Commonwealth Edison
One First National Plaza, Chicago, Illinois
Address Reply to: Post Office Box 767
Chicago, Illinois 60690

March 27, 1981

Docket Nos. 50-295, 304, 254,
265, 10, 249 & 237

Nuclear Regulatory Commission
Washington, D.C. 20555

Attention: Antitrust and Indemnity Group
Nuclear Reactor Regulation

Gentlemen:

We are submitting the following information to comply with the provisions of 10 CFR Chapter I, Part 140, Section 140.21, and the letter from Jerome Saltzman, Chief, Antitrust and Indemnity Group, dated June 15, 1977: (1) annual report of this Company for the calendar year 1980 which shows its income statement and balance sheet, duly certified by the Company's public accountants, and which includes a summary statement for the last quarter of the year at page 17; (2) a statement of internal cash flow projected for 1981 and actual for 1980; and (3) a narrative statement to which the cash flow projection is annexed, explaining the projection, dealing with capital expenditures which might be curtailed should that become necessary, and establishing the availability of adequate funds to meet the Company's obligation for the payment within three months of May 1, 1981 of the Company's maximum liability for retrospective premiums.

As noted in the narrative statement, the Company has a three-quarter share in the ownership of Quad Cities Units 1 and 2; the remaining quarter share is owned by Iowa-Illinois Gas and Electric Company which is submitting a separate statement.

Very truly yours,

COMMONWEALTH EDISON COMPANY

By Hubert H. Nexon
Hubert H. Nexon
Senior Vice-President

Enclosures

8103310620

March 27, 1981

COMMONWEALTH EDISON COMPANY

MEMORANDUM WITH RESPECT TO PROJECTED COMPANY CASH FLOW STATEMENT FOR YEAR ENDING DECEMBER 31, 1981

The attached statement shows that internal cash flow projected for the year 1981 for Commonwealth Edison Company is expected to total about $287 million, and on an average quarterly basis to total about $72 million. The statement also shows that the maximum total contingent liability for premium assessments against the Company under Price-Anderson is $65 million since, although it operates seven reactors, it is a tenant-in-common with only a 75% ownership interest in the two units at Quad Cities Station. Iowa-Illinois Gas and Electric Company, the other tenant-in-common, is filing a separate statement. Funds for the payment of the $65 million possible maximum premium assessments could be diverted from the construction program and made available from internal cash generation or from other sources.

The Company increased its rates effective February 7, 1980, pursuant to an order of the Illinois Commerce Commission which authorized $389.6 million in additional revenues on an annual basis, inclusive of an approximately $45 million rate increase collected subject to refund since October 15, 1979. Rates were further increased by $282.6 million on an interim basis effective November 20, 1980. This interim increase is subject to refund pending receipt of a final order expected by July 6, 1981 on an application for a $628 million annual increase. The rate

orders reflect the Company's legal right to rates sufficient to recover its legitimately incurred costs of providing service.

The Company's credit ratings are sufficient to allow access to the capital markets -- both long-term and short-term -- adequate to fund the maximum $65 million assessment. The Company has an A credit rating from both Moody's Investors Service, Inc. and Standard & Poor's Corporation applicable to its mortgage debt. Its junior debt securities are rated A- and A by Moody's and Standard & Poor's, respectively. It also has high credit ratings -- PRIME-1 from Moody's and A-2 from Standard & Poor's -- applicable to its commercial paper. In addition, the Company has back-up lines of credit totaling over $330 million (which, effective April 1, 1981, will increase to $530 million) at prime rates with major commercial banks and presently has outstanding borrowings totaling only $3.8 million under these lines. The Company also has $117 million unused lines of credit with nine banks in connection with, but not limited to use for, a nuclear fuel lease arrangement, subject to reductions equivalent to amounts provided for nuclear fuel under lease from time to time. These credit ratings and credit arrangements provide for the means to raise additional capital in the amounts which may be required.

The attached internal cash flow statement projected for 1981 reflects the net effect of a requirement of over $350 million for cash dividends on capital stock. Cash dividends on the Company's stock cannot be considered obligatory and because they are subject to declaration from time to time by the Company's Board of Directors, they could, if necessary, provide the means for making additional cash available for other uses.

Without curtailing dividends or resorting to additional long-term or short-term financing, the Company could, if necessary, delay its construction program, thereby reducing its cash requirements for that program during the period of delay and making cash available to meet assessments, although such action would increase the costs of plant construction.

As a part of its construction program, the Company has under construction two 1100 megawatt class nuclear units at each of three sites, LaSalle, Byron and Braidwood Stations. Throughout the period 1982 through 1986, during which these units are scheduled to go into service, the Company's capacity reserves are such that delays in Byron or Braidwood construction would not unduly impair the Company's reserve position. It could, therefore, postpone construction pursuant to a variety of delay options which would make $65 million available in a six-month period without jeopardizing service, although a postponement would be costly.

Further, we have analyzed the effect for a three-month period beginning May 1, 1981, of halting construction of several combinations of the Byron or Braidwood units listed above. Depending on the option chosen, the amount of cash made available in the shorter period would range from $34.6 million to $39.6 million. Additional cash in amounts more than enough to provide $65 million in total would be available from the Company's cash and cash equivalents on hand during that three-month period together with cash available on short-term notice through the use of the Company's bank lines or commercial paper resources.

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The undersigned certifies that the foregoing memorandum with respect to Commonwealth Edison's projected cash flow for the year ending December 31, 1981, and the appended cash flow statement are true and correct to the best of his knowledge and belief.

Hubert H. Nexon

Hubert H. Nexon
Senior Vice-President

COMMONWEALTH EDISON COMPANY
AND
SUBSIDIARY COMPANIES

Internal Cash Flow
1980 Actual and 1981 Projected
(For Dresden, Quad Cities and
Zion Nuclear Power Stations)

	1980 Actual ($000)	1981 Projected ($000)
Net Income After Taxes and Dividends Paid	$ 41,292	$ 50,000
Adjustments		
Depreciation and Amortization	$ 361,515	$ 393,000
Deferred Income Taxes and Investment Tax Credits	110,222	154,000
Allowance for Funds Used During Construction	(254,153)	(310,000)
Total Adjustments	$ 217,584	$ 237,000
Internal Cash Flow	$ 258,876	$ 287,000
Average Quarterly Cash Flow	$ 64,719	$ 72,000
Percentage Ownership in all Operating Nuclear Units	Dresden	100.00%
	Quad Cities	75.00%
	Zion	100.00%

MAXIMUM TOTAL CONTINGENT LIABILITY $65,000,000

Commonwealth Edison Company

1980 Annual Report

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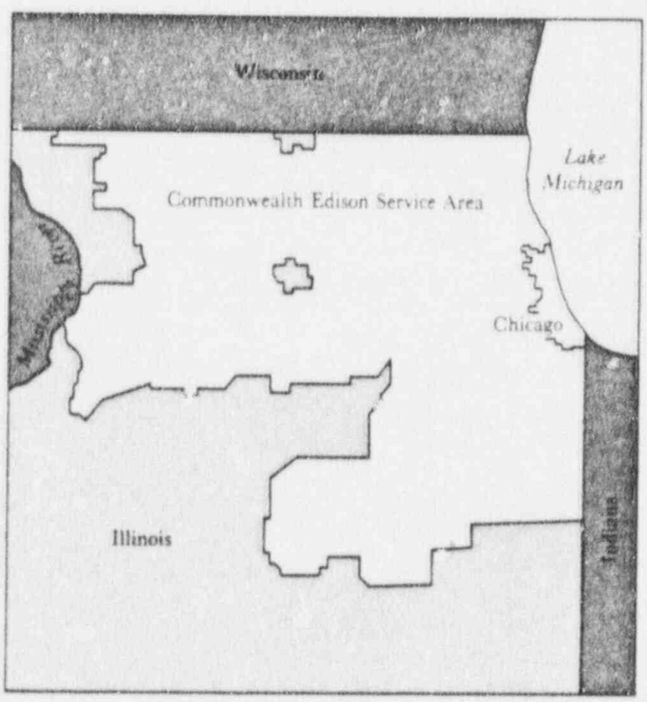
Contents

Commonwealth Edison Company

The Company is an investor-owned utility engaged principally in the production, purchase, transmission, distribution and sale of electricity in an 11,525-square-mile service area of northern Illinois (see map). Corporate address: One First National Plaza, P.O. Box 767, Chicago, Illinois 60690. Telephone: (312) 294-4321.



Transfer Agents

The First National Bank of Chicago*
One First National Plaza
Chicago, Illinois 60670

Manufacturers Hanover Trust Company*
4 New York Plaza
New York, New York 10015

The First National Bank of Boston
100 Federal Street
Boston, Massachusetts 02110

*Also warrant agents

Registrars

Continental Illinois National Bank
and Trust Company of Chicago**
231 South LaSalle Street
Chicago, Illinois 60690

The First National Bank of Chicago***
One First National Plaza
Chicago, Illinois 60670

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

**Common stock only
***Preferred and preference stocks only

Dividend Reinvestment Plan Agent

The First National Bank of Chicago
Shareholder Services Department
P. O. Box 1762
Chicago, Illinois 60690

Annual Meeting

The annual meeting of stockholders will be held at 10:30 a.m. on Wednesday, April 15, 1981, in the Grand-State Ballroom of the Palmer House, State Street and Monroe Street, Chicago, Illinois. Proxy materials will be mailed to stockholders about March 9.

Annual Report, Form 10-K and Financial Review

This 1980 Annual Report has been approved by the Board of Directors. The 1980 annual report on Securities and Exchange Commission Form 10-K and the 1980 Financial Review (with comparative statistics for the last 10 years) will be available in early April. Stockholders may obtain a copy of either or both without charge upon request to R. P. Bachert, Secretary and Treasurer, Commonwealth Edison Company, P. O. Box 767, Chicago, Illinois 60690.

Dear Stockholder:

We begin 1981 at a time of political change, with new leadership in the White House and U.S. Senate. The effect this will have on economic and energy policies will become clearer in the months ahead, as President Reagan and his administration develop specific plans and present them to the new Congress. The change is likely to have an important impact on the operation of electric utilities.

We have said before that the energy problem has two parts. One is conservation; the other is supply. A major shortcoming of past U.S. energy policy, in our judgment, has been the failure to adequately address the supply part of the problem. The President has stated that he will take whatever action is necessary to increase domestic energy supplies. We applaud that statement.

At Edison, we have long been active both in promoting conservation and expanding energy supplies.

In 1980 we increased and gave new direction to our conservation activities by creating a new position, Manager of Load Management and Conservation. Our conservation, load management and related research and development activities are now coordinated under one executive.

These activities include, among others, work on off-peak ice storage systems for use with commercial and industrial air conditioning, and experimentation with remote control load-shedding equipment to help control air conditioning demands. They also include seasonal and time-of-day electric service rates that encourage our customers to shift use from peak periods to times when our loads are low.

Our goal is to defer the need for new generating capacity beyond the six nuclear units currently under construction at LaSalle County, Byron and Braidwood stations. We are going ahead with these partially completed units despite the fact that we must raise the required funds under unfavorable market conditions. All of the units were committed for construction well before the slowdown in load growth that began with the 1973 oil embargo. Their early completion is desirable because the savings in energy costs from these units will exceed any savings associated with delaying them. Getting this modern capacity on line early will enable us to replace higher cost generation, much of it oil-fired, with electricity produced at low nuclear fuel costs.

