
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2011

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 333-59348

MIDWEST GENERATION, LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

33-0868558

(I.R.S. Employer Identification No.)

235 Remington Boulevard, Suite A

Bolingbrook, Illinois

(Address of principal executive offices)

60440

(Zip Code)

Registrant's telephone number, including area code: **(630) 771-7800**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Number of units outstanding of the registrant's Membership Interests as of November 2, 2011: 100 units (all units held by an affiliate of the registrant).

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GLOSSARY

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

Btu	British thermal units
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
Commonwealth Edison	Commonwealth Edison Company
CPS	Combined Pollutant Standard
CSAPR	Cross-State Air Pollution Rule
EME	Edison Mission Energy
EMMT	Edison Mission Marketing & Trading, Inc.
GAAP	accounting principles generally accepted in the United States of America
GWh	gigawatt-hours
HAP(s)	hazardous air pollutant(s)
Lehman	Lehman Brothers Commodity Services, Inc. and Lehman Brothers Holdings, Inc.
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Midwest Generation	Midwest Generation, LLC
MMBtu	million British thermal units
Moody's	Moody's Investors Service, Inc.
MW	megawatts
MWh	megawatt-hours
NO _x	nitrogen oxide
PJM	PJM Interconnection, LLC
PRB	Powder River Basin
PSD	Prevention of Significant Deterioration
RPM	Reliability Pricing Model
SO ₂	sulfur dioxide
US EPA	United States Environmental Protection Agency

PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MIDWEST GENERATION, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in millions, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating Revenues from Marketing Affiliate	\$ 366	\$ 444	\$ 997	\$ 1,104
Operating Expenses				
Fuel	157	151	390	390
Plant operations	86	92	368	354
Depreciation and amortization	39	39	118	115
Asset retirements	1	7	12	10
Administrative and general	7	3	18	15
Total operating expenses	290	292	906	884
Operating income	76	152	91	220
Other Income (Expense)				
Interest and other income	27	29	85	84
Interest expense	(8)	(12)	(30)	(36)
Total other income	19	17	55	48
Income before income taxes	95	169	146	268
Provision for income taxes	38	61	59	100
Net Income	\$ 57	\$ 108	\$ 87	\$ 168

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

MIDWEST GENERATION, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net Income	\$ 57	\$ 108	\$ 87	\$ 168
Other comprehensive income (loss), net of tax				
Pension and postretirement benefits other than pensions				
Amortization of net loss and prior service adjustment included in expenses, net of tax	—	—	1	—
Unrealized gains (losses) on derivatives qualified as cash flow hedges				
Unrealized holding gains (losses) arising during period, net of income tax expense (benefit) of \$2 and \$25 for the three months and \$(3) and \$36 for the nine months ended September 30, 2011 and 2010, respectively	3	39	(5)	56
Reclassification adjustments included in net income, net of income tax expense (benefit) of \$1 and \$1 for the three months and \$(6) and \$(29) for the nine months ended September 30, 2011 and 2010, respectively	2	1	(10)	(45)
Other comprehensive income (loss)	5	40	(14)	11
Comprehensive Income	\$ 62	\$ 148	\$ 73	\$ 179

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

MIDWEST GENERATION, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions, except unit amounts, unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 333	\$ 295
Due from affiliates	109	124
Fuel inventory	97	85
Spare parts inventory	42	38
Interest receivable from affiliate	27	56
Derivative assets	15	47
Deferred taxes	2	—
Emission allowances	—	2
Other current assets	19	33
Total current assets	644	680
Property, Plant and Equipment, less accumulated depreciation of \$1,653 and \$1,541 at respective dates	2,852	2,905
Notes receivable from affiliate	1,323	1,343
Long-term derivative assets	3	3
Other assets	28	11
Total Assets	\$ 4,850	\$ 4,942
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	\$ 45	\$ 43
Accrued liabilities	40	60
Due to affiliates	46	16
Interest payable	9	22
Derivative liabilities	3	3
Deferred taxes	—	10
Current portion of lease financing	116	109
Total current liabilities	259	263
Lease financing, net of current portion	439	556
Deferred taxes	165	129
Long-term derivative liabilities	—	2
Benefit plans and other long-term liabilities	222	214
Total Liabilities	1,085	1,164
Commitments and Contingencies (Notes 3, 6 and 7)		
Member's Equity		
Membership interests, no par value (100 units authorized, issued and outstanding at each date)	—	—
Additional paid-in capital	3,511	3,511
Accumulated earnings	271	270
Accumulated other comprehensive loss	(17)	(3)
Total Member's Equity	3,765	3,778
Total Liabilities and Member's Equity	\$ 4,850	\$ 4,942

