AmerGen℠

AmerGen Energy Company, LLC
200 Exelon Way
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Kennett Square, PA 19348

www.exeloncorp.com

An Exelon/British Energy Company

10 CFR 50.71(b)

June 18, 2003
5928-03-20135
2130-03-20183

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

SUBJECT: THREE MILE ISLAND (TMI), UNIT 1
OPERATING LICENSE NO. DPR-50
DOCKET NO. 50-289

CLINTON POWER STATION (CPS)
OPERATING LICENSE NO. NPF-62
DOCKET NO. 50-461

OYSTER CREEK GENERATING STATION (Oyster Creek)
OPERATING LICENSE NO. DPR-16
DOCKET NO. 50-219

AMERGEN ENERGY COMPANY, LLC (AmerGen)
Annual Financial Statements

Attached is the 2002 Annual Financial Report for AmerGen Energy Company, LLC, operator of Three Mile Island, Unit 1 (TMI Unit 1), Clinton Power Station (CPS), and Oyster Creek Generating Station (Oyster Creek). This Annual Report contains the annual financial statements for 2002. This information is being submitted in accordance with the requirements of 10 CFR 50.71(b) and 10 CFR 50.4.

If you have any questions or require additional information, please do not hesitate to contact us.

Very truly yours,

Michael P. Gallagher

Michael P. Gallagher
Director - Licensing & Regulatory Affairs
AmerGen Energy Company, LLC

Enclosure: AmerGen Energy Company, LLC Financial Statements - December 31, 2002 - 2001

M004

cc:	H. J. Miller, USNRC, Regional Administrator, Region I	w/ Enclosure
	J. E. Dyer, USNRC, Regional Administrator, Region III	"
	C. W. Smith, USNRC, Acting Senior Resident Inspector, TMI-1	w/o Enclosure
	S. Dennis, USNRC, Senior Resident Inspector, OCGS	"
	B. C. Dickson, USNRC, Senior Resident Inspector, CPS	"
	P. S. Tam, USNRC Senior Project Manager, OCGS	"
	D. V. Pickett, USNRC Senior Project Manager, CPS	"
	T. G. Colburn, USNRC Senior Project Manager, TMI-1	"
	S. J. Collins, Office of Nuclear Reactor Regulation, USNRC, CPS	"
	File No. 99012 (TMI-1)	"
	File No. 99012 (OCGS)	"

PRICEWATERHOUSECOOPERS

AmerGen Energy Company LLC

Financial Statements for the Years Ended December 31, 2002 and 2001

AmerGen Energy Company, LLC

300 Exelon Way
Kennett Square, Pennsylvania 19348

Management Committee
(as of December 31, 2002)

John L. Skolds, Chairman

William H. Bohlke

Norman Callaghan

Duncan Hawthorne

Oliver D. Kingsley, Jr.

Michael Kirwan

Charles P. Lewis

Charles G. Pardee

Officers
(as of December 31, 2002)

CEO and Chief Nuclear Officer	John L. Skolds
President	Duncan Hawthorne
Senior Vice President	William H. Bohlke
Senior Vice President	Christopher M. Crane
Senior Vice President	Charles G. Pardee
Vice President	Jeffrey A. Benjamin
Vice President	Norman Callaghan
Vice President	Ernest J. Harkness
Vice President	Charles P. Lewis
Vice President	J. Donald Myhan
Vice President	Michael Pacilio
Vice President	George Vanderheyden
Vice President and Controller	Thomas H. Weir
Vice President	Bruce C. Williams
Vice President	David B. Wozniak
Treasurer	J. Barry Mitchell
Assistant Treasurer	George R. Shicora
Assistant Treasurer	Charles S. Walls
Secretary	Edward J. Cullen, Jr.
Assistant Secretary	Todd D. Cutler

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December 31, 2002 and 2001

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Accountants

To the Members of
AmerGen Energy Company, LLC

In our opinion, the accompanying statements of position and the related statements of operations and changes in members' equity and of cash flows present fairly, in all material respects, the financial position of AmerGen Energy Company, LLC (the "Company") at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, effective January 1, 2002.