While postponement would reduce somewhat our current need to raise new capital, it would increase the long-term costs of completing the units and, consequently, our future capital requirements. Delays also would add to the cost of carrying the expenditures already made and increase the effect of inflation on our labor and equipment costs. After reviewing our construction plans, the Illinois Commerce Commission concluded, in October 1980, that "it is in the economic interest of ratepayers and shareholders alike that . . . construction of the Braidwood and Byron nuclear generating plants be completed at the earliest possible date."

We have tentative plans for some additional nuclear and coal-fired units in the early to mid-1990s. However, with the extremely high cost of building new generating facilities, whether nuclear or coal-fired, deferring construction of these units would benefit our customers and stockholders, if it can be done without jeopardizing future electric service reliability.

Both in the Company and the U.S., we need to pursue those technologies which will expand and extend our domestic energy resources. Between now and the end of the century, greater use must be made of America's coal and uranium supplies. A recently completed study sponsored by the National Academy of Sciences supports this conclusion. It found that there is no way that the U.S. can meet its energy requirements during the next 20 years without substantially increased generation from nuclear and coal-fired power plants. Unfortunately, today's electricity prices are based primarily on the low facility costs which prevailed before the current surge of inflation. Electricity must be priced at a level nearer its real economic costs, if we are to provide the necessary new generating capacity.

Sincerely,

James J. O'Connor

James J. O'Connor
Chairman and President

Commonwealth Edison Company/1980 in Review

Earnings Higher
Earnings on common stock in 1980 were $2.97 per share. This was 46¢ higher than 1979 earnings of $2.51 per share. The 1979 figure included about 12¢ due to the change that year from bi-monthly to monthly billing.

The increase in 1980 earnings is due principally to higher rates, lower purchased power costs and larger construction-related credits. However, these factors were partly offset by the recession, increased operating and maintenance expenses, higher interest and depreciation charges, increased taxes and more common shares outstanding. (See Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 6.)

Sales Down, Revenues Up
Adjusted to eliminate the one-time effect of the change to monthly billing in 1979, kilowatthour sales to ultimate consumers were down 1.6% in 1980.

Because of the recession, kilowatthour sales to large commercial and industrial customers decreased 7.6%. After adjustment for the 1979 billing change, sales to residential customers were up 4.1%, due in part to a warmer summer in 1980, while sales to small commercial and industrial customers were up 0.4%.

Despite the decrease in kilowatthour sales, higher charges produced a 22.2% increase in revenues. A detailed breakdown of 1980 revenues and sales is shown in the table at the bottom of page 3.

The number of customers served at year-end was 2,949,000, an increase of about 30,000 during the year.

New Peak Load
With the first normal summer temperatures in three years, a new peak load of 14.2 million kilowatts was established July 15, 1980. The new peak occurred during a heat wave which pushed temperatures into the upper 90s. It broke the previous record of 13.9 million kilowatts set in 1977.

Rate Relief Granted
Effective February 7, 1980, the Illinois Commerce Commission granted the Company a rate increase of about 14.4% based on 1979 sales. Unfortunately, that increase only temporarily halted the deterioration in our financial condition. Accordingly, on August 8, 1980, we applied for a 19.7% rate increase and, because of our urgent need to raise additional capital, asked that about half the increase be granted on an interim basis. The Commission authorized an interim rate increase of about 8.9%, effective November 20, 1980, subject to refund with interest if not justified in hearings on the full request. The interim increase is expected to raise revenues by about $283 million on an annual basis. However, because the higher rates were applicable for only six weeks of the year, their impact on 1980 results was modest.

So long as the interim rate order is effective, we are required to cease capitalizing allowance for funds used during construction on that portion of our LaSalle County Unit 1 investment not already included in the Company's rate base under the Commission's February 1980 rate order. (See Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 6.)

1980 Highlights

	1980	Change Since 1979	Average Annual Change Since 1970
Net Income on Common Stock	$287.1 million	up 33.5%	up 8.1%
Earnings per Common and Common Equivalent Share	$2.97	up 18.3%	down 0.4%
Cash Dividends Paid per Common Share	$2.60	—	up 1.7%
Electric Operating Revenues	$3,324.0 million	up 22.2%	up 13.8%
Sales to Ultimate Consumers	61.2 billion kwh	down 2.6%	up 3.1%
Average Residential Revenue*	6.23¢ per kwh	up 21.9%	up 8.6%
Average Residential Use	6,625 kwh	down 0.7%	up 1.7%
Electric Customers at December 31	2.95 million	up 1.0%	up 1.3%
Peak Load	14.2 million kw	up 2.9%	up 3.2%

*Excludes light bulb service.

More Rate Relief Sought

Hearings on our 19.7% rate increase application are now in progress. If our request is granted in full, annual revenues would rise by about $628 million, including the interim rate increase, based on sales for the 12 months ended April 30, 1980. By law, the Commission must make its final decision on our request by July 6, 1981.

While the interim increase is providing temporary relief, its effect (and indeed the effect of any increase finally allowed) will be eroded by the continuing high rate of inflation.

Securities Ratings Lowered

Citing increased capital requirements together with inadequate earnings and internal cash generation, a major rating agency in June reduced our first mortgage bond rating to A from AA– and also lowered its ratings on our unsecured debt and preferred and preference stocks.

The key to improved credit ratings is improved earnings. To achieve this, we are engaged in an intensive effort to reduce costs, with tight restrictions on overtime, business travel, hiring, outside contracting and other expenses. Of even greater importance is adequate and timely rate relief. Through such relief, together with cost-control measures and improved productivity, we hope that in time the higher credit ratings the Company previously held will be restored.

$5.7 Billion Construction Budget

Our five-year construction budget for electric plant and equipment during the 1981–85 period is $5.7 billion, which includes approximately $290 million for environmental control facilities. Year-by-year estimated expenditures are $1,300 million each in 1981 and 1982, $1,200 million in 1983, and $950 million each in 1984 and 1985. Construction expenditures for 1980 were $1,180 million.

1980 Financings

During 1980 we completed major financings totaling $940 million, as indicated below.

Month	Financing	Amount (millions)
February	Common Stock	$139
February	Loans (bank holding companies)	100
March	14⅞% Debentures, Series 6, and 15⅜% Sinking Fund Debentures, Series 7	250
June	First Mortgage 11⅛% Bonds, Series 40	60
June	9⅛% Pollution Control Obligations	20
September	$12.75 Preference Stock	50
September	10⅛% and 10⅜% Pollution Control Obligations	40
December	Common Stock	141
(Various)	Nuclear Fuel (sale/lease-back)	140
	Total	$940

1980 Revenues and Sales	Electric Operating Revenues (thousands)	Increase Over 1979(1)	Kilowatthour Sales (millions)	Increase Over 1979(1)
Residential	$1,118,478	22.5%	17,861 kwh	0.6%
Small commercial and industrial	1,105,637	23.5%	18,918	0.2%
Large commercial and industrial	785,018	21.5%	18,821	7.6%*
Public authorities	238,825	22.8%	5,283	4.2%*
Electric railroads	14,742	32.5%	365	4.9%
Ultimate consumers	$3,262,700	22.7%	61,248 kwh	2.6%*
Sales for resale	38,899		973	
Other revenues	22,444			
Total	$3,324,043		62,221 kwh	

*Decrease

(1) For the year ended December 31, 1979, the change in late March 1979 to monthly from bi-monthly billing, principally affecting residential customers, resulted in additional electric operating revenues of about $33.7 million and additional kilowatthour sales of about 625 million.

Nuclear Units Delayed

Since our 1979 Annual Report, service dates of the six nuclear units under construction at LaSalle County, Byron and Braidwood stations were delayed for varying periods of up to two years. This has resulted from problems in meeting design and construction schedules, a slowdown in the Nuclear Regulatory Commission's licensing effort, and the need to keep annual financing requirements within the Company's financial capabilities. The deferrals have significantly increased the estimated construction costs of these units.

Service dates for the six nuclear units under construction are shown below.

Unit	Scheduled for Service	Net Capability (kilowatts)
LaSalle County 1	1982	1,078,000
LaSalle County 2	1982	1,078,000
Byron 1	1983	1,120,000
Byron 2	1984	1,120,000
Braidwood 1	1985	1,120,000
Braidwood 2	1986	1,120,000

The Company has tentative plans for additional coal-fired cycling capacity in the early 1990s and also has contracted for some equipment for two nuclear units in the mid-1990s at a site in Carroll County, Illinois. However, work on the Carroll County units, which are still in the planning stage, has been delayed. With lower expected load growth aided by intensified conservation efforts, we hope to defer the need for this capacity.

Nuclear Safety: A Continuing Commitment

In our 1979 Annual Report and at the 1980 annual meeting, we reported on measures being taken at Edison in response to the accident in March 1979 at the Three Mile Island nuclear power plant in Pennsylvania. To assure safe operation of our nuclear plants, we are making equipment changes, strengthening emergency response plans, and providing additional training for nuclear station personnel. For our three operating nuclear stations, such measures are expected to cost $275 million through 1985, including $30 million in 1981.

The Company in August named a Director of Nuclear Safety, reporting to the Chairman and President. The newly created post was established on the recommendation of the Senior Advisory Panel, a group of independent scientists and engineers formed by Edison after the Three Mile Island incident to review our nuclear operations. The Director's responsibility is to assure that questions concerning nuclear safety in the design, construction, operation and maintenance of our nuclear stations are resolved.

The Company also is participating in several industry committees that have studied the lessons learned at Three Mile Island. Establishment of the Institute of Nuclear Power Operations (INPO) is one outgrowth of the Three Mile Island incident. Functioning much like an independent auditor, INPO is establishing bench marks of excellence for managing and operating nuclear power plants. It also is conducting independent evaluations of individual nuclear stations. In 1980, INPO chose our Dresden station for its first full-scale evaluation and concluded that Dresden "is being safely operated by an experienced, capable and dedicated staff."

We remain convinced that nuclear power is the safest, cleanest and most economical method of generating electricity for our customers. Our response to Three Mile Island demonstrates the Company's continuing commitment to safe operations.

Savings with Nuclear Power

Our nuclear units in 1980 once again provided our customers with electricity at the lowest cost while conserving less-abundant fuels. During the year, we generated 26 billion kilowatthours with nuclear fuel, 41% of the electricity we produced. Some 46 million barrels of oil would have been consumed if these kilowatthours had been generated with residual oil rather than uranium. In the process, our 1980 fuel bill would have increased by about $1.5 billion. Had we used Western low-sulfur coal as fuel rather than uranium, our 1980 fuel costs would have been $460 million higher.

Dividend Reinvestment Plan

Over 41,000 common stockholders are participating in the Company's Automatic Dividend Reinvestment and Stock Purchase Plan.

Under the plan, stockholders purchase additional common shares by reinvesting their quarterly common stock dividends at a 5% discount from the market price. They also may make optional cash payments of from $25 to $3,000 per quarter to acquire additional shares at 100% of the market price. No brokerage commission is paid by stockholders for these purchases.

Interested common stockholders may obtain an enrollment form and a prospectus describing the plan from Commonwealth Edison Shareholder Services, P. O. Box 767, Chicago, Illinois 60690.

