-quartile range method
Source: Booz Allen proprietary labor data base.

Accounts Payable and Accounts Receivable



Notes: Outliers removed using the inner-quartile range method
Source: Booz Allen proprietary labor data base.

External Relations – Governmental Affairs



Notes: Outliers removed using the inner-quartile range method
Source: Booz Allen proprietary labor data base.

Exhibit 10-1
ComEd Stand-Alone Functional Staffing Requirements

The purpose of this exhibit is to explain the development of the initial FTE estimate that would be required by ComEd to perform activities currently provided by EBSC if ComEd were to operate as a stand-alone business. To determine the ComEd stand-alone staffing requirements, we performed the following:

- **Assess nature of the activities performed within each function:** For each functional area, we reviewed the subfunctions to determine the impacts on the staffing levels required to perform that subfunction on a stand-alone basis. The assessment for each area considered the following :

    - Rationale as to why function is required for ComEd as a stand-alone entity

    - Review of current EBSC staffing levels supporting these activities

    - Identification of EBSC dedicated employees supporting other operating companies (PECO, Exelon Generation)

    - Identification of EBSC employees dedicated to ComEd

    - Identification of "implied" EBSC employees supporting ComEd

    - Assessment of subfunctional activities to identify transactional activities (repetitive processes) versus headquarters or staff functions (corporate strategy)

    - Impact on staffing levels to reflect lower volumes for transactional activities

    - Review of functional staffing level benchmark analysis and database

- **Estimate staffing impacts:** We compared the estimated incremental staffing levels for ComEd to replicate the current EBSC activities on a stand-alone basis to the estimated FTEs currently implicitly or directly supporting ComEd to determine the incremental impacts of operating on a stand-alone basis.

We reviewed the overall approach and functional estimates with ComEd management to validate the estimate of the resources required to manage the business on a stand-alone basis.

Using this methodology, we estimated that ComEd would require a total of 1,103 FTEs to perform the same activities for itself as currently performed by EBSC. The following provides a discussion of those staffing requirements for each functional area. Refer to the report for overall conclusions

Figure 10-15
Estimated ComEd Stand-Alone Resource Requirements

	A	B	C = A – B	D = C * Average Salary
Area	**Total Stand-Alone ComEd FTEs**	**Current Estimated ComEd FTEs**	**Incremental FTEs Required**	**Incremental Labor Impact ($ M)**
Information Technology	363	191	172	$24.5
Supply	203	193	10	$1.3
Finance	200	111	89	$14.4
Human Resources	112	55	57	$10.3
Legal	60	30	30	$5.3
Commercial Operations Group	46	22	24	$2.5
Regulatory and Governmental Affairs	62	56	6	$1.5
Communications	25	15	10	$2.0
Executive Direction	18	10	8	$5.5
Corporate Governance	8	3	5	$1.1
Corporate Strategy	6	2	4	$1.3
TOTAL	**1,103**	**688**	**415**	**$69.7**

Information Technology: As has been described earlier, the IT Practice Area is highly centralized resulting in few embedded employees at each of the operating companies. ComEd currently has only 11 embedded employees supporting specific ComEd applications. ComEd would be required to build an entire IT organization to support the infrastructure requirements for a stand-alone company that includes corporate application maintenance and development; infrastructure, including data center operations and hardware and software support; execution of projects; and general governance and oversight. Based on a review of current EBSC employees performing these activities on behalf of all

Exelon companies, we developed an estimate of 352 additional employees to perform these activities. The combination of the 11 embedded employees and the 352 additional resources results in a total stand-alone staffing requirement of 363.

Supply: Many of ComEd's existing Supply resources are embedded within the utility. Currently 146 embedded FTEs are performing activities such as materials and logistics coordination across the ComEd network, material and supplies sourcing from vendors, management of inventory levels, and management of warehousing and stores across the ComEd network. The incremental resources required to support the existing ComEd embedded supply organization relate to general management and oversight of supply activities currently performed by EBSC. These activities include areas such as strategic sourcing category management for significant materials, supplies, and services categories; management of supplier diversity initiatives; management of decision support activities that would include the preparation and analysis of required sourcing spend; and overall coordination and governance of the entire supply function.

Based on a review of current EBSC employees performing these activities on behalf of Exelon, we estimated that 57 incremental employees would be required to replicate this activity. The combination of the 146 embedded resources and the 57 incremental management support resources results in a total stand-alone staffing requirement of 203.