PricewaterhouseCoopers LLP

March 27, 2003

AmerGen Energy Company, LLC
Statements of Position
As of December 31, 2002 and 2001
(Dollars in thousands)

Assets	2002	2001
Current Assets		
Cash and cash equivalents	$ 14,313	$ 26,746
Accounts receivable	29,446	44,963
Notes receivable, net	4,421	4,163
Materials and supplies	30,359	22,505
Prepaid expenses and other	7,261	7,028
Total current assets	85,800	105,405
Fixed Assets		
Property, plant and equipment, net of accumulated depreciation of $26,930 and $9,522 in 2002 and 2001, respectively	270,761	163,304
Construction work in progress	27,720	81,776
Nuclear fuel, net of accumulated amortization	155,599	124,970
Total fixed assets	454,080	370,050
Other Long Term Assets		
Decommissioning funds	1,001,889	990,216
Notes receivable, net	4,696	9,117
Goodwill, net	34,439	34,439
Total other long term assets	1,041,024	1,033,772
Total assets	$ 1,580,904	$ 1,509,227
Liabilities and Members' Equity		
Current Liabilities		
Book overdraft	$ 1,780	$ -
Accounts payable	82,105	116,088
Current portion of long-term notes	25,505	25,505
Due to affiliates, net	3,946	43,021
Notes payable - affiliate	35,000	-
Accrued severance costs	1,899	-
Total current liabilities	150,235	184,614
Non-Current Liabilities		
Decommissioning obligations	962,496	920,887
Excess of acquired net assets over cost, net	-	43,398
Long-term notes, net of current portion	60,020	78,274
Pension obligations	12,197	22,130
Other post-retirement benefit obligations	70,210	61,300
Other	7,439	194
Total non-current liabilities	1,112,362	1,126,183
Total liabilities	1,262,597	1,310,797
Members' Equity		
Member's capital - Exelon Generation	40,110	40,110
Member's capital - British Energy	40,110	40,110
Accumulated other comprehensive income	(77,483)	(36,330)
Members' equity	315,570	154,540
Total members' equity	318,307	198,430
Total liabilities and members' equity	$ 1,580,904	$ 1,509,227

The accompanying notes are an integral part of these financial statements.

AmerGen Energy Company, LLC
Statements of Operations and Changes in Members' Equity
For the Years Ended December 31, 2002 and 2001
(Dollars in thousands)

	2002	2001
Operating revenue	$ 644,043	$ 601,969
Operating expense		
Fuel	64,694	47,770
Operating and maintenance	411,653	401,794
Depreciation and amortization	17,439	5,603
Other taxes	26,484	25,064
Total operating expense	520,270	480,231
Operating income	123,773	121,738
Interest expense	(48,682)	(42,237)
Investment income on decommissioning trust funds	35,682	68,547
Other income, net	6,859	8,239
Income before change in accounting principle	117,632	156,287
Cumulative effect of change in accounting principle	43,398	-
Net income	161,030	156,287
Members' equity (deficit), beginning of year	154,540	(1,747)
Members' equity, end of year	$ 315,570	$ 154,540

The accompanying notes are an integral part of these financial statements.

AmerGen Energy Company, LLC
Statements of Cash Flows
For the Years Ended December 31, 2002 and 2001
(Dollars in thousands)

	2002	2001
Cash flows from operating activities:		
Net income	$ 161,030	$ 156,287
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of nuclear fuel	45,666	30,176
Decommissioning expense	41,609	35,421
Pension expense greater (less) than funding	(9,933)	130
Net realized gains on decommissioning trust funds	(9,444)	(48,572)
Postretirement benefits expense	8,910	6,780
Amortization of goodwill	-	(2,641)
Cumulative effect of change in accounting principle	(43,398)	-
Amortization of discount/premium	6,428	6,817
Depreciation expense	17,420	8,230
Other	783	215
Changes in working capital:		
Accounts receivable	15,517	40,027
Materials and supplies	(7,854)	(8,700)
Other current assets	(233)	3,428
Accounts payable	(33,982)	(6,158)
Accrued severance costs	1,899	-
Due to affiliates, net	(39,075)	27,036
Net cash provided by operating activities	155,343	248,476
Cash flows from investing activities:		
Preacquisition taxes on decommissioning trust funds	-	(22,639)
Investment in property, plant and equipment	(70,821)	(126,418)
Investment in nuclear fuel	(76,294)	(59,644)
Payment received on note receivable	4,986	4,986
Proceeds from decommissioning trust fund	555,307	386,979
Investment in decommissioning trust fund	(592,229)	(394,149)
Net cash used in investing activities	(179,051)	(210,885)
Cash flows from financing activities		
Book overdraft	1,780	-
Issuance of debt	35,000	-
Repayments on financing agreements	(25,505)	(25,505)
Net cash provided by (used in) financing activities	11,275	(25,505)
Net (decrease) increase in cash	(12,433)	12,086
Cash and cash equivalents at beginning of year	26,746	14,660
Cash and cash equivalents at end of year	$ 14,313	$ 26,746