Tax Status of 1980 Dividends

Cash dividends paid on common stock in 1980 were \$2.60 per share. Of this, the Company estimates that 92% was a return of capital (rather than ordinary dividend income) for federal income tax purposes. All 1980 dividend payments on the preferred and preference stocks were ordinary dividend income.

The Company reported this information on the substitute Form 1099 statements mailed to stockholders in late January 1981. A letter of explanation also was included. If you were a stockholder of record in 1980 and did not receive a substitute Form 1099 statement and letter of explanation, please contact Commonwealth Edison Shareholder Services, P. O. Box 767, Chicago, Illinois 60690.

The Company's estimate of return-of-capital dividends is subject to adjustment by the Internal Revenue Service.

Affirmative Action in the 1980s

For nearly 60 years the Company has had a nondiscrimination policy, approved by the Board of Directors. Today our affirmative action plan reflects the Company's policy of equal opportunity in hiring and promoting, regardless of race, color, religion, national origin, sex, handicap, age or other non-job related characteristics.

One goal of our affirmative action program is to equate the minority representation in Edison's work force with that in the labor market across our northern Illinois service area. About 22% of the people we serve are members of minority groups. Currently, minority group members make up over 17% of our total work force. Consistent with the Company's affirmative action plan, women continue to assume more responsible managerial and professional assignments.

Board, Management Changes

Elected to the Board of Directors for the first time at the 1980 annual meeting were Harvey Kapnick, Financial Consultant; Thomas L. Martin, Jr., President of the Illinois Institute of Technology; and Edward A. Mason, Vice President, Research, of Standard Oil Company (Indiana).

During the year, Thomas G. Ayers retired as Chairman and was elected Chairman of the Executive Committee. He was succeeded by James J. O'Connor, who became Chairman and President. Wallace B. Behnke, Jr. was elected Vice Chairman and Byron Lee, Jr. and Bide L. Thomas were elected Executive Vice Presidents.

Also during 1980, George P. Rifakes, former Manager of Fuel and Budgets, and Preston B. Kavanagh, former Manager of Purchasing, were elected Vice Presidents. Thomas J. Maiman was named Assistant Vice President and J. Patrick Sanders was appointed Manager of Industrial Relations. Klaus H. Wisiol, former Division Vice President of Chicago–Central Division, was named to the newly created position of Manager of Load Management and Conservation. Robert J. Manning replaced Mr. Wisiol as Chicago–Central Division Vice President. Frank A. Palmer became Division Vice President–Nuclear Stations and Richard E. VanDerway was named Division Vice President–Fossil Stations.

Quarterly Market Price Range and Dividend Payment—Common Stock

	Market Price Range* High	Market Price Range* Low	Dividend Per Share
1980 by Quarter			
1st	\$21 3/8	\$17 1/2	\$.65
2nd	23 3/4	18 3/8	.65
3rd	22 7/8	19 1/4	.65
4th	19 5/8	16 1/4	.65
1979 by Quarter			
1st	\$27	\$25 1/8	\$.65
2nd	25 7/8	22 3/8	.65
3rd	25	22 1/4	.65
4th	23 3/4	19 7/8	.65

* As reported on the NYSE-Composite transactions tape.

The Company's common stock is traded on the New York, Midwest and Pacific Stock Exchanges, with the ticker symbol CWE. At December 31, 1980 there were approximately 203,000 holders of record of the Company's common stock.

Summary of Selected Consolidated Financial Data

	1980	1979	1978	1977	1976
			—Millions of Dollars—		
Electric operating revenues	$ 3,324	$2,721	$2,443	$2,095	$1,908
Net income	$ 382	$ 297	$ 321	$ 247	$ 242
Earnings per common and common equivalent share (in dollars)	$ 2.97	$ 2.51	$ 3.30	$ 2.86	$ 3.20
Total assets (at end of year)	$10,177	$9,173	$7,924	$6,830	$5,910
Long-term debt, preference stock subject to mandatory redemption requirements and the capitalized nuclear fuel lease obligation (at end of year)	$ 5,230	$4,867	$3,795	$3,255	$2,929
Cash dividends declared per common share (in dollars)	$ 2.60	$ 2.60	$ 2.45	$ 2.40	$ 2.40

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company and its electric utility subsidiary, Commonwealth Edison Company of Indiana, Inc., (the "companies") are engaged in a continuing construction program which has been and will be modified as necessary for adaptation to changing economic conditions and timeliness of rate relief, as well as other relevant factors. The construction program (excluding nuclear fuel) for the five-year period 1981–85 calls for electric plant and equipment expenditures of approximately $5,700 million, including $1,300 million each in 1981 and 1982, $1,200 million in 1983 and $950 million each in 1984 and 1985. These estimated expenditures include $4,470 million for production facilities, $1,135 million for transmission and distribution facilities and $95 million for general plant, and assume that construction costs will escalate 9% annually. Purchase commitments, principally related to construction and nuclear fuel, approximated $1,868 million at December 31, 1980. In addition, the companies have substantial commitments for the purchase of coal under long-term coal contracts.

Of the funds required for the 1981–85 construction program, it is presently estimated that approximately 50% will be provided from outside financing. In addition, approximately $761,964,000 will be needed to refinance first mortgage bonds and loans from bank holding companies maturing by the end of 1985. The type of financing will depend on market conditions and the results of rate increase requests during the five-year period. The Company expects a portion of its financing to be provided through the leasing of nuclear fuel. The type of financing, if possible, will reflect the Company's goal to reduce the debt portion of its capitalization to approximately 50% toward the end of the five-year period. Reference is made to the Statements of Consolidated Changes in Financial Position for the construction expenditures and funds provided internally from current operations for the years 1980, 1979 and 1978.

The Company's ability to finance the construction program is dependent upon electric rates which will provide a level of earnings sufficient to pay for that portion of the construction program to be financed from internal sources and to maintain debt and preferred and preference stock coverages and common stock equity earnings which will permit the issuance of additional securities of the Company on reasonable terms. The necessity for extensive plant expansion in an inflationary era, when the Company has been required to seek large amounts of new capital at high costs, coupled with additional costs imposed by regulatory delays in construction and environmental compliance requirements, has been a significant factor in the deterioration of earnings. The deterioration of earnings has caused declines in debt and preferred and preference stock coverages and several downgradings of the Company's securities ratings and has adversely affected the price and cost at which the Company can sell equity and debt securities.

Results of Operations

Earnings Per Common Share. The Company's earnings per common and common equivalent share were $2.97 in 1980, $2.51 in 1979 and $3.30 in 1978. The decrease in earnings per share reflects the effects of inflation on the Company's operating expenses, increases in provisions for dividends on preferred and preference stocks and increases in the average number of common shares outstanding, as well as the factors discussed below, all without sufficient rate relief to offset adverse cost trends.

Electric Operating Revenues. The Company's kilowatthour sales to ultimate consumers, with 1979 adjusted to eliminate the effects of the change from bi-monthly to monthly billing for certain customers, declined 1.6% and 0.1% in 1980 and 1979, respectively and increased 4.4% in 1978. The decline in kilowatthour sales in 1980 was significantly affected by the economic recession.

Rate increases granted by the Illinois Commerce Commission had a significant effect on electric operating revenues for the years 1980, 1979 and 1978 and are summarized as follows:

Effective Date	Interim or Permanent Increase	Annual Revenue Amount (in millions) (a)
November 20, 1980	Interim	$282.6(b)
February 7, 1980	Permanent	$389.6(c)
October 15, 1979	Interim	$ 45.2
December 14, 1978	Permanent	$ 74.9

(a) Based on twelve-month test periods used in rate order.
(b) Subject to refund with interest if not made permanent.
(c) Includes the interim increase effective October 15, 1979 which with certain exceptions was made permanent by the February 6, 1980 order.

Operating revenues increased $603,121,000 in 1980, of which approximately $358,836,000 resulted from rate increases effective February 7, 1980 (including the related interim increase effective October 15, 1979) and November 20, 1980, $283,689,000 from increased fuel adjustment charges because of higher fossil fuel costs, offset by a $39,404,000 net decrease in other items, resulting primarily from the effect of the change from bi-monthly to monthly billing in 1979.

Operating revenues increased $278,134,000 in 1979, of which approximately $85,221,000 resulted from rate increases effective December 14, 1978 and October 15, 1979, $160,505,000 from increased fuel adjustment charges because of higher fossil fuel costs, $33,716,000 from the change from bi-monthly to monthly billing of residential and certain commercial customers and $8,434,000 from the transfer of revenues from resale customers which had been recorded in other deferred credits pending a final federal regulatory decision on revised wholesale rate schedules, offset by a $9,742,000 decrease in revenues from decreased kilowatthour sales (excluding the effect of the change from bi-monthly to monthly billing) and other items.

Operating revenues increased $347,771,000 in 1978, of which approximately $141,611,000 resulted from rate increases effective October 14, 1977 and December 14, 1978, $150,366,000 from increased fuel adjustment charges because of higher fossil fuel costs and $55,794,000 from increased kilowatthour sales and other items.

Reference is made to Notes 14 and 15 of Notes to Financial Statements.

Electric Operating Expenses and Taxes. Fuel expense has increased over the years primarily as a result of increases in the price of fuel consumed. Although there was a decrease in net generation of electric energy in 1979, there were significant increases in prior years. The change in the mix of the sources of electric energy generation reflects primarily the availability of the various types of generating units during the respective years. The cost of fuel consumed, net generation of electric energy and fuel sources of kilowatthour generation are as follows:

	1980	1979	1978
Cost of fuel consumed (per million btu):			
Coal	199.22¢	168.65¢	130.11¢
Nuclear	31.37¢	28.61¢	24.10¢
Oil	534.86¢	357.98¢	270.18¢
Natural gas	354.67¢	279.71¢	300.31¢
Average all fuels	168.37¢	138.63¢	99.85¢
Net generation of electric energy (millions of kilowatthours)	62,819	62,133	66,879
Fuel sources of kilowatthour generation:			
Coal	47%	45%	43%
Nuclear	41	40	45
Oil	11	12	10
Natural gas	1	3	2
	100%	100%	100%

The Company has six nuclear generating units with an aggregate capability of 6,636,000 kilowatts under construction with scheduled service dates ranging from 1982 to 1986. With the addition of these nuclear generating units, the Company anticipates that by the mid-1980's over 50% of the kilowatthour generation will be from nuclear generating units.

The amounts of purchased and interchanged power expenses during the years were primarily affected by the availability of generating units, weather and weather related problems. Most of the kilowatthour purchases were at prices lower than costs at which such kilowatthours could have been generated on the Company's system at the time of purchase. In 1979 the Company had prolonged generating unit outages and prolonged severe weather which impaired barge and rail deliveries of coal and oil to fossil-fueled generating stations and hampered coal handling operations. In 1978 the Company had an increase in energy supplied to other utilities, much of it emergency energy during the prolonged coal strike and extreme cold weather early in 1978.

For a discussion of taxes, except income taxes, reference is made to Note 13 of Notes to Financial Statements.

Interest on long-term debt and notes payable increased because of greater amounts of debt outstanding and higher interest rates. During 1980, 1979 and 1978, average long-term debt outstanding was $4,635,445,000, $3,895,445,000 and $3,306,410,000, respectively, and the average interest rates thereon were 8.50%, 7.66% and 7.29%, respectively; average notes payable outstanding were $445,525,000, $325,719,000 and $206,563,000, respectively, and the average interest rates thereon were 12.82%, 11.18% and 7.83%, respectively.