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

MIDWEST GENERATION, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions, unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash Flows From Operating Activities		
Net income	\$ 87	\$ 168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120	116
Asset retirements and other non-cash items	12	7
Deferred taxes	32	(3)
Decrease in due to/from affiliates	56	103
Increase in inventory	(16)	(6)
Decrease in interest receivable from affiliate	29	27
Decrease in other assets	14	—
Decrease in emission allowances	2	6
Decrease in accounts payable and other current liabilities	(18)	(24)
Decrease in interest payable	(13)	(15)
Increase in other liabilities	7	7
Decrease (increase) in derivative assets and liabilities	7	(16)
Net cash provided by operating activities	319	370
Cash Flows From Financing Activities		
Cash distributions to parent	(85)	(125)
Repayments of lease financing	(109)	(121)
Net cash used in financing activities	(194)	(246)
Cash Flows From Investing Activities		
Capital expenditures	(78)	(76)
Investments in other assets	(18)	—
Proceeds from sale of emission allowances	—	3
Repayment of loan to affiliate	9	5
Net cash used in investing activities	(87)	(68)
Net increase in cash and cash equivalents	38	56
Cash and cash equivalents at beginning of period	295	237
Cash and cash equivalents at end of period	\$ 333	\$ 293

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

MIDWEST GENERATION, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Midwest Generation, LLC's (Midwest Generation's) significant accounting policies were described in "Note 1—Summary of Significant Accounting Policies" on page 59 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010. Midwest Generation follows the same accounting policies for interim reporting purposes, with the exception of accounting principles adopted as of January 1, 2011, as discussed below in "—New Accounting Guidance." This quarterly report should be read in conjunction with such financial statements and notes.

In the opinion of management, all adjustments, including recurring accruals, have been made that are necessary to fairly state the consolidated financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP) for the periods covered by this quarterly report on Form 10-Q. The results of operations for the three- and nine-month periods ended September 30, 2011 are not necessarily indicative of the operating results for the full year.

The December 31, 2010 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Cash Equivalents

Cash equivalents included money market funds totaling \$309 million and \$270 million at September 30, 2011 and December 31, 2010, respectively. The carrying value of cash equivalents equals the fair value as all investments have maturities of less than three months.

Related Party

Interest income from affiliates, included in interest and other income on Midwest Generation's consolidated statements of income, was \$27 million and \$28 million during the third quarters ended September 30, 2011 and 2010, respectively, and \$83 million and \$84 million during the nine months ended September 30, 2011 and 2010, respectively.

Restricted Deposits

Restricted deposits of \$3 million at both September 30, 2011 and December 31, 2010 were included in other assets on Midwest Generation's consolidated balance sheet. These cash balances are restricted to provide collateral for fuel suppliers.

New Accounting Guidance

Accounting Guidance Adopted in 2011

Fair Value Measurements and Disclosures

The Financial Accounting Standards Board (FASB) issued an accounting standards update modifying the disclosure requirements related to fair value measurements. Under these requirements, purchases and settlements for Level 3 fair value measurements are presented on a gross basis, rather than net. Midwest Generation adopted this guidance effective January 1, 2011.