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Description of Business

PECO Energy Company, Inc. (PECO), a wholly owned subsidiary of Exelon Corporation and British Energy, Inc. (BE), a wholly-owned subsidiary of British Energy, PLC, formed AmerGen Energy Company, LLC (AmerGen or the Company) to pursue opportunities to acquire and operate nuclear power generating stations in the United States. In January 2001, PECO assigned its interest in AmerGen to an affiliate, Exelon Generation, LLC (Generation). At December 31, 2002, Generation and BE each own 50% of AmerGen. AmerGen currently owns and operates the Clinton Nuclear Power Station (CNPS) in Clinton, Illinois, Three Mile Island Unit No. 1 (TMI) located in Middletown, Pennsylvania and the Oyster Creek Nuclear Generating Station (OC) located in Forked River, New Jersey.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

Electricity generated by the Company is sold at wholesale under Purchase Power Agreements (PPAs). Wholesale electric revenues are recorded as the energy is delivered to customers. At the end of each month, AmerGen accrues an estimate for unbilled energy provided to its customers.

Nuclear Fuel

The cost of nuclear fuel is capitalized and charged to fuel expense on the units of production method. Estimated costs of nuclear fuel disposal are charged to fuel expense as the fuel is consumed.

Depreciation and Amortization

Depreciation is provided over the estimated service lives of the property, plant and equipment on a straight-line basis. Nuclear power stations operate under a license granted by the Nuclear Regulatory Commission (NRC) for a fixed period of time. Plant service lives may be limited by the expiration of the license. Annual depreciation provisions for financial reporting purposes for each asset category are presented in the table below:

Asset Category	CNPS	TMI	OC
Generation and common plant	26 years	13 years	9 years
Other property and equipment	10 years	10 years	9 years

(Dollars in thousands)

Income Taxes

A provision for income taxes is not included in the accompanying financial statements as AmerGen is treated as a partnership for federal and state income tax purposes. Earnings or losses of AmerGen are allocated to the equity members for inclusion in each of the members' separate tax returns.

Taxes based on the taxable income of the qualified decommissioning trusts are included in investment income in the statement of operations. Such taxes are determined at a 20% federal rate. Taxable income includes interest, dividends and capital gains. Deferred taxes based on the unrealized gains and losses of the qualified and non-qualified decommissioning trusts are included in AmerGen's accumulated other comprehensive income.

In 2001, AmerGen was able to determine the amounts of income tax liabilities related to the qualified decommissioning trusts at the dates such trusts were acquired by AmerGen. Such income taxes totaled approximately $23 million and were recorded as increases to goodwill of the respective nuclear power stations. Due to dispositions of securities in the decommissioning funds, these taxes were paid in 2001. Income taxes of $5.5 million and $8.8 million related to the qualified decommissioning trusts are included in investment income in 2002 and 2001, respectively.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. The cost of maintenance, repairs and minor replacements of property are charged to maintenance expense as incurred. AmerGen evaluates the carrying value of property, plant and equipment and other long-term assets based upon current and anticipated undiscounted cash flows, and would recognize an impairment when it is probable that such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between the carrying value and the fair market value. The cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of are removed from the related accounts and included in the determination of the gain or loss on disposition.

The following is a summary of property, plant and equipment by classification as of December 31, 2002:

Asset Class	Clinton	OYC	TMI	Common	Total
Plant & generation	$153,238	$19,336	$73,289	$5,670	$251,533
Computer equipment	16,125	9,698	9,562	-	35,385
Furniture & fixtures	3,190	1,687	1,331	-	6,208
Other	3,042	1,125	398	-	4,565
Total	175,595	31,846	84,580	5,670	297,691
Less accumulated depreciation	6,604	5,320	9,519	5,487	26,930
Property, plant and equipment, net	$168,991	$26,526	$75,061	$183	$270,761

(Dollars in thousands)

The following is a summary of property, plant and equipment by classification as of December 31, 2001:

Asset Class	Clinton	OYC	TMI	Common	Total
Plant & generation	$39,229	$19,635	$76,414	$7,735	$143,013
Computer equipment	12,719	-	9,575	-	22,294
Furniture & fixtures	1,795	215	1,327	-	3,337
Other	2,784	1,006	392	-	4,182
Total	56,527	20,856	87,708	7,735	172,826
Less accumulated depreciation	2,210	2,442	3,325	1,545	9,522
Property, plant and equipment, net	$54,317	$18,414	$84,383	$6,190	$163,304

Cash and Cash Equivalents
AmerGen considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Marketable Securities
Marketable securities are classified as available-for-sale securities and are reported at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. The cost of these securities is determined on the basis of specific identification. At December 31, 2002 and 2001, AmerGen had no held-to-maturity or trading securities.

Unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds are reported in accumulated other comprehensive income.

Inventories
Materials and supplies inventories are carried at the lower of average cost or market.

Fair Value of Financial Instruments
As of December 31, 2002 and 2001, AmerGen's carrying amounts of cash and cash equivalents and accounts receivable are representative of fair value because of the short-term nature of these instruments.

Reclassification
Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements
In 2001, the FASB issued SFAS No. 141, "Business Combinations" (SFAS No. 141), SFAS No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142), SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143), and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

SFAS No. 141 requires that all business combinations initiated after June 1, 2001, be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. In addition, SFAS No. 141 requires that

unamortized negative goodwill related to pre July 1, 2001 purchases be recognized as a change in accounting principle concurrent with the adoption of SFAS No. 142. AmerGen adopted SFAS No. 142 as of January 1, 2002. As of December 31, 2001, $43 million in excess of acquired net assets over cost (negative goodwill), net of accumulated amortization, was included in the statement of position. Upon the adoption of SFAS No. 142, AmerGen recognized approximately $43 million, pre-tax, as a cumulative effect of a change in accounting principle.

SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. Under SFAS No. 142, effective January 1, 2002, goodwill recorded by AmerGen is no longer subject to amortization. After January 1, 2002, goodwill will be subject to an assessment for impairment using a two-step fair value based test, the first step of which must be performed at least annually, or more frequently, if events or circumstances indicate that goodwill might be impaired. The first step compares the fair value of a 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 compares the carrying amount of the goodwill to the fair value of the goodwill. If the fair value of the 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. At December 31, 2002, AmerGen's balance sheet reflects approximately $34 million in goodwill, net of accumulated amortization. Annual amortization of goodwill was discontinued upon adoption of SFAS No. 142. The first step of the transitional impairment analysis performed at December 31, 2002 indicates that goodwill is not impaired.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. AmerGen adopted SFAS No. 143 on January 1, 2003. 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. An estimate of the fair value of the decommissioning obligation for each of the plants was recorded as a liability on the Company's balance sheet on each of the respective acquisition dates. This liability has then been escalated at a rate of 4% per year. The January 1, 2003 adoption of SFAS No. 143 requires a cumulative effect adjustment effective at the date of adoption to adjust plant assets and decommissioning liabilities to the values they would have been had this standard been employed from the acquisition dates of the plants, which is approximately $548 million.

The effect of this cumulative adjustment will be the accrual of an asset related to the full amount of the decommissioning obligation less accumulated depreciation from the acquisition date, which will be amortized over the remaining life of the plant. The difference between the amounts of assets and decommissioning liabilities recognized under SFAS No. 143 and the existing decommissioning liability recorded, which will be reversed, will be credited to earnings and recognized as the cumulative effect of the accounting change.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. This statement is effective as of January 1, 2002 and provisions of this statement are generally applied prospectively. AmerGen adopted this standard with no material impact to the Company's results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146). SFAS No. 146 requires that the liability for costs associated with exit or disposal activities be recognized when incurred, rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB released FASB Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," providing for expanded disclosures and recognition of a liability for the fair value of the obligation undertaken by the guarantor. Under FIN No. 45, guarantors are required to disclose the nature of the guarantee, the maximum amount of potential future payments, the carrying amount of the liability and the nature and amount of recourse provisions or available collateral that would be recoverable by the guarantor. AmerGen adopted the provisions of FIN No. 45 effective December 31, 2002. The recognition and measurement provisions of FIN No. 45 are effective, on a prospective basis, for guarantees issued or modified after December 31, 2002.