The amounts of allowance for funds used during construction ("AFUDC") reflect increases in the levels of investment in construction work in progress and changes in the annual rates as discussed in Note 1 of Notes to Financial Statements. AFUDC does not contribute to the current cash flow of the Company. For the year 1980, the equity component constituted 43% of net income and the debt component, representing interest costs expended, was equivalent to 23% of net income. In connection with the rate order effective February 7, 1980, the Company has been allowed to include $343.5 million of construction work in progress related to LaSalle County Unit 1 in the rate base and ceased to capitalize AFUDC on such construction work in progress. In connection with the interim rate order effective November 20, 1980, the Company was required to cease capitalizing AFUDC on the remainder of its investment in LaSalle County Unit 1, which amounted to $630 million at December 31, 1980.

Reference is made to Note 21 of Notes to Financial Statements regarding the effects of inflation on selected supplementary data including cash dividends declared per common share, the market price per common share and income from continuing operations, on an inflation adjusted basis.

Statements of Consolidated Income

	1980	1979	1978
	—Thousands of Dollars—		
ELECTRIC OPERATING REVENUES (Notes 14 and 15)	$3,324,043	$2,720,922	$2,442,788
ELECTRIC OPERATING EXPENSES AND TAXES:			
Fuel (Notes 1 and 21)	$1,167,232	$ 962,742	$ 753,800
Purchased and interchanged power—net	115,392	163,205	50,845
Operation	461,873	406,179	354,249
Maintenance	206,787	179,124	164,491
Depreciation (Notes 1 and 21)	269,937	250,122	228,871
Taxes (except income) (Note 13)	390,244	305,705	320,876
Income taxes (Notes 1 and 12)—			
Current —Federal	103,241	61,813	70,050
—State	14,601	8,711	9,439
Deferred—Federal—net	93,460	46,119	76,145
—State—net	17,073	6,093	6,691
Investment tax credits deferred—net (Notes 1 and 12)	(8,310)	(3,981)	32,537
	$2,831,530	$2,385,832	$2,067,994
ELECTRIC OPERATING INCOME	$ 492,513	$ 335,090	$ 374,794
OTHER INCOME AND DEDUCTIONS:			
Interest on long-term debt	$ (394,189)	$ (298,354)	$ (240,936)
Interest on notes payable	(57,133)	(36,422)	(16,171)
Allowance for funds used during construction (Note 1)—			
Borrowed funds, net of income taxes	88,778	68,859	44,597
Equity funds	165,375	153,269	114,679
Current income tax credits applicable to nonoperating activities (Notes 1 and 12)	106,731	77,305	51,332
Miscellaneous—net	(20,072)	(3,069)	(7,337)
	$ (110,510)	$ (38,412)	$ (53,836)
NET INCOME	$ 382,003	$ 296,678	$ 320,958
PROVISION FOR DIVIDENDS ON PREFERRED AND PREFERENCE STOCKS	94,910	81,722	66,905
NET INCOME ON COMMON STOCK	$ 287,093	$ 214,956	$ 254,053
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (in thousands)	96,569	85,759	76,939
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (Note 1)	$2.97	$2.51	$3.30
CASH DIVIDENDS DECLARED PER COMMON SHARE	$2.60	$2.60	$2.45

( ) Indicates deduction.

The accompanying Notes to Financial Statements are an integral part of the above statements.

Report of Independent Public Accountants

To the Stockholders of Commonwealth Edison Company:

We have examined the consolidated balance sheets and statements of consolidated capitalization of Commonwealth Edison Company (an Illinois corporation) and subsidiary companies as of December 31, 1980, and 1979, and the related statements of consolidated income, retained earnings, premium on common stock and other paid-in capital, and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Commonwealth Edison Company and subsidiary companies as of December 31, 1980, and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, all in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois,
January 30, 1981.

Arthur Andersen & Co.

Consolidated Balance Sheets

December 31,	1980	1979
	—Thousands of Dollars—	
ASSETS		
UTILITY PLANT (Notes 1, 8, 17 and 21):		
Plant and equipment, at original cost (includes construction work in progress of $4,148 million and $3,296 million, respectively)	$11,965,860	$10,810,932
Less—Accumulated provision for depreciation	2,334,809	2,096,394
	$ 9,631,051	$ 8,714,538
Nuclear fuel, at amortized cost (Note 16)	231,127	359,767
	$ 9,862,178	$ 9,074,305
Less—Accumulated deferred income taxes (Note 2)	957,732	839,199
	$ 8,904,446	$ 8,235,106
POLLUTION CONTROL FUNDS HELD BY TRUSTEE	$ 203	$ 647
INVESTMENTS:		
Subsidiaries not consolidated (Note 1)	$ 194,186	$ 178,619
Other investments, at cost	92,931	81,586
	$ 287,117	$ 260,205
CURRENT ASSETS:		
Cash (Note 9)	$ 12,328	$ 14,804
Temporary cash investments, at cost which approximates market	8,002	120
Special deposits	26,405	12,643
Receivables—		
Customers	293,590	236,858
Other	16,548	14,415
Provision for uncollectible accounts	(1,500)	(1,500)
Coal and fuel oil, at average cost	486,179	299,800
Materials and supplies, at average cost	86,408	65,415
Prepayments	17,468	5,040
	$ 945,428	$ 647,595
DEFERRED CHARGES	$ 39,948	$ 29,062
	$10,177,142	$ 9,172,615
LIABILITIES		
CAPITALIZATION (see accompanying statements):		
Common stock equity	$ 2,912,994	$ 2,534,043
Preferred and preference stocks without mandatory redemption requirements	483,940	490,300
Preference stock subject to mandatory redemption requirements	628,081	585,567
Long-term debt	4,601,844	4,281,927
	$ 8,626,859	$ 7,891,837
CURRENT LIABILITIES:		
Notes payable (Note 9)—		
Commercial paper	$ 488,674	$ 356,740
Bank loans	3,800	3,800
Current maturities of long-term debt	139,342	49,080
Accounts payable	262,184	260,807
Accrued interest	116,642	85,531
Accrued taxes	130,218	123,378
Dividends payable	89,211	80,098
Customer deposits	22,156	18,244
Other	31,171	30,431
	$ 1,283,398	$ 1,008,109
DEFERRED CREDITS:		
Accumulated deferred investment tax credits (Note 1)	$ 233,077	$ 241,387
Other	33,808	31,282
	$ 266,885	$ 272,669
COMMITMENTS AND CONTINGENT LIABILITIES (Note 18)		
	$10,177,142	$ 9,172,615

( ) Indicates deduction.

The accompanying Notes to Financial Statements are an integral part of the above statements.

Statements of Consolidated Capitalization

December 31,	1980	1979
	—Thousands of Dollars—	
COMMON STOCK EQUITY (Notes 3, 6 and 7):		
Common stock, $12.50 par value per share—		
Outstanding—108,300,369 shares and 87,883,260 shares, respectively	$1,353,756	$1,098,541
Premium on common stock and other paid-in capital	911,360	818,929
Treasury stock, at cost	(10)	(6)
Capital stock and warrant expense	(14,286)	(13,417)
Retained earnings	662,174	629,996
	$2,912,994	$2,534,043
PREFERRED AND PREFERENCE STOCKS WITHOUT MANDATORY REDEMPTION REQUIREMENTS (Notes 3 and 4):		
Preference stock, cumulative, without par value—outstanding—10,499,549 shares	$ 432,320	$ 432,320
$1.425 convertible preferred stock, cumulative, without par value—		
Outstanding—1,623,295 shares and 1,823,280 shares, respectively	51,620	57,980
Prior preferred stock, cumulative, $100 par value per share—no shares outstanding	—	—
	$ 483,940	$ 490,300
PREFERENCE STOCK SUBJECT TO MANDATORY REDEMPTION REQUIREMENTS (Notes 3 and 5):		
Preference stock, cumulative, without par value—		
Outstanding—10,406,200 shares and 10,200,000 shares, respectively	$ 628,081	$ 585,567
LONG-TERM DEBT (Notes 8 and 20):		
First mortgage bonds:		
Maturing 1980 through 1985—		
8⅝% due July 1, 1980	$ —	$ 49,009
8¾% due April 1, 1981	39,269	39,269
3½% due January 1, 1982	4,000	4,000
3¼% due July 1, 1982	40,000	40,000
8% due October 1, 1982	99,695	99,695
9% due August 1, 1983	125,000	125,000
3% due May 1, 1984	50,000	50,000
9¼% due June 15, 1984	200,000	200,000
3% due April 1, 1985	100,000	100,000
3⅜% due June 1, 1985	4,000	4,000
Maturing 1986 through 1995—3½% to 5.80%	190,000	190,000
Maturing 1996 through 2005—5¼% to 9⅜%	1,075,000	1,075,000
Maturing 2006 through 2010—8⅛% to 11⅛%	790,000	730,000
	$2,716,964	$2,705,973
Debentures, due 1986 and 1987—12½% and 14⅞%	375,000	250,000
Sinking fund debentures, due 1996 through 2004—2¾% to 15⅜%	1,186,336	1,064,619
Sinking fund debentures, due 2008 through 2011—3⅞% to 4¾%	49,468	53,838
Pollution control obligations, due 2000 through 2010—5⅞% to 10⅜%	335,000	275,000
Other long-term debt	102,127	2,198
Current maturities of long-term debt included in current liabilities	(139,342)	(49,080)
Unamortized net debt discount and premium (Note 1)	(23,709)	(20,621)
	$4,601,844	$4,281,927
	$8,626,859	$7,891,837

( ) Indicates deduction.

The accompanying Notes to Financial Statements are an integral part of the above statements.

Statements of Consolidated Changes in Financial Position

	1980	1979	1978
	—Thousands of Dollars—		
FUNDS PROVIDED BY:			
Current operations—			
Net income	$ 382,003	$ 296,678	$ 320,958
Depreciation and amortization	361,515	329,421	309,331
Deferred income taxes and investment tax credits—net	110,222	54,445	118,083
Equity component of allowance for funds used during construction	(165,375)	(153,269)	(114,679)
Other non-cash items—net	3,341	(5,384)	(5,010)
Funds provided internally	$ 691,706	$ 521,891	$ 628,683
Issuance of securities—			
Long-term debt	465,774	916,223	545,375
Capital stock	390,018	454,032	348,423
Sale of nuclear fuel	139,925	—	—
Increase in short-term borrowings	131,934	34,995	98,210
	$1,819,357	$1,927,141	$1,620,691
FUNDS APPLIED TO:			
Construction expenditures	$1,179,684	$1,292,176	$1,317,207
Nuclear fuel expenditures	123,793	139,620	160,110
Equity component of allowance for funds used during construction	(165,375)	(153,269)	(114,679)
	$1,138,102	$1,278,527	$1,362,638
Cash dividends declared on capital stock	349,825	309,105	257,529
Retirement of first mortgage bonds for cash	49,009	139,504	83,321
Redeemed or reacquired preference stock	7,091	7,230	—
Investment in subsidiaries not consolidated	21,033	19,920	41,915
Decrease in pollution control funds held by trustee	(444)	(4,503)	(36,509)
Increase (Decrease) in working capital (other than short-term borrowings and current maturities of long-term debt)	244,740	152,990	(95,217)
Other items—net	10,001	24,368	7,014
	$1,819,357	$1,927,141	$1,620,691

( ) Indicates deduction.