Finance: Currently 36 employees are embedded within ComEd performing financial, planning and analysis activities specific to ComEd. As a stand-alone entity, ComEd would have to replicate other finance activities such as corporate treasury, internal audit, risk management, tax, investor relations, and corporate development. These additional employees would be required to effectively meet fiduciary, legal, and regulatory obligations.

As described earlier, certain transactional activities such as general ledger accounting, journal entry preparation, and financial statement preparation are largely supported through EDSS and the resources required to support this activity have been captured in the EDSS analysis.

Based on a review of the employees currently performing these activities on behalf of Exelon companies, we estimated that 164 employees spread across the subfunctions identified earlier would be required to support this activity. The combination of the 36 embedded employees and the 164 incremental finance employees results in a total stand-alone staffing requirement of 200.

Human Resources: Similar to IT, Human Resources is currently largely centralized, with few embedded employees at ComEd. There are currently 12 embedded employees performing HR activities. ComEd would have to re-create compensation and benefits program planning and design, leadership development management program design, employee diversity program management, labor and employee relations specialists, security services, and general management and governance activities to support the entire ComEd employee base. Based on a review of current EBSC resources performing these activities on behalf of Exelon companies, we estimated 100 incremental employees would be required to perform this activity. The combination of the embedded employees and the incremental employees for the subfunctions identified result in a total stand-alone staffing requirement of 112 employees.

Legal: ComEd currently has one senior legal employee embedded at the utility. To operate as a stand-alone entity, ComEd would be required to perform general corporate litigation, SEC and public corporation legal support, environmental and federal policy support, and federal and state legal support. Based on a review of current EBSC employees performing these activities on behalf of Exelon companies, we estimated 59 resources would be required to perform this activity for ComEd. The combination of the embedded employees and the incremental employees for the activities identified result in a total stand-alone staffing requirement of 60 employees.

Commercial Operations: Commercial operation activities are largely centralized and perform such repetitive processes as account payable processing and payroll processing as well as general corporate activities such as audio / visual services, and mail services. For the transactional activities such as accounts payable processing, ComEd would be required to scale this function to support the transactional volumes expected for the stand-alone entity and would forfeit the economies of scale benefits that result from centralizing this activity for multiple companies. Other activities such as audio visual services would have to be replicated by ComEd as a stand-alone entity. Based on a review of current EBSC employees performing these activities on behalf of Exelon companies, we estimated that 46 employees would be needed to perform these activities for a stand-alone ComEd.

Regulatory and Government Affairs: Currently ComEd has 50 embedded employees performing local jurisdictional (Illinois) activities such as regulatory compliance and regulatory strategy. As an Illinois jurisdictional entity, ComEd would require only modest federal representation or monitoring. However, ComEd would need to conduct environmental policy and analysis to operate effectively as a stand-alone entity. Based on a review of current EBSC resources performing these activities on behalf of Exelon companies, we estimated 12

additional resources would be needed to perform these activities. The combination of the embedded employees and the incremental resources for the identified activities result in a total stand-alone staffing requirement of 62 employees.

Communications: Eight employees currently embedded at ComEd perform tailored information and educational communications while EBSC employees perform broader communication strategy, design and execution activities such as internal employee communications planning and execution, external stakeholder communications planning and execution, and general corporate identity awareness campaign planning. These activities would be required for ComEd effectively to operate as a stand-alone entity. Based on a review of current EBSC resources performing these activities on behalf of Exelon companies, we estimated 17 additional employees would be needed to perform these activities. The combination of the embedded employees and the incremental employees for the identified activities result in a total stand-alone staffing requirement of 25 employees.

Executive Direction: ComEd currently has 5 senior executives, but as a stand-alone entity supporting the entire general and administrative activities of the utility, it would require a broader set of executive management to manage the enterprise. Based on a review of current EBSC functional areas, we estimated 18 total employees would be needed to govern and manage the stand-alone entity, which would require 13 employees in addition to the current embedded base.