Accounting Guidance Not Yet Adopted

Fair Value Measurement

In May 2011, the FASB issued an accounting standards update modifying the fair value measurement and disclosure guidance. This guidance prohibits grouping of financial instruments for purposes of fair value measurement and requires the value be based on the individual security. This amendment also results in new disclosures primarily related to Level 3 measurements including quantitative disclosure about unobservable inputs and assumptions, a description of the valuation processes and a narrative description of the sensitivity of the fair value to changes in unobservable inputs. Midwest Generation will adopt this guidance effective January 1, 2012 and does not expect the adoption of this standard will have a material impact on Midwest Generation's consolidated results of operations, financial position or cash flows.

Presentation of Comprehensive Income

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income. An entity can elect to present items of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. Midwest Generation will adopt this guidance effective January 1, 2012. Midwest Generation currently presents the statement of comprehensive income immediately following the statement of income and expects to continue to do so. The adoption of this accounting standards update does not change the items that constitute net income and other comprehensive income.

Note 2. Fair Value Measurements

Recurring Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). Fair value of an asset or a liability should consider assumptions that market participants would use in pricing the asset or liability, including assumptions about nonperformance risk. The fair value of derivative assets' nonperformance risk was not material as of September 30, 2011 and December 31, 2010.

Midwest Generation categorizes financial assets and liabilities into a fair value hierarchy based on valuation inputs used to derive fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following table sets forth Midwest Generation's assets and liabilities that were accounted for at fair value by level within the fair value hierarchy:

(in millions)	September 30, 2011				
	Level 1	Level 2	Level 3	Netting ¹	Total
Assets at Fair Value					
Money market funds ²	\$ 309	\$ —	\$ —	\$ —	\$ 309
Derivative contracts					
Electricity	\$ —	\$ 18	\$ —	\$ —	\$ 18
Fuel oil	2	—	—	(2)	—
Total commodity contracts	2	18	—	(2)	18
Total assets	\$ 311	\$ 18	\$ —	\$ (2)	\$ 327
Liabilities at Fair Value					
Derivative contracts					
Electricity	\$ —	\$ 3	\$ 2	\$ (2)	\$ 3
Total liabilities	\$ —	\$ 3	\$ 2	\$ (2)	\$ 3
December 31, 2010					
Assets at Fair Value					
Money market funds ²	\$ 270	\$ —	\$ —	\$ —	\$ 270
Derivative contracts					
Electricity	\$ —	\$ 42	\$ —	\$ 8	\$ 50
Fuel oil	8	—	—	(8)	—
Total commodity contracts	8	42	—	—	50
Total assets	\$ 278	\$ 42	\$ —	\$ —	\$ 320
Liabilities at Fair Value					
Derivative contracts					
Electricity	\$ —	\$ 5	\$ —	\$ —	\$ 5
Total liabilities	\$ —	\$ 5	\$ —	\$ —	\$ 5

¹ Represents the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

² Money market funds are included in cash and cash equivalents on Midwest Generation's consolidated balance sheets.

The following table sets forth a summary of changes in the fair value of assets and liabilities, net categorized as Level 3:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fair value, net assets (liabilities) at beginning of period	\$ (1)	\$ —	\$ —	\$ 3
Total realized/unrealized gains (losses)				
Included in earnings ¹	(2)	—	(2)	2
Included in accumulated other comprehensive loss	—	—	—	2
Settlements	1	—	—	(3)
Transfers in or out of Level 3	—	—	—	(4)
Fair value, net liabilities at end of period	\$ (2)	\$ —	\$ (2)	\$ —
Change during the period in unrealized gains (losses) related to assets and liabilities, net held at end of period ¹	\$ —	\$ —	\$ (2)	\$ (5)

¹ Reported in operating revenues on Midwest Generation's consolidated statements of income.

Midwest Generation determines the fair value of transfers in and out of each level at the end of each reporting period. There were no significant transfers between levels during the three months and nine months ended September 30, 2011 and 2010.

Valuation Techniques used to Determine Fair Value

Level 1

Level 1 includes financial assets and liabilities where unadjusted quoted prices in active markets are available at the measurement date for identical assets and liabilities. Financial assets and liabilities classified as Level 1 include exchange-traded derivatives and money market funds.