Statements of Consolidated Retained Earnings

	1980	1979	1978
	—Thousands of Dollars—		
BALANCE AT BEGINNING OF YEAR	$ 629,996	$ 642,717	$ 579,288
NET INCOME	382,003	296,678	320,958
	$1,011,999	$ 939,395	$ 900,246
DEDUCT—			
Cash dividends declared on—			
Common stock	$ 254,440	$ 225,567	$ 189,546
Preferred and preference stocks	95,385	83,538	67,983
Premium and expense on preference stock redeemed	—	294	—
	$ 349,825	$ 309,399	$ 257,529
BALANCE AT END OF YEAR	$ 662,174	$ 629,996	$ 642,717

Statements of Consolidated Premium on Common Stock and Other Paid-in Capital

	1980	1979	1978
	—Thousands of Dollars—		
BALANCE AT BEGINNING OF YEAR	$ 818,929	$ 687,100	$ 574,033
ADD—Premium on issuance of common stock and gain on reacquired preference stock	92,707	132,175	113,480
	$ 911,636	$ 819,275	$ 687,513
DEDUCT—Transfer to common stock account upon exercise of warrants	276	346	413
BALANCE AT END OF YEAR	$ 911,360	$ 818,929	$ 687,100

The accompanying Notes to Financial Statements are an integral part of the above statements.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of all subsidiaries engaged in the electric utility business. All significant intercompany transactions have been eliminated.

Individual financial statements of the Company have been omitted because it is primarily an operating company and all subsidiaries included in the consolidated financial statements are totally-held subsidiaries. Financial statements of the Company's nonconsolidated subsidiaries have been omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

Investments in Subsidiaries not Consolidated. The Company accounts for investments in its subsidiaries not consolidated in accordance with the equity method. At December 31, 1980, 1979 and 1978, retained earnings include $18,354,000, $23,389,000 and $19,076,000, respectively, of undistributed earnings of subsidiaries not consolidated. The equity in earnings of subsidiaries not consolidated, which is included in miscellaneous income, for the years 1980, 1979 and 1978 was $965,000, $4,362,000 and $1,645,000, respectively. The Company's investment in its uranium subsidiary at December 31, 1980 includes about $6,205,000 which represents the unamortized portion of the purchase cost attributable to uranium ore reserves after taking account of the estimated net value of the subsidiary's other assets at the date of acquisition. This amount is being amortized on the basis of uranium concentrate produced from the reserves.

Depreciation. Depreciation is provided on the straight-line basis by amortizing the cost of depreciable utility plant and equipment over estimated composite service lives. During the years 1980, 1979 and 1978, provisions for depreciation approximated 3.72%, 3.68% and 3.63%, respectively, of average depreciable utility plant and equipment. While the eventual cost of retiring a nuclear generating unit is uncertain at the present time, these composite depreciation rates include significant allowances for both interim chemical cleaning and end-of-life decontamination and retirement.

Amortization of Nuclear Fuel. The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy. Since October 1976, a provision for costs associated with disposal of spent fuel has been included in nuclear fuel expense. Provisions for spent fuel disposal costs are currently being recorded at the rate of one mill per kilowatthour of nuclear generation. Such rate is reviewed periodically and the estimate is revised, as deemed appropriate, on a prospective basis. In a pending rate proceeding before the Illinois Commerce Commission, the Company is proposing to increase the rate to two mills per kilowatthour which would provide for estimated disposal costs of fuel currently in reactors, and also make additional provisions over a ten year period for estimated disposal costs of fuel already discharged from reactors. During the years 1980, 1979 and 1978, provisions for amortization of nuclear fuel, including provisions for spent fuel disposal costs, were $91,578,000, $79,299,000 and $80,460,000, respectively.

Income Taxes. The Company provides for deferred income taxes on certain timing differences between book and tax accounting as discussed in Note 12. Income taxes deferred in prior years are charged or credited to income as the timing differences reverse.

Investment tax credits utilized are deferred and amortized through credits to income over the lives of related property.

Provisions for deferrals of construction-related income tax benefits (e.g. liberalized depreciation) reflect consumption of the plant and equipment to which they relate. Consequently, they are similar to depreciation provisions, and the related accumulated deferred income taxes is a valuation reserve like the accumulated provision for depreciation.

Income tax credits resulting from interest charges applicable to nonoperating activities, principally construction, are classified as other income.

Allowance for Funds Used During Construction (AFUDC). In accordance with uniform systems of accounts prescribed by regulatory authorities, the Company capitalizes AFUDC which represents the estimated net cost of funds used to finance the construction program. Annual rates of 7.65%, 7.26% and 7.0% (net of income tax rates), compounded semiannually, were used in 1980, 1979 and 1978, respectively, to determine the amounts of AFUDC. These rates were calculated in accordance with the formula prescribed by the Federal Energy Regulatory Commission. Reference is made to the next to the last paragraph in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Unamortized Debt Discount, Premium and Expense. Debt discount, premium and expense on outstanding long-term debt are being amortized over the lives of the respective issues.

Gain on Reacquired Debentures. Gains resulting from reacquisition by the Company of its debentures to satisfy sinking fund requirements are recognized currently in other income, net of related income tax effect. This method is consistent with the treatment applied for ratemaking purposes. The gain on reacquired debentures, net of income taxes, for the years 1980, 1979 and 1978 was $2,207,000, $1,437,000 and $2,298,000, respectively.

Earnings Per Common and Common Equivalent Share. Earnings per share were computed using the weighted average number of shares of common stock and common stock equivalents outstanding. Additional shares of common stock which would be issued if all outstanding common stock purchase warrants were converted into common stock have been considered common stock equivalents.

(2) Accumulated Deferred Income Taxes

Accumulated deferred income taxes have been deducted from utility plant investment because a substantial portion thereof, like the accumulated provision for depreciation, is a valuation reserve and is deducted from plant investment in arriving at the rate base used in ratemaking proceedings.

(3) Authorized Shares and Voting Rights of Capital Stocks

At December 31, 1980, the authorized shares of capital stocks were: common stock—125,000,000 shares; preference stock—34,550,000 shares; $1.425 convertible preferred stock—1,623,295 shares; and prior preferred stock—

850,000 shares. The preference stock is issuable in series and may be issued with or without mandatory redemption requirements. The preferred and preference stocks are non-participating. Holders of shares at any time outstanding, regardless of class, are entitled to one vote for each share held on each matter submitted to a vote at a meeting of stockholders, with the right to cumulate votes in all elections for directors.

(4) Preferred and Preference Stocks Without Mandatory Redemption Requirements

The series of preference stock without mandatory redemption requirements outstanding at December 31, 1980 are summarized as follows:

Series	Shares Outstanding	Aggregate Stated Value	Redemption Price Per Share (plus accrued and unpaid dividends, if any)
		—Thousands of Dollars—	
$1.90	4,249,549	$106,239	$26 prior to May 1, 1981; and $25.25 thereafter
$2.00	2,000,000	51,[illegible]60	$26.81 prior to December 1, 1981; and $26.04 thereafter
$1.96	2,000,000	52,440	$27.65 prior to December 1, 1982; and $27.11 thereafter
$7.24	750,000	74,340	$103 prior to March 1, 1983; and $101 thereafter
$8.40	750,000	74,175	$103 prior to February 1, 1984; and $101 thereafter
$8.38	750,000	73,566	Non-callable prior to April 1, 1982; $102.15 from April 1, 1982 through March 31, 1987; and $100.16 thereafter
	10,499,549	$432,320	

The shares of the $1.425 convertible preferred stock are convertible at the option of the holders thereof, at any time, into common stock currently at the rate of 87/100ths of a share of common stock for each share of convertible preferred stock, subject to future adjustment. The convertible preferred stock may be redeemed at $42 per share, plus accrued and unpaid dividends, if any. During 1980, 1979 and 1978, 199,985 shares, 722,443 shares and 299,302 shares, respectively, of the convertible preferred stock were converted into common stock.

No shares of preferred or preference stock without mandatory redemption requirements were issued or redeemed during 1980, 1979 and 1978.

The involuntary liquidation prices per share of the outstanding preference stock without mandatory redemption requirements are $25.00 for the $1.90, $2.00 and $1.96 series; $99.12 for the $7.24 series; $98.90 for the $8.40 series; and $98.09 for the $8.38 series; plus accrued and unpaid dividends, if any. The involuntary liquidation price of the $1.425 convertible preferred stock is $31.80 per share, plus accrued and unpaid dividends, if any.

(5) Preference Stock Subject to Mandatory Redemption Requirements

The series of preference stock subject to mandatory redemption requirements outstanding at December 31, 1980 are summarized as follows:

Series	Shares Outstanding	Aggregate Stated Value	Redemption Price Per Share (plus accrued and unpaid dividends, if any)
		—Thousands of Dollars—	
$2.875	2,608,500	$ 62,865	Non-callable prior to November 1, 1984, except for sinking fund; $26.50 from November 1, 1984 through October 31, 1989; and $25.25 thereafter
$2.375	2,797,700	67,564	$26.50 through October 31, 1985; $25.75 from November 1, 1985 through October 31, 1990; and $25.25 thereafter
$8.20	750,000	75,000	Non-callable prior to November 1, 1987, except for sinking fund; $105 from November 1, 1987 through October 31, 1992; $103 from November 1, 1992 through October 31, 1997; and $101 thereafter
$8.40, Series B	750,000	74,494	Non-callable prior to May 1, 1983; $103 from May 1, 1983 through April [illegible]0, 1988; and $101 thereafter
$8.85	750,000	75,000	Non-callable prior to August 1, 1988, except for sinking fund; $105 from August 1, 1988 through July 31, 1993; $103 from August 1, 1993 through July 31, 1998; and $101 thereafter
$9.25	1,500,000	150,000	Non-callable prior to August 1, 1989, except for sinking fund; $105 from August 1, 1989 through July 31, 1994; $103 from August 1, 1994 through July 31, 1999; and $101 thereafter
$11.70	750,000	73,553	Non-callable prior to November 1, 1989, except for sinking fund; $105 from November 1, 1989 through October 31, 1994; $103 from November 1, 1994 through October 31, 1999; and $101 thereafter
$12.75	500,000	49,605	Non-callable prior to August 1, 1985; $103 from August 1, 1985 through July 31, 1990; and $101 thereafter
	10,406,200	$628,081	

Shares of preference stock subject to mandatory redemption requirements were issued as follows: 500,000 shares in 1980, 2,250,000 shares in 1979 and 1,500,000 shares in 1978.

The mandatory sinking fund requirements of outstanding preference stock are summarized as follows:

Series	Annual Sinking Fund Requirement and Price Per Share (plus accrued and unpaid dividends, if any)
$2.875	150,000 shares at $25
$2.375	150,000 shares at $25
$8.20	35,715 shares beginning in 1982, at $100
$8.40 Series B	30,000 shares beginning in 1983, at $100
$8.85	37,500 shares beginning in 1984, at $100
$9.25	75,000 shares beginning in 1985, at $100
$11.70	37,500 shares beginning in 1985, at $100
$12.75	50,000 shares beginning in 1986, at $100

Annual remaining sinking fund requirements will aggregate $3,905,000 in 1981, $11,071,500 in 1982, $14,071,500 in 1983, $17,821,500 in 1984 and $29,071,500 in 1985. During 1980 and 1979, 293,800 shares and 300,000 shares, respectively, of preference stock subject to mandatory redemption requirements were reacquired or redeemed. No shares were reacquired or redeemed in 1978. The Company has non-cumulative options to increase the annual sinking fund payments on each sinking fund requirement date to retire an additional 150,000 shares of both the $2.875 series and the $2.375 series, an additional 30,000 shares of the $8.40 Series B beginning in 1983, an additional 37,500 shares of the $11.70 series beginning in 1985 and an additional 50,000 shares of the $12.75 series beginning in 1986. The excess, if any, of the redemption price over the carrying value of preference shares retired will be charged to retained earnings.