2. Customers

For the years ended December 31, 2002 and 2001, two customers, Illinois Power Company (IP) and GPU Nuclear, Inc. (GPU), accounted for approximately 57% and 91%, respectively, of revenues. AmerGen entered into purchase power agreements with IP expiring December 31, 2004 and with GPU expiring March 31, 2003 for OC. Upon termination of the purchase power agreements, all output will be sold to the Exelon Power Team for wholesale marketing.

3. Commitments and Contingencies

Capital Commitments

AmerGen estimates that it will spend approximately $165 million on capital expenditures in 2003 for its existing facilities.

Nuclear Insurance

The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. As of January 1, 2003, the current limit is $9.5 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. AmerGen carries the maximum available commercial insurance of $300 million and the remaining $9.2 billion is provided through mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed up to $89 million per reactor per incident, payable at no more than $10 million per reactor per incident per year. This assessment is subject to inflation and state premium taxes. If required, Exelon and BE have guaranteed payment of this assessment. In addition, the U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims. The Price-Anderson Act expired on August 1, 2002, but existing facilities, including those owned and operated by AmerGen, remain covered. The U.S. Congress has extended the provisions of the Price-Anderson Act related to commercial facilities through 2003. The extension was passed as part of the Consolidated Appropriations Resolution, 2003, which will be presented to the President of the United States for his Signature. The extension would affect facilities obtaining NRC operating licenses in 2003. Existing facilities are unaffected by the extension.
AmerGen carries property damage, decontamination and premature decommissioning insurance for each station's loss resulting from damage to its nuclear plants. In the event of an accident, insurance

proceeds must first be used for reactor stabilization and site decontamination. If a decision is made to decommission a facility, a portion of the insurance proceeds will be allocated to a fund which AmerGen is required by the NRC to maintain to provide for decommissioning the facility. AmerGen is unable to predict the timing of the availability of insurance proceeds or the amount of such proceeds which would be available. Under the terms of the various insurance agreements, AmerGen could be assessed up to $40 million for losses incurred at any plant insured by the insurance companies. In the event that one or more acts of terrorism cause accidental property damage within a twelve-month period from the first accidental property damage under one or more policies for all insureds, the maximum recovery for all losses by all insureds will be an aggregate of $3.2 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity, and any other source, applicable to such losses. The $3.2 billion maximum recovery limit is not applicable, however, in the event of a "certified act of terrorism" as defined in the Terrorism Risk Insurance Act of 2002, as a result of government indemnity. Generally, a "certified act of terrorism" is defined in the Terrorism Risk Insurance Act to be any act, certified by the U.S. Government, to be an act of terrorism committed on behalf of a foreign person or interest.

Additionally, AmerGen is a member of an industry mutual insurance company that provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. AmerGen's maximum share of any assessment is $16 million per year. Recovery under this insurance for terrorist acts is subject to the $3.2 billion aggregate limit and secondary to the property insurable described above. This limit would also not apply in cases of certified acts of terrorism under the Terrorism Rick Insurance Act as described above.

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

Nuclear Decommissioning

The Company's current estimate of its total future nuclear decommissioning costs is $3.5 billion and considers future increases in cost due to inflation. An estimate of the fair values of the decommissioning obligations totaling approximately $860 million was recorded as a liability on the Company's balance sheet at the dates of the TMI, CNPS, and OC acquisitions. The liability has then been escalated at 4% per year through June 30, 2002. Effective July 1, 2002, generation changed its accounting estimates related to decommissioning of their generating plants. The liability is now being escalated at 2.4% per year resulting in the estimated fair value of decommissioning of $962 million at December 31, 2002. As of December 31, 2002, AmerGen held $1.0 billion in trust to fund its decommissioning liability. This amount has been reflected as a long-term asset in the Company's balance sheet. The decommissioning fund asset is carried at fair value and includes both realized and unrealized gains. Net unrealized gains and losses are recognized as a component of members' equity. Net realized gains are recognized in the Company's results of operations.

At December 31, 2002 and 2001, the assets of the decommissioning funds were invested approximately 15.1% and 24.8% in equity securities, 61.1% and 60.4% in fixed income obligations, 18.2% and 12.9% in collective trust funds, and the remainder in other short-term interest bearing accounts.