Level 2

Level 2 pricing inputs include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the derivative instrument. Financial assets and liabilities utilizing Level 2 inputs include over-the-counter derivatives.

Derivative contracts that are over-the-counter traded are valued using pricing models and are generally classified as Level 2. Inputs to the pricing models include forward published or posted clearing prices from exchanges (New York Mercantile Exchange and Intercontinental Exchange) for similar instruments and discount rates. Forward market prices are developed based on the source that best represents trade activity in each market. Broker quotes or prices from exchanges are used to validate and corroborate the primary source. These price quotations reflect mid-market prices (average of bid and ask) and are obtained from sources believed to provide the most liquid market for the commodity. Broker quotes are incorporated when corroborated with other information which may include a combination of prices from exchanges, other brokers, and comparison to executed trades.

Level 3

Level 3 includes financial assets and liabilities where fair value is determined using techniques that require significant unobservable inputs. Over-the-counter options, bilateral contracts, capacity contracts, qualifying facilities contracts, derivative contracts that trade infrequently (such as financial transmission rights), and derivative contracts with counterparties that have significant nonperformance risks are classified as Level 3. In circumstances where Edison Mission Marketing & Trading, Inc. (EMMT) cannot verify fair value with observable market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. As markets continue to develop and more pricing information becomes available, EMMT continues to assess valuation methodologies used to determine fair value.

For derivative contracts that trade infrequently (illiquid financial transmission rights), changes in fair value are based on the hypothetical sale of illiquid positions. Objective criteria are reviewed, including system congestion and other underlying drivers and fair value is adjusted when it is concluded that a change in objective criteria would result in a new valuation that better reflects fair value. For illiquid long-term power agreements, fair value is based upon a discounting of future electricity and natural gas prices derived from a proprietary model using the risk free discount rate for a similar duration contract, adjusted for credit risk and market liquidity. Changes in fair value are based on changes to forward market prices, including forecasted prices for illiquid forward periods. The fair value of the majority of Midwest Generation's derivatives that are classified as Level 3 is determined using uncorroborated non-binding broker quotes and models that may require EMMT to extrapolate short-term observable inputs in order to calculate fair value. Broker quotes are obtained from several brokers and compared against each other for reasonableness.

Note 3. Derivative Instruments and Hedging Activities

Midwest Generation uses derivative instruments to reduce its exposure to market risks that arise from price fluctuations of electricity, capacity, fuel, emission allowances, and transmission rights. The derivative financial instruments vary in duration, ranging from a few days to several years, depending upon the instrument. To the extent that Midwest Generation does not use derivative instruments to hedge these market risks, the unhedged portions will be subject to the risks and benefits of spot market price movements.

Risk management positions may be designated as cash flow hedges or economic hedges, which are derivatives that are not designated as cash flow hedges. Economic hedges are accounted for at fair value on Midwest Generation's consolidated balance sheets with offsetting changes recorded on the consolidated statements of income. For derivative instruments that qualify for hedge accounting treatment, the fair value is recognized, to the extent effective, on Midwest Generation's consolidated balance sheets with offsetting changes in fair value recognized in accumulated other comprehensive loss until the related forecasted transaction occurs. The results of derivative activities are recorded in cash flows from operating activities on the consolidated statements of cash flows.

Where Midwest Generation's derivative instruments are subject to a master netting agreement and the criteria of authoritative guidance are met, Midwest Generation presents its derivative assets and liabilities on a net basis on its consolidated balance sheets.

Notional Volumes of Derivative Instruments

The following table summarizes the notional volumes of derivatives used for hedging activities:

September 30, 2011

Commodity	Instrument	Classification	Unit of Measure	Cash Flow Hedges	Economic Hedges
Electricity	Forwards/Futures	Sales	GWh	13,242 ¹	10,619 ³
Electricity	Forwards/Futures	Purchases	GWh	