The involuntary liquidation prices per share of the outstanding preference stock subject to mandatory redemption requirements are $24.10 for the $2.875 series; $24.15 for the $2.375 series; $100.00 for the $8.20 series; $99.326 for the $8.40 Series B; $100.00 for the $8.85 and $9.25 series; $98.07 for the $11.70 series; and $99.21 for the $12.75 series; plus accrued and unpaid dividends, if any.

(6) Common Stock

At December 31, 1980, 8,328,089 shares of common stock were reserved for the following purposes: 1,412,266 shares for conversion of $1.425 convertible preferred stock; 482,312 shares for exercise of common stock purchase warrants; 5,307,208 shares for Automatic Dividend Reinvestment and Stock Purchase Plan; 961,229 shares for Employe Stock Purchase Plan; and 165,074 shares for Employe Stock Ownership Plan.

During 1980, 1979 and 1978, shares of common stock, $12.50 par value per share, were issued for the following purposes:

	1980	1979	1978
Public Offerings	17,000,000	7,000,000	6,000,000
Automatic Dividend Reinvestment and Stock Purchase Plan	2,799,931	1,908,348	1,148,549
Conversion of $1.425 convertible preferred stock	163,193	555,448	220,954
Employe Stock Purchase Plan	431,910	341,515	287,699
Conversion of warrants	22,002	27,570	33,019
Purchased with warrants	73	127	75
	20,417,109	9,833,008	7,690,296

At December 31, 1980, the Company held in its treasury 530 shares of its common stock which were reacquired from participants who withdrew from the Automatic Dividend Reinvestment and Stock Purchase Plan.

(7) Common Stock Purchase Warrants

At December 31, 1980 and 1979, 482,312 and 548,971 common stock purchase warrants, respectively, were outstanding. Each warrant entitles the holder to purchase one share of common stock for $30 or to convert such warrant into common stock at a conversion rate of one share of common stock for three warrants. The option to purchase shares of common stock will expire on April 30, 1981. Thereafter, any unexercised warrants will continue to be convertible into common stock. During 1980, 1979 and 1978, 66,659, 83,352 and 99,522 warrants, respectively, were exercised both to purchase and for conversion into common stock.

(8) Long-Term Debt

Sinking fund requirements and scheduled maturities for the years 1981 through 1985 for long-term debt outstanding at December 31, 1980, after deducting debentures reacquired for satisfaction of future sinking fund requirements and deducting annual sinking fund requirements for mortgage bonds to be satisfied by available property additions, are summarized as follows: 1981—$39,343,000; 1982—$166,352,000; 1983—$149,886,000; 1984—$295,083,000; and 1985—$169,300,000. Long-term debt maturing within one year has been included in current liabilities.

At December 31, 1980, the Company had outstanding long-term notes payable to two bank holding companies due July 15, 1981, for an aggregate of $100,000,000, at the prevailing prime interest rate. Such rate at December 31, 1980 was 21½%. These obligations are included in current maturities of long-term debt.

The Company's outstanding first mortgage bonds are secured by a lien on substantially all property and franchises, other than expressly excepted property, owned by the Company.

(9) Notes Payable

The Company has unused bank lines of credit of $474,692,000 at December 31, 1980. Of that amount, $326,700,000, substantially all of which expires September 30, 1981, may be borrowed at prevailing prime interest rates. Borrowings may be made under these lines of credit on unsecured notes of the Company. The remaining $147,992,000 of the unused bank lines of credit is provided in connection with the nuclear fuel lease agreement discussed in Note 16. The $300,000,000 maximum amount available under the nuclear fuel lease agreement is reduced by the amount of nuclear fuel lease obligations outstanding at any time under the agreement. This line of credit expires January 30, 1985 and borrowings made against this line will be at various interest rates.

The Company maintains cash balances on deposit with banks to provide operating funds, to assure availability of its lines of credit and to compensate the banks for other services they perform for the Company. These bank balances for the Company and consolidated subsidiaries are maintained at an average level of approximately $13,000,000 without formal commitments to do so. As demand deposits, these balances may be legally withdrawn at any time.

(10) Service Annuity Systems and Post-Retirement Health Care Benefits

The Company and Commonwealth Edison Company of Indiana, Inc., a consolidated subsidiary, (the "companies") have non-contributory service annuity systems which cover all regular employes. The service annuity systems were revised as of January 1, 1979 to increase pension benefits. Provisions for contributions to the related trust funds for 1980, 1979 and 1978 were $54,095,000, $56,804,000 and $49,308,000, respectively, and were equivalent to actuarial normal costs based on the aggregate cost method. Parts of the provisions are charged to construction costs.

The net assets available for service annuity plan benefits at January 1, 1980, the latest actuarial valuation date, was $610,879,000 and the actuarial present value of accumulated plan benefits, based on participants' earnings and service rendered to such date and using a 7.0% rate of return, was $554,695,000, of which $504,171,000 related to vested benefits. The companies also provide certain post-retirement health care benefits to their retirees and their dependents and to surviving dependents of deceased retirees. The actuarial present value of the liability for post-retirement health care benefits at January 1, 1980, the latest actuarial valuation date, was approximately $46,902,000, the funding of which will be provided by the companies prospectively through a trust fund.

(11) Employe Stock Purchase Plan

Under the Company's Employe Stock Purchase Plan, all regular full-time employes, including officers but not directors who are not officers or employes, may accumulate up to 10% of their regular pay and on designated dates twice each year, in April and October, use such accumulated savings to purchase, at their option, common stock of the Company at 90% of the closing market price on such dates, but at not less than par value.

(12) Income Taxes

Provisions for current and deferred state and federal income taxes and investment tax credits deferred for 1980, 1979 and 1978 resulted in effective tax rates of 35.3%, 28.4% and 37.3%, respectively, on pre-tax book income for such years of approximately $590,175,000, $414,205,000 and $511,610,000, respectively. The principal differences between these rates and the federal statutory rates of 46.0%, 46.0% and 48.0% for 1980, 1979 and 1978, respectively, were (i) the effect of state income taxes which increases the composite statutory rates to 49.64%, 48.90% and 50.08% for 1980, 1979 and 1978, respectively, and (ii) the exclusion from taxable income of the equity component of allowance for funds used during construction, the federal income tax effect of which, stated as a percentage of pre-tax book income, was 12.9%, 17.0% and 10.8% for 1980, 1979 and 1978, respectively.

Provisions for deferred income taxes on timing differences between book and tax accounting, net of reversals, of which $110,533,000, $52,212,000 and $82,836,000 were charged to electric operations for 1980, 1979 and 1978, respectively, and $8,001,000, $6,217,000 and $2,707,000 were charged to other income and deductions for 1980, 1979 and 1978, respectively, were as follows:

	1980	1979	1978
	—Thousands of Dollars—		
Liberalized depreciation	$ 50,968	$58,942	$51,931
Repair allowance	34,406	27,993	27,604
Overheads capitalized	20,546	19,337	19,250
Loss carryforward	13,813	(58,934)	—
Spent nuclear fuel disposal costs	(12,932)	(12,376)	(11,134)
Additional revenues from change to monthly billing	6,762	15,243	—
Other items—net	4,971	8,224	(2,108)
	$118,534	$58,429	$85,543

At December 31, 1980, unused investment tax credits were approximately $318,000,000, of which $93,000,000 may be carried forward through 1985, $140,000,000 may be carried forward through 1986 and $85,000,000 may be carried forward through 1987. The 1979 loss for income tax purposes may be carried forward through 1986. It is currently expected that, with reasonable rate relief, the unused investment tax credits and the loss carryforward will be utilized by the expiration dates.

(13) Taxes, Except Income Taxes

Provisions for taxes, except income taxes, for 1980, 1979 and 1978 were as follows:

	1980	1979	1978
	—Thousands of Dollars—		
Real estate, personal property and capital stock	$ 60,825	$ 54,232	$124,566
Illinois invested capital	64,366	28,419	—
Illinois public utility revenue	157,446	128,355	113,994
Municipal utility gross receipts	59,881	49,740	45,514
Municipal compensation	44,032	36,175	32,970
Other	3,694	8,784	3,832
	$390,244	$305,705	$320,876

Personal property taxes were abolished effective January 1, 1979 by the Illinois Constitution. Replacement tax legislation, effective July 1, 1979, established a new state tax of 0.8% on invested capital of utilities and increased the state income tax rate on corporations from the previous rate of 4% to 6.85% until January 1, 1981 and to 6.5% thereafter. Because of the delay in enactment of such legislation and uncertainties regarding the imposition of replacement taxes, the Company's interim provisions for taxes (except income) for the year 1979 included estimates which required adjustment in the fourth quarter to reflect expected liabilities. Had the expected liabilities for 1979 real estate and invested capital taxes been recorded ratably during the year, earnings per common and common equivalent share would have increased approximately $0.07 and $0.06 in the first and second quarters of 1979, respectively, and decreased approximately $0.13 in the fourth quarter of 1979.

(14) Revenues Subject to Possible Refund

Since October 31, 1974 the Company has billed $41,215,000 to resale customers subject to possible refund

with interest pending final decisions on revised wholesale rate schedules filed with the Federal Energy Regulatory Commission. On September 14, 1979, the Commission issued an order with respect to the rate schedules effective October 31, 1974 requiring that additional studies be prepared and filed with the Commission. The studies concluded that any refunds required would be nominal, and in November 1979, the Company transferred to operating revenues $8,434,000, representing that portion of such prior years billings which had been recorded in other deferred credits pending a final decision. This transfer increased earnings per common and common equivalent share approximately $0.05 in the year 1979. On November 12, 1980, the Commission approved the rate schedules effective October 31, 1974. Such order is presently being appealed to the U.S. Court of Appeals for the District of Columbia Circuit. Of the $41,215,000 subject to refund, $7,131,000 reflects billings under revised wholesale rate schedules effective September 1, 1979.

At December 31, 1980, billings to retail customers subject to possible refund with interest were approximately $20,966,000, which represents billings under the Illinois Commerce Commission interim rate order effective November 20, 1980. These billings to resale and retail customers collected subject to possible refund are included in operating revenues.

(15) Effect of Change to Monthly Billing

Pursuant to an order of the Illinois Commerce Commission, the Company, beginning during the latter part of March 1979, changed from bi-monthly to monthly billing for residential and certain commercial customers. This change resulted in additional operating revenues of approximately $33,700,000 and additional earnings per common and common equivalent share of approximately $0.12 for the year 1979.

(16) Lease Obligations

Under a nuclear fuel lease agreement entered into in January 1980, a trust may purchase nuclear fuel and lease it to the Company. The trust can borrow a maximum of $300,000,000 to finance nuclear fuel lease transactions. At December 31, 1980, the Company's obligation to the trust for nuclear fuel sold and leased back amounted to $152,214,000. Lease payments cover the amortization of the nuclear fuel used in the Company's reactors plus the lessor's related finance expenses.