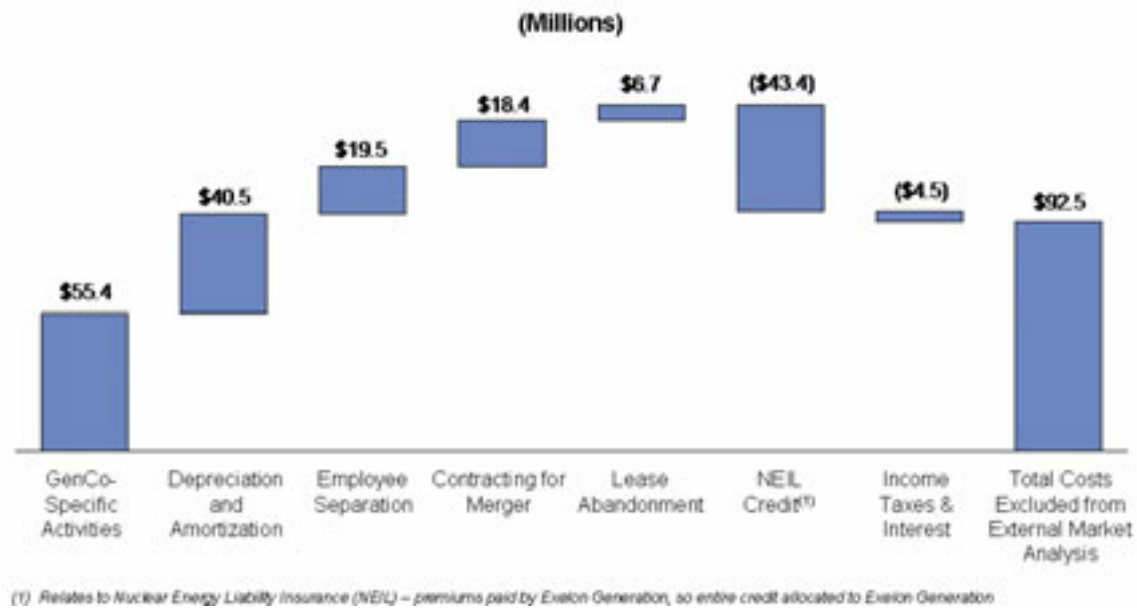
Corporate Secretary: The Corporate Secretary activities are centralized and performed by EBSC on behalf of Exelon companies. These activities include the administration of the Board compensation program, shareholder meeting coordination, proxy preparation, and business ethics management. These activities are required by ComEd as a stand-alone entity. Based on a review of the current EBSC resources performing these activities on behalf of Exelon companies, we estimated 8 employees would be needed.

Corporate Strategy: The corporate strategic planning function is currently performed by EBSC and includes shaping and coordinating the corporate direction including executing the strategic planning process and analyzing growth opportunities, risks, and challenges facing the entity. ComEd would have to replicate these activities as a stand-alone entity. Based on a review of the current EBSC resources performing these activities on behalf of Exelon companies, an estimated 6 employees would be needed.

Exhibit 10-2
Costs Excluded From External Market Test

A summary of costs excluded from the external market analysis is shown below in **Figure 10-8**, previously depicted in the report, and followed by a discussion of each of these categories.

Figure 10-16
Costs Excluded From External Market Analysis



(1) Relates to Nuclear Energy Liability Insurance (NEIL) – premiums paid by Exelon Generation, so entire credit allocated to Exelon Generation

Exelon Generation Specific Activities - $55 million: Certain EBSC activities were identified as solely benefiting Exelon Generation. While these do not represent a comprehensive list of services provided to Exelon Generation, they do reflect some of the largest clearly identifiable specific activities and costs related to this entity. These costs include $32 million of site support costs in the Supply Practice Area and $23 million of insurance premiums for the Nuclear affiliate in Exelon Generation. These EBSC costs are directly assigned to Exelon Generation and were excluded from the external market analysis as the focus of this report is on costs relating to activities performed by EBSC on behalf of ComEd.

Depreciation & Amortization - $41 million: These costs are non-cash in nature and, therefore, relate to prior period investments where the decision to internally or externally provide the service has already be made.

Separation - $20 million: Separation costs include items such as severance and salary continuance costs. These are costs incurred in connection with business restructuring and normal operations and are not relevant to an external market analysis.

Merger-Related Contracting - $18 million: EBSC incurred $18 million for outside contractors in connection with the PSEG merger. These expenses were primarily incurred within the

Finance Practice Area ($14 million) as previously described in **Section V – Overall Cost Trends**. As these costs are non-recurring in nature, they were excluded from the scope of the analysis.

Lease Abandonment Costs - $7 million: EBSC incurred $7 million of expenses in connection with abandoning the lease at the AT&T building in downtown Chicago as a result of consolidating corporate facilities. These costs are non-recurring in nature and were excluded from the scope of the analysis.