Spent Fuel Storage

Under the Nuclear Waste Policy Act of 1982 (NWPA), the U.S. Department of Energy (DOE) is required to take possession of all spent nuclear fuel generated by AmerGen's nuclear units for long-term storage. AmerGen pays the DOE one mill ($.001) per kilowatt-hour of net nuclear generation for the cost of nuclear fuel long-term storage and disposal. This fee may be adjusted prospectively to ensure full cost recovery. The NWPA required the DOE to begin taking possession of spent nuclear fuel generated by nuclear generating units by no later than January 1998. The DOE, however, failed to meet that deadline and its performance is expected to be delayed significantly. The DOE's current estimate for opening a spent nuclear fuel storage facility is 2010. This extended delay has led to AmerGen's use of dry storage at Oyster Creek. Approximately $3.5 million and $2.4 million was accrued at December 31, 2002 and 2001, respectively, related to the cost of long term storage and disposal.

Pennsylvania Real Estate Tax Appeals

AmerGen is involved in an appeal of its property tax assessment by the County of Dauphin, Pennsylvania associated with TMI. The Company has estimated its liability to be $4.1 million and $2.7 million, respectively, which has been accrued as of December 31, 2002 and 2001. The Company does not believe the outcome of this matter will have a material adverse effect on AmerGen's results of operations.

Environmental Litigation

On December 11, 2002, AmerGen received a notice of violation from the New Jersey Department of Environmental Protection of a substantial fish kill, which occurred on September 23, 2002 at OC, resulting from the shutdown of dilution pumps during maintenance. The New Jersey Department of Environmental Protection has assessed civil penalties and claims for natural damage to the state totaling $0.4 million relating to the incident. In addition to the notice of violation, the Attorney General of the State of New Jersey has commenced a criminal investigation into the circumstances surrounding the fish kill. AmerGen is cooperating fully with the Attorney General in its investigation and is working to settle the civil penalty and damage claims in conjunction with the investigation.

General

AmerGen is involved in various other litigation matters. The ultimate outcome of such matters, while uncertain, is not expected to have a material adverse effect on the Company's financial condition or results of operations.

TMI Contingent Price Adjustment

On December 18, 2001, pursuant to the Asset Purchase Agreement, AmerGen and Generation executed a new PPA for TMI that covers the period January 1, 2002 through December 31, 2014. In May 2002, Generation discovered that the price schedule in the signed PPA was based on what Generation believes was an incorrect price curve. Therefore, Generation's position is that the PPA executed in December 2001 reflects prices that are higher than Generation anticipated paying to AmerGen. BE disputes this. Generation has developed an amended PPA for 2003 and beyond, which includes the lower price curve. This amended PPA has not been executed. Generation and BE have invoked the dispute resolution provisions of the AmerGen LLC Agreement, as amended August 1, 2000, to resolve the matter and have submitted the dispute for arbitration. If the arbitrators rule in favor of Generation, AmerGen will be required to pay Generation approximately $14 million for the year ended December 31, 2002. The corresponding amount for the year ended December 31, 2003 is currently estimated to be $10 million. AmerGen is unable to predict the outcome of the arbitration.

(Dollars in thousands)

4. Notes Receivable

During 1999, in connection with the acquisition of CNPS, AmerGen received from IP a note to be paid in five annual installments of $5 million. The final payment is due no later than December 31, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

5. Goodwill

The amount of goodwill or the excess of acquired net assets over cost ("negative goodwill") was as follows at December 31, 2002 and 2001:

	CNPS	TMI	OC	Total
Balance at January 1, 2001	$ 24,666	$ (3,632)	$ (55,273)	$ (34,239)
Purchase price adjustment (a)	5,901	10,084	6,654	22,639
Amortization	(1,412)	(1,168)	5,221	2,641
Balance at December 31, 2001	29,155	5,284	(43,398)	(8,959)
SFAS 142 implementation	-	-	43,398	43,398
Amortization	-	-	-	-
Balance at December 31, 2002	$ 29,155	$ 5,284	$ -	$ 34,439

(a) Trust income taxes on decommissioning funds at the acquisition dates.

	CNPS	TMI	OC	Total
Balance at January 1, 2000	$ 12,695	$ (26,551)	$ -	$ (13,856)
Acquisition of Oyster Creek	-	-	(58,609)	(58,609)
Purchase price adjustment (a)	12,504	20,846	-	33,350
Amortization	(533)	2,073	3,336	4,876
Balance at December 31, 2000	24,666	(3,632)	(55,273)	(34,239)
Purchase price adjustment (b)	5,901	10,084	6,654	22,639
Amortization	(1,412)	(1,168)	5,221	2,641
Balance at December 31, 2001	$ 29,155	$ 5,284	$ (43,398)	$ (8,959)

(a) Principally a change in estimate of employee benefit obligations assumed at the acquisition dates.