In addition, the Company has leased certain other property which would meet the criteria requiring capitalization under an accounting standard issued by the Financial Accounting Standards Board. However, since the leases, including the nuclear fuel leases, are being treated as operating leases for ratemaking purposes, they have been accounted for in the same manner. If such leases had been capitalized, related assets and liabilities of approximately $184,850,000 and $60,995,000 would have been recorded at December 31, 1980 and 1979, respectively. The effect on expenses for 1980, 1979 and 1978 would not have been material.

Future minimum rental payments, net of executory costs, at December 31, 1980 for such leases, including the nuclear fuel lease and the other capitalizable leases referred to above, are estimated to aggregate $330,053,000, including $20,933,000 in 1981, $47,541,000 in 1982, $92,440,000 in 1983, $66,164,000 in 1984, $50,907,000 in 1985, $50,810,000 in 1986–90 and $1,258,000 in 1991. The estimated interest component of such rental payments aggregates $89,036,000.

(17) Joint Plant Ownership

The Company has a 75% undivided ownership interest in the Quad-Cities nuclear generating station. The Company is responsible for 75% of all costs, and such costs are charged to appropriate investment, operation or maintenance accounts. The Company provides its own financing. At December 31, 1980, for its 75% proportion, the Company had invested $211,469,000 in utility plant in service, $23,910,000 in construction work in progress and $37,860,000 in unamortized nuclear fuel. The related accumulated provision for depreciation of utility plant was $59,319,000.

(18) Commitments, Contingent Liabilities and the Construction Program

Purchase commitments, principally related to construction and nuclear fuel, approximated $1,868,000,000 at December 31, 1980. In addition, the companies have substantial commitments for the purchase of coal under long-term coal contracts.

The Company is a member of Nuclear Mutual Limited, established to provide insurance coverage against property damage to members' nuclear generating facilities. The Company would be subject to a maximum assessment of approximately $90,000,000 in the event of losses.

The Company also is a member of Nuclear Electric Insurance Limited, established to provide insurance coverage against the cost of replacement power during certain prolonged accidental outages of nuclear generating units. The Company would be subject to a maximum assessment of approximately $47,000,000 in the event of losses.

In addition, the Nuclear Regulatory Commission's indemnity for public liability coverage under the Price-Anderson Act is supported by a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed in the event of nuclear incidents. Based on the number of nuclear reactors presently in service, the Company would be subject to a maximum assessment of $32,500,000 in the event of an incident, limited to a maximum of $65,000,000 in any calendar year. For each additional nuclear reactor placed in service, such maximum assessments will increase $5,000,000 and $10,000,000, respectively.

The continuation of the Company's construction program is dependent upon adequate and timely rate relief. Reference is made to the third paragraph in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company is involved in administrative and legal proceedings concerning air quality, water quality and other matters. The outcome of these proceedings may or may not require increases in the Company's future construction expenditures and operating expenses.

(19) Quarterly Financial Information

	Electric Operating Revenues	Electric Operating Income	Net Income	Net Income on Common Stock	Average Number of Common and Common Equivalent Shares Outstanding	Earnings Per Common and Common Equivalent Share
	—Thousands of Dollars—				—In Thousands—	
Three Months Ended:						
March 31, 1979	$668,549	$ 56,187	$ 48,140	$ 29,956	82,054	$0.37
June 30, 1979	$664,322	$ 96,353	$ 87,195	$ 66,959	86,221	$0.78
September 30, 1979	$735,404	$128,110	$120,254	$ 99,267	86,978	$1.14
December 31, 1979	$652,647	$ 54,440	$ 41,089	$ 18,774	87,782	$0.21
March 31, 1980	$779,783	$ 91,565	$ 69,035	$ 45,734	90,832	$0.50
June 30, 1980	$728,280	$104,284	$ 76,806	$ 53,532	97,317	$0.55
September 30, 1980	$980,011	$164,970	$142,063	$118,454	98,080	$1.21
December 31, 1980	$835,969	$131,694	$ 94,099	$ 69,373	100,046	$0.69

Reference is made to Notes 13 and 14.

(20) Subsequent Event

On January 29, 1981, the Company issued $150,000,000 principal amount of First Mortgage 14% Bonds, Series 41, due January 15, 1991. Proceeds from the sale amounted to $148,483,500.

(21) Supplementary Information Concerning the Effects of Changing Prices (Unaudited)

Inflation, or the loss in the value or purchasing power of money resulting from increases in the levels of prices, is caused by a variety of factors including government deficits, sharp increases in fossil fuel costs, low productivity gains and a proliferation of government regulations.

Business corporations, as well as individuals, are affected by inflation because savings, or retentions of dollars earned after paying all business or household expenses and taxes, as well as capital recoveries of dollars previously invested do not provide an adequate means, at today's inflated prices, to replace the productive assets being depleted. Regulated electric utilities, the most capital intensive of major industries, are severely affected by inflation because the amounts of investment in plant and nuclear fuel which can be recovered through revenues are limited by the regulatory process. New capital is required to provide funds for replacing facilities that wear out or become obsolete, as well as for new facilities necessary to accommodate growth in consumers' demands and to modify existing facilities to meet new environmental requirements.

The effects of inflation have not been adequately recognized for income tax or utility ratemaking purposes. When rates of inflation were low, the Company was able to offset them with technological improvements and productivity gains resulting from installation of larger and more efficient generating, transmission and distribution facilities. However, in today's economy with double digit inflation and increasing costs of environmental controls, the failure of regulatory and taxing authorities to give adequate recognition to the effects of inflation has placed a severe financial burden on the Company.

Whether the effects of inflation on the Company will be borne in future years in part by customers or taxing authorities or entirely by common stockholders will depend upon the actions of state and federal regulatory authorities, principally the Illinois Commerce Commission, and upon potential changes in income tax laws to recognize the effects of inflation.

The Company's estimates of the effects of changing prices (inflation) on its operations for the years 1980 and 1979, shown below, are presented in response to the Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices" ("FASB 33"). The format has been revised from that presented in the 1979 Annual Report in order to show more clearly the cumulative effect of past inflation on earnings for the current year and the effect of the current year's general inflation on common stockholders' investment in the Company.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

	1980	1979	1978	1977	1976
Electric operating revenues (millions of dollars):					
As reported	$3,324	$2,721	$2,443	$2,095	$1,908
Restated in average 1980 dollars	$3,324	$3,089	$3,086	$2,849	$2,762
Cash dividends declared per common share:					
As reported	$ 2.60	$ 2.60	$ 2.45	$ 2.40	$ 2.40
Restated in average 1980 dollars	$ 2.60	$ 2.95	$ 3.09	$ 3.26	$ 3.47
Market price per common share at December 31:					
As reported	$18.12	$20.00	$25.75	$28.88	$31.53
Restated in year-end 1980 dollars	$18.12	$22.48	$32.79	$40.10	$46.89
Net assets (common stock equity) at December 31, restated in year-end 1980 dollars, as adjusted for general inflation and reflecting reduction of net utility plant to recoverable amount (millions of dollars) (Note g)	$2,913	$2,848	$2,921	$2,807	$2,631
Average Consumer Price Index (base year 1967=100)	246.8	217.4	195.4	181.5	170.5
Year-end Consumer Price Index (base year 1967=100)	258.4	229.9	202.9	186.1	174.3

Statements of Income From Continuing Operations Adjusted for Changing Prices

	1980		1979	
	Adjusted for General Inflation* (Constant Dollars) (Note a)	Adjusted for Changes in Specific Prices* (Current Cost) (Note a)	Adjusted for General Inflation** (Constant Dollars) (Note a)	Adjusted for Changes in Specific Prices** (Current Cost) (Note a)
	—Millions of Dollars—			
Cumulative Effect of Past Inflation on the Current Year				
Net income on common stock from continuing operations as reported, stated in average 1980 dollars	$ 287	$ 287	$ 244	$ 244
Decrease for effect of additional provisions for depreciation of plant and amortization of nuclear fuel to reflect the cumulative effect of inflation since acquisition of such assets (Note d)	(317)	(530)	(275)	(542)
Proportionate offset to above amount of additional depreciation and amortization primarily because of debt and non-convertible preference stock financing of utility property (Note h)	224	374	195	384
Net income on common stock from continuing operations as adjusted for the cumulative effect of past inflation on the current year ***	$ 194	$ 131	$ 164	$ 86
Net income per common and common equivalent share:				
As reported, stated in average 1980 dollars	$ 2.97	$ 2.97	$ 2.85	$ 2.85
As adjusted for the cumulative effect of past inflation on the current year***	$ 2.01	$ 1.36	$ 1.91	$ 1.00
Effect of Current Year's General Inflation on Common Stockholders' Investment				
Cost of current year's general inflation on common stockholders' investment arising from regulatory restrictions upon the amount of net utility plant and nuclear fuel costs recoverable as depreciation and amortization (Note g)****	$(1,127)		$(1,197)	
Offset to the cost of regulatory restrictions primarily because of debt and non-convertible preference stock financing (Note h)	798		857	
Net cost of current year's general inflation on common stockholders' investment	$ (329)		$ (340)	

*At average 1980 price levels.

**Restated to average 1980 price levels based on the Consumer Price Index for all Urban Consumers.

***If additional provisions for depreciation and amortization are reflected without the offsetting effects resulting primarily because of debt and non-convertible preference stock financing, net income (loss) on common stock from continuing operations at average 1980 price levels would be a loss of $30 million or $0.31 per share in 1980 and a loss of $31 million or $0.36 per share in 1979 adjusted for general inflation and a loss of $243 million or $2.52 per share in 1980 and a loss of $298 million or $3.47 per share in 1979 on a current cost basis.

****At December 31, 1980, the current cost of net utility plant, including nuclear fuel, before reduction for accumulated deferred income taxes, is estimated at $19,789 million and the historical net cost presently recoverable through depreciation and amortization was $9,862 million; at December 31, 1979, the current cost of net utility plant, including nuclear fuel, before reduction for accumulated deferred income taxes, at December 31, 1980 price levels, is estimated at $21,126 million and the historical net cost presently recoverable through depreciation and amortization was $10,199 million.

Notes to Supplementary Information Concerning the Effects of Changing Prices:

a. General. The data adjusted for general inflation were determined by converting the historical cost of plant and equipment, nuclear fuel and certain other items into dollars of the same general purchasing power using the Consumer Price Index for All Urban Consumers (the "Consumer Price Index"). The adjustments to recognize the effects of general inflation are intended to measure income after reflecting the cost of maintaining purchasing power of investors' dollars invested in the Company's assets.

The data adjusted for changes in specific prices (current cost) of nuclear generating equipment were based on the cost of constructing new capacity at current price levels. The current cost of all other plant and equipment was estimated by applying the Handy-Whitman Index of Public Utility Construction Costs to plant accounts by vintage years. The current cost of nuclear fuel was estimated by applying current prices to existing nuclear fuel. The adjustments to recognize the effects of current cost are intended to measure

income after reflecting the cost of maintaining the capability of the Company's system to provide electric service at current price levels.

The difference between these two methods of measuring the effects of inflation results from current cost of utility plant assets having increased at a rate different from the rate of general inflation.