Nuclear Electric Insurance Limited (NEIL) Credit - ($43 million): The $43 million NEIL credit is for a refund of nuclear insurance premiums. As this credit is entirely related to Exelon Generation, it is excluded from the scope of the analysis.

Income Taxes and Interest - ($5 million): Interest expense/income and income tax obligations/benefits are non-operating costs and not relevant to an external market analysis.

Exhibit 10-3: Description of Governance, Strategic and Business Support Activities

- The purpose of this exhibit is to describe activities whose nature is governance, strategic and/or business support. Certain portions of a given activity may be categorized differently (e.g., transactional), but this exhibit explains those portions that are governance, strategic and/or business support. The total cost associated with these activities is $375 million. For further analysis and overall conclusions, refer to the report.

Description of Governance, Strategic and Business Support Activities

Practice Area	Product / Service / Activity	Strategic, Governance Bus. Spt	Cost Classification	Description of Governance, Strategic and Business Support Activities
Commercial Operations	Operational Support Services	$1.5	Strategic	Management oversight for outsourced activities (e.g., support / helpdesk)
	Total Commercial Operations	**$3.7**		
Communications	Other External	$0.3	Strategic	Management oversight for contracted activities
	Internal	$0.6	Strategic	Policy guidance & direction, management oversight for contracted activities
	Management & Administration	$7.0	Governance	Develops and communicates strategy and direction
	Total Communications	**$9.0**		
Corporate Governance	**Total Corporate Governance**	**$7.2**	**Strategic**	**Maintain corporate policies, develop proxies, oversee shareholder meetings**
Corporate Strategy	**Total Corporate Strategy**	**$3.6**	**Strategic**	**Develop, implement and communicate overall direction and strategy**
EDSS	Management & Administration	$17.5	Governance	Planning and oversight of shared services among EED companies
	Meter Reading	$1.7	Business Support	Management oversight of meter readers in West and AMR program at PECO
	Customer Billing	$1.4	Business Support	Management oversight of ComEd and PECO billing employees
	Payment Processing	$0.3	Business Support	Management oversight of East and West payment processing centers
	Call Center Administration	$1.1	Business Support	Management oversight of East and West call centers
	Marketing and Support Services	$1.8	Strategic	Oversees development of marketing strategy
	Training	$8.0	Business Support	Technical training programs for field employees
	Fleet Management	$1.5	Business Support	Purchasing, leasing and maintenance of Exelon vehicles
	Asset Performance and Investment Strategy	$6.9	Strategic	Evaluate transmission system to determine investment & asset replacement needs; understand macro and micro issues to support system design
	Environmental	$1.0	Strategic	Planning, management and oversight of contracted tree/vegetation trimming activities
	EDSS Property Management	$7.9	Business Support	Rent & Lease expense ($6.5M), real estate planning and analysis, oversight of contracted activities
	EDSS Finance	$11.0	Business Support	Financial planning, analysis and reporting for EED; load forecasting for ComEd and PECO; support both ComEd and PECO

Description of Governance, Strategic and Business Support Activities (cont'd)

Practice Area	Product / Service / Activity	Strategic, Governance Bus. Spt	Cost Classification	Description of Governance, Strategic and Business Support Activities
EDSS (cont'd)	Document Services	$1.7	Business Support	Management oversight of activities to develop maps & other formal documents for bodies such as regulatory commissions; actual activities are embedded in EED (PECO activities are outsourced, ComEd uses union employees)
	R&D	$1.2	Strategic	Participation in industry groups (EPRI, etc.); membership fees; conference travel for EED personnel
	T&D Planning	$4.0	Strategic	System capacity expansion planning, RTO interface planning – activities that are critical to supporting T&D operations
	T&D Operations	$14.3	Strategic	Running control centers for West and East transmission control center; outage planning management
	Quality Assurance	$4.7	Strategic	Performance of operational audits to ensure that work is being conducted in accordance with safety guidelines and company policies
	Project Management	$3.9	Governance	Management oversight of contracted work for maintenance or capital projects
	Customer Ops Planning	$1.8	Strategic	Management oversight and business support / analysis for Customer Operations (e.g., sets and measures operating metrics and goals)
	Total EDSS	**$103.4**		
Finance	Management & Administration	$12.3	Strategic	Develops and communicates strategy and direction
	Investor Relations	$0.6	Strategic	Management of financial community relationships and contracted work
	Controller			
	External Financial Reporting	$6.6	Governance	Manage auditor and other outsourcing relationships, external financial reporting oversight
	Management Reporting	$7.2	Strategic	Develop and deliver monthly and quarterly management reports along with BOD & Corp Exec reports
	Internal Control	$0.9	Strategic	Certification processing; controls assessment; reengineering of controls; general oversight of control environment
	Treasury	$5.9	Governance / Strategic	Manage bank & credit agency relationships, determine dividend policy & capital structure, forecast and manage cash
	Planning & Analysis	$2.2	Strategic	Prepare financial forecasts, evaluate and approve capital investments, develop and evaluate financial budgets
	Risk Management	$1.3	Strategic	Management oversight for outsourced activities (insurance contracted on an annual or multi-annual basis)
	Corporate Development	$6.0	Strategic	Evaluate and prioritize merger and acquisition opportunities; evaluate divestitures; provide financial and transaction support to restructuring projects
	Total Finance	**$44.2**		