(b) Trust income taxes on decommissioning funds at the acquisition dates.

(Dollars in thousands)

6. Long-term Debt

During 1999, in connection with the acquisition of TMI, AmerGen entered into a financing agreement with GPU, Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company. The loan is to be paid in five annual installments of $15.6 million. The final payment is due December 20, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

During 2000, in connection with the acquisition of OC, AmerGen entered into a financing agreement with GPU, the former owners of OC. In accordance with the asset purchase agreement, GPU funded AmerGen's outage expenditures up to $88.7 million for the 2000 refueling outage. The loan is to be repaid in nine annual installments with the final payment due no later than August 8, 2009. As of December 31, 2002, $75 million is due to GPU and has been recorded at its net present value based on an imputed rate of 6.33%.

In 2002, AmerGen renewed its membership with Electric Power Research Institute, Inc. ("EPRI"). In connection with this membership, AmerGen entered into a financing agreement with EPRI. The loan is to be paid in a lump sum of $1 million due April 1, 2004. The loan is recorded at its book value with no stated interest rate.

Maturities of long-term debt are:

For years ended December 31,	
2003	$ 25,505
2004	26,505
2005	9,861
2006	9,861
2007	9,861
Thereafter	19,722

7. Leases

The Company has entered into operating leases involving certain facilities and equipment. Rental expense under operating leases was approximately $979 in 2002 and $791 in 2001. The Company has not entered into any lease that would be classified as a capital lease. Minimum future payments under non-cancelable operating leases as of December 31, 2002 were as follows:

For Years Ended December 31,	
2003	$ 1,205
2004	787
2005	787
2006	775
2007	227
Thereafter	9
	$ 3,790

(Dollars in thousands)

8. Taxes Other Than Income

The following is an analysis of tax expense for the years ended December 31, 2002 and 2001:

	2002	2001
Real estate	$ 13,737	$ 17,118
Capital stock	1,697	(2)
Payroll	10,870	7,861
Use tax and other	180	87
Total	$ 26,484	$ 25,064

9. Pension and Other Postretirement Benefits

Effective January 1, 2000, the Company began defined benefit pension and postretirement benefit plans. The plans are applicable to all employees with at least one year of service.

The following tables provide a reconciliation of benefit obligations, fair value of plan assets, funded status and costs at December 31, 2002 and 2001.

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Change in benefit obligation:				
Net benefit obligation at beginning of year	$ 34,478	$ 24,423	$ 67,459	$ 60,988
Service cost	9,006	8,196	4,810	2,713
Interest cost	3,224	2,397	3,504	4,082
Plan amendments	240	-	-	-
Actuarial gain	5,505	1,027	(16,071)	(324)
Gross benefits paid	(1,747)	(1,565)	-	-
Net benefit obligation at end of year	$ 50,706	$ 34,478	$ 59,702	$ 67,459

(Dollars in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Change in Plan assets:				
Fair value of plan assets at beginning of year	$9,719	$ 827	$ -	$ -
Actual return on plan assets	(1,587)	322	-	-
Employer contributions	20,529	10,135	-	-
Gross benefits paid	(1,747)	(1,565)	-	-
Fair value of plan assets at end of year	26,914	9,719	-	-
Funded status at end of year	(23,792)	(24,760)	(59,702)	(67,458)
Unrecognized net actuarial (gain)/loss	10,950	2,178	(10,508)	6,158
Unrecognized prior service cost	645	452	-	-
Net amount recognized at end of year	$ (12,197)	$(22,130)	$ (70,210)	$(61,300)

	Pension Benefits		Post-Retirement Benefits	
	2002	2001	2002	2001
Components of net periodic benefit cost:				
Service cost	$ 9,006	$ 8,196	$ 4,811	$ 2,713
Interest cost	3,224	2,397	3,504	4,082
Expected return on assets	(1,669)	(348)	-	-
Amortization of:				
Prior service cost	47	31	-	-
Actuarial (gain)loss	-	-	(915)	-
Net periodic benefit cost	10,608	10,276	7,400	6,795
Other	(12)	-	1,510	-
Total cost	$ 10,596	$10,276	$ 8,910	$ 6,795

For measurement purposes, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease to 4.5% in 2008 and remain at that level thereafter.