The adjustments for changing prices reflected in the Statements of Income from Continuing Operations Adjusted for Changing Prices were limited to depreciation of plant and equipment and amortization of nuclear fuel in accordance with FASB 33.

b. Utility plant. The data for plant and equipment, including construction work in progress, were adjusted for general inflation and for current cost as described above. The resulting adjusted data for plant and equipment are not indicative of the Company's future capital requirements because the actual replacement of existing plant and equipment will take place over many years and is not likely to involve a reproduction of presently existing assets. The accumulated provisions for depreciation of plant and equipment in service under both of the methods described above were estimated for each major class of plant and equipment—nuclear production, fossil production, other production, transmission, distribution and general plant by multiplying the adjusted cost data by a percentage representing the ratio of the accumulated book depreciation to the book cost of existing depreciable plant in service for each class of property at December 31, 1980, 1979 and 1978.

The nuclear fuel data adjusted for general inflation were estimated by applying the appropriate Consumer Price Index to the historical cost of nuclear fuel. The current cost data were estimated by applying the current prices of nuclear fuel at December 31, 1980, 1979 and 1978. Under both methods appropriate reductions were made for accumulated amortization and spent fuel disposal costs. The accumulated amortization for current cost was calculated by multiplying the current cost of nuclear fuel by a percentage representing the expired life at December 31, 1980, 1979 and 1978. The accumulated amortization adjusted for general inflation was calculated by applying the appropriate Consumer Price Index to the historical accumulated amortization at December 31, 1980, 1979 and 1978.

Although a substantial portion of accumulated deferred income taxes is deducted from utility plant investment in arriving at the rate base used in ratemaking proceedings, accumulated deferred income taxes at December 31, 1980, 1979 and 1978 were treated as monetary liabilities, in accordance with FASB 33.

c. Coal and fuel oil inventories. The historical cost of inventories of coal and fuel oil at December 31, 1980, 1979 and 1978 was not adjusted for changing prices during the year because the effect on earnings would not be material due to the relatively short turnover period.

d. Fuel and depreciation expenses. Fuel expense was adjusted for the amortization of nuclear fuel. Nuclear fuel amortization was calculated by applying the nuclear fuel usage to the adjusted cost data for nuclear fuel and adding appropriate allowances for spent fuel disposal costs.

Depreciation expense was determined by applying the rates and methods used for computing book depreciation to the adjusted cost data for plant and equipment.

e. Income taxes. Present income tax laws do not permit the use of higher depreciation or amortization charges in the computation of taxable income to reflect the effects of inflation. As a result, income taxes levied, in real terms, are significantly in excess of the effective and the statutory income tax rates.

f. Excess of increase in the general price level over the increase in current cost of net utility plant. The increase in the general price level of net utility plant at average 1980 price levels was $2,286 million and $2,463 million in 1980 and 1979, respectively. The increase in the current cost of net utility plant at average 1980 price levels was $969 million and $2,048 million in 1980 and 1979, respectively. The excess of the increase in the general price level over the increase in current cost of net utility plant of $1,317 million and $415 million in 1980 and 1979, respectively, shows that the rate of general inflation as measured by the Consumer Price Index was greater than the increase in the current cost of net utility plant in both 1980 and 1979. However, the current cost of net utility plant at December 31, 1980 and 1979 was higher than net utility plant as adjusted for general inflation because the current cost of net utility plant increased at a greater rate than the rate of general inflation over the life of the plant.

g. Effect of inflation on common stockholders' investment. Because the regulatory process limits the amount of depreciation expense included in the Company's revenue allowance to the original cost of utility plant investment, that allowance produces cash flows which are inadequate to provide for replacement of that investment in future years or preserve the purchasing power of common equity capital previously invested. While this effect is partially offset by the existence of debt and non-convertible preference stock having fixed dollar obligations, the Company has a significant net cost due to inflation which has an effect on the investment of common stockholders. As shown in the Statements, the common stockholders' investment in plant and nuclear fuel at average 1980 price levels was eroded by $329 million and $340 million in 1980 and 1979, respectively, as a result of each year's general inflation. Such costs are not includable for ratemaking purposes. Although a small portion thereof is included in the additional depreciation and amortization in the statements showing the cumulative effect of past inflation on the current year; the majority of such costs will be included as similar adjustments in future years. The cost of current year's general inflation on common stockholders' investment in plant and nuclear fuel, before reflecting the offset primarily because of debt and non-convertible preference stock financing, includes the additional depreciation of plant and amortization of nuclear fuel at average 1980 price levels of $317 million and $275 million for 1980 and 1979, respectively, as well as the reduction of utility plant to lower recoverable amount which is original cost at average 1980 price levels of $810 million and $922 million, for 1980 and 1979, respectively. This reduction may be necessary if ratemaking continues to limit the recovery of plant investment to original cost.

The detrimental effects of the erosion of common stockholders' investment can be avoided to the extent the regulatory process takes account of inflation in determining the

amount of common stockholders' investment to be recovered by provisions for depreciation and amortization in the future. Therefore, the Company believes that a change in the basic principles upon which its rates are set is now required to allow for such increased provisions. If present ratemaking practices are not changed in the future to give appropriate recognition to the full effects of inflation, the effect of the current year's general inflation would, at least in part, represent a current loss to common stockholders and would reduce net income for the year. In that event, the Company's net income on common stock from continuing operations adjusted for general inflation would be a loss at average 1980 price levels of as much as $42 million and as much as $96 million, in 1980 and 1979, respectively. While a recent decision of the Illinois Supreme Court reaffirmed a statutory requirement that the Illinois Commerce Commission consider "fair value" in ratemaking proceedings, the regulatory consequences of this decision, if any, are far from clear.

h. Offset to the cost of regulatory restrictions primarily because of debt and non-convertible preference stock financing. By holding monetary assets, such as cash and receivables, the Company loses purchasing power during periods of inflation because these items can purchase less at a future date. Conversely, monetary liabilities, primarily long-term debt and non-convertible preference stocks will be satisfied with payments of fixed dollar amounts which are not affected by inflation subsequent to issuance. Because such obligations are fixed, there is a partial offset of the cost arising from regulatory use of original cost for determining the amount of utility plant and nuclear fuel costs recoverable as depreciation and amortization. Non-convertible preference stocks were treated in the same manner as long-term debt because there is no expectation that the purchasing power of such investments will be maintained, but rather dividends and redemption amounts are expected to be paid in fixed numbers of dollars.

To the Audit Committee of the Board of Directors Commonwealth Edison Company:

We have made a study and evaluation of the system of internal accounting control of Commonwealth Edison Company and subsidiary companies in effect at December 31, 1980. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The management of Commonwealth Edison Company is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, the system of internal accounting control of Commonwealth Edison Company and subsidiary companies in effect at December 31, 1980, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the consolidated financial statements.

Chicago, Illinois,
January 30, 1981

Arthur Andersen & Co.

Board of Directors

James J. O'Connor (1) (5)
Chairman and President of the Company

Norris A. Aldeen (1) (4)
Former Chairman and President
Amerock Corporation
(Cabinet hardware)

Jean Allard (2) (4)
Partner
Sonnenschein Carlin Nath & Rosenthal
(Attorneys)

Thomas G. Ayers (1)
Former Chairman of the Company and now
Chairman of the Executive Committee

Wallace B. Behnke, Jr. (1) (3)
Vice Chairman of the Company

Gordon R. Corey (3)
Former Vice Chairman of the Company

Albert B. Dick III (1) (4)
Chairman of the Board
A. B. Dick Company
(Copying, duplicating and printing
equipment and supplies)

Donald P. Jacobs (3) (4) (5)
Dean, J. L. Kellogg Graduate School
of Management
Northwestern University

George E. Jonnson (2) (4)
Chairman and President
Johnson Products Company, Inc.
(Hair care and facial cosmetics)

Harvey Kapnick (3) (4)
Financial Consultant

Thomas L. Martin, Jr. (2) (4)
President
Illinois Institute of Technology

Edward A. Mason (4) (5)
Vice President, Research
Standard Oil Company (Indiana)
(Petroleum and petroleum products)

Brooks McCormick (2) (4)
Former Chairman, Executive Committee
International Harvester Company
(Trucks and agricultural, industrial
and construction equipment)

William Wood Prince (2) (4) (5)
President
F. H. Prince & Co., Inc.
(Investments and real estate)

A. Dean Swift (4) (5)
Former President
Sears, Roebuck and Co.
(Merchandising)

Joseph S. Wright (3) (4)
Chairman
Zenich Radio Corporation
(Consumer electronics)

(1) Executive Committee
(2) Audit Committee
(3) Finance Committee
(4) Compensation Committee
(5) Nominating Committee

Report of Management

The management of the Company has prepared and is responsible for the consolidated financial statements and the related financial data contained in this annual report. In its opinion, the statements have been prepared in conformity with generally accepted accounting principles.

In meeting its responsibilities for the reliability of the financial statements and the related financial data, the Company maintains a system of internal accounting controls and supports an extensive program of internal audits. In order to assure itself of the adequacy of this system, the Company has recently made a review of the entire system of internal accounting controls. The review disclosed that the system is adequately designed and documented and is functioning as designed. It is management's opinion that the system of internal accounting controls is adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that financial records are reliable for preparing financial information in conformity with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls must be related to the benefits derived and the balancing of those factors requires estimates and judgment.

The Board of Directors carries out its responsibility for the financial statements and the related financial data through its Audit Committee, which is composed solely of outside directors. The Audit Committee meets periodically with management, the internal auditor, and the independent public accountants to ensure that each is carrying out its responsibilities, and to discuss auditing, internal control, and financial reporting matters. Both the internal auditor and the independent public accountants have free access to the Audit Committee, without management present, to discuss the results of their audit work and their opinions on other financial matters.

James J. O'Connor
Chairman and President

Wallace B. Behnke, Jr.
Vice Chairman

Commonwealth Edison Company
Post Office Box 767
Chicago, Illinois 60690

Officers

James J. O'Connor
Chairman and President

Wallace B. Behnke, Jr.
Vice Chairman

Byron Lee, Jr.
Executive Vice President

Bide L. Thomas
Executive Vice President

Hubert H. Nexon
Senior Vice President

John G. Eilering
Vice President

James W. Johnson
Vice President

Preston B. Kavanagh
Vice President

Cordell Reed
Vice President

George P. Rifakes
Vice President

Robert J. Schultz
Vice President

John J. Viera
Vice President

Raymond P. Bachert
Secretary and Treasurer

Ralph L. Heumann
Comptroller

Managers

Robert L. Bolger
Assistant Vice President

Paul J. Fenoglio
Manager of Computer Services

Arthur W. Kleinrath
Manager of Station Construction

Thomas J. Maiman
Assistant Vice President

James J. Maley
Manager of Projects

Donald A. Petkus
Manager of Community Relations

Ernest M. Roth
Manager of Investments

J. Patrick Sanders
Manager of Industrial Relations

James A. Schneider
Operating Manager

Walter J. Shewski
Manager of Quality Assurance

Klaus H. Wisiol
Manager of Load Management and Conservation

Division Vice Presidents

William J. Cormack
Chicago-North

Lester J. Dugas
Chicago-South

Anthony E. Enrietto
Northern (Northbrook)

Charles G. Harnach
Southern (Joliet)

Robert J. Manning
Chicago-Central

Leslie W. Milligan
Western (Lombard)

Arthur J. Moore
Rock River (Rockford)

Frank A. Palmer
Nuclear Stations

Richard E. VanDerway
Fossil Stations