Description of Governance, Strategic and Business Support Activities (cont'd)

Practice Area	Product / Service / Activity	Strategic, Governance Bus. Spt	Cost Classification	Description of Governance, Strategic and Business Support Activities
Government & Environmental Affairs	Government Affairs	$9.9	Strategic	Develop and execute strategy for government advocacy, analyze emerging issues, oversee PAC
	Environmental Health & Safety	$2.9	Strategic	Develop corporate environment and safety programs, monitor compliance
	Total Government & Environmental Affairs	**$12.8**		
Human Resources	Management & Administration	$7.7	Governance	Develops and communicates strategy and direction
	Executive Compensation & Benefit Plans	$4.5	Strategic	Develops Executive compensation plans to attract and retain executive talent
	Diversity Initiatives	$1.7	Strategic	Develop and administer diversity initiatives in accordance with executive direction and overall corporate HR strategy
	HR Field Units	$1.9	Strategic	Business support function that maintains critical day-to-day interactions with employees, maintains relations, workforce planning in the business units (business unit HR liaisons to answer employee HR questions)
	Labor & Employee Relations	$4.6	Strategic	Develop Corporate employee relations strategy for represented and non-represented employees. A critical, strategic function for a company to maintain control over relationship with the union due to the high percentage of represented employees. Also critical for general employee populations to ensure employee motivation and overall satisfaction with Exelon / ComEd
	Total Human Resources	**$20.3**		**Total Human Resources**
IT	Applications / Maintenance & Support	$51.8	Governance	Real time applications, management oversight for outsourced activities and contracted work
	Workstations	$4.5	Governance	Management oversight for outsourced activities and contracted work
	Telecom	$4.2	Governance	Management oversight for outsourced activities and contracted work
	Projects	$50.1	Strategic / Governance	All projects included as strategic
	Data Center	$4.1	Governance	Management oversight for outsourced activities and contracted work
	Governance	$7.8	Governance	Develops and communicates strategy and direction
	Total IT	**$122.5**		
Legal	General Counsel	$8.4	Strategic	Ensure business strategies, policies, procedures and programs, are developed and applied in full recognition of legal implications and risks
	Total Legal	**$8.4**		

Description of Governance, Strategic and Business Support Activities (cont'd)

Practice Area	Product / Service / Activity	Strategic, Governance Bus. Spt	Cost Classification	Description of Governance, Strategic and Business Support Activities
Supply	Strategic Sourcing	$10.4	Strategic	Develops strategies and oversee development of strategic sourcing optimization initiatives and establishes business plans to support business objectives. Negotiates and manages critical enterprise-wide supply relationships, contracts and programs, develops procedures for contract administration, monitor and manage supplier responsiveness and quality
	Supply Support	$9.2	Strategic / Governance	Executes CSO initiatives, facilitates development of overall supply strategy, sets standards for control and reporting, provides project and control oversight, establishes governance structure to leverage best practices, tracks key performance indicators
	Supply Operations	$3.3	Governance	Management for supply services shared across affiliates, likely some GenCo transactional costs – all transactional functions for ComEd & PECO are embedded
	Total Supply	**$23.0**		
Other	Executive Services	$52.4	Strategic / Governance	Develops and communicates strategy and direction
	Corporate SLA, GCA, Other	-$35.8	Strategic / Governance	N/A
	Total Other	**$16.6**		
Grand Total		**$374.6**		

Market Test Rationale

Governance: Oversees critical business decisions, provides governance, direction and standards

Strategic: Knowledge or expertise focused, encompasses critical functions for the entire company

Business Support: Activities related to managing the business that support ongoing business operations and are not strategic, governance or transactional in nature