Weighted average assumptions at December 31, 2002	Pension Benefits	Postretirement Benefits
Discount rate	6.75%	6.75%
Expected return on plan assets	9.50%	-
Rate of compensation increase	5.00%	5.00%

10. Supplemental Cash Flow Information

As discussed in Note 1, AmerGen files a partnership return for federal and state income taxes. Taxes are paid by its equity members, and as such no income taxes were paid by AmerGen.

Taxes were paid by the decommissioning trust fund for the years ended December 31, 2002 and 2001 in the amount of $5.8 million and $20.7 million, respectively.

Interest paid on the loan from Generation for 2002 was $2 million. There was no interest paid in 2001.

11. Affiliated Company Transactions

AmerGen has entered into PPAs dated December 18, 2001 and November 22, 1999 with Generation. Under the 2001 PPA, AmerGen has agreed to sell to Generation all the energy from TMI from January 1, 2002 through December 31, 2014. Under the 1999 PPA, AmerGen has agreed to sell to Generation all of the residual energy from CNPS, through December 31, 2004. Currently, the residual output approximates 25% of the total output of CNPS. For the years ended December 31, 2002 and 2001 the amount of power purchased by Generation recorded in the statements of operations is $273 million and $56.9 million, respectively. At December 31, 2002 and 2001 AmerGen had a receivable due from Exelon Generation of $17.1 million and $3.2 million, respectively.

In addition, under a service agreement dated March 1, 1999, Generation provides AmerGen with certain operation and support services to the nuclear facilities owned by AmerGen. This service agreement has an indefinite term and may be terminated by Generation or by AmerGen on 90 days' notice. Generation is compensated for these services in an amount agreed to in the work order but not less than the higher of its fully allocated costs for performing the services or the market price. For the years ended December 31, 2002 and 2001, the amount charged to AmerGen for these services was $70 million and $80.5 million, respectively. At December 31, 2002 and 2001, AmerGen had a payable to Generation of $22.6 million and $47.3 million, respectively.

BE provides employees to AmerGen to manage and operate certain aspects of the Company's nuclear operations. During 2002 and 2001, AmerGen incurred $2.0 million and $1.7 million, respectively, in costs for these employees as well as for other administrative services. At December 31, 2002 and 2001, AmerGen had a payable to British Energy of $0.5 million and $0.9 million, respectively.

Generation has committed to provide AmerGen with capital contributions equivalent to 50% of the purchase price of any acquisitions AmerGen makes in 2003. Generation and BE have each agreed to provide up to $100 million to AmerGen at any time for operating expenses.

AmerGen also provides certain operating services to Generation's plants. During 2002 and 2001, AmerGen provided services of approximately $6.6 million and $2.0 million, respectively, to Generation. At December 31, 2002 and 2001, AmerGen had a receivable from Generation of $2.0 million and $2.0 million, respectively.

On July 18, 2002, AmerGen and Generation amended their original loan agreement dated February 12, 2002. Under this amended agreement, AmerGen has the ability to enter into a revolving demand loan up to but not exceeding $100 million. Principal payments are due upon demand by Generation

(Dollars in thousands)

but no later than July 1, 2003. As of December 31, 2002, AmerGen had borrowed $35 million under this loan agreement. The interest rate on the loan is one-month LIBOR plus 2.25% and is payable monthly.

12. Comprehensive Income

	December 31, 2002		
	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income (Loss)
Beginning balance	$ 154,540	$ (36,330)	$112,377
Net income	161,030	-	161,030
Unrealized losses on securities	-	(41,153)	(41,153)
Ending balance	$315,570	$ (77,483)	$232,254

	December 31, 2001		
	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income (Loss)
Beginning balance	$ (1,747)	$ 7,580	$ -
Net income	156,287	-	156,287
Unrealized losses on securities	-	(43,910)	(43,910)
Ending balance	$ 154,540	$ (36,330)	$ 112,377

In accordance with SFAS 130, unrealized gains and losses in the market value of decommissioning trust funds are reflected as other comprehensive income, a component of members' equity.

13. Subsequent Event

In accordance with the restructuring principles announced on November 28, 2002, BE is continuing to take steps to realize its 50% interest in AmerGen and to be in a position to execute a sale agreement by June 30, 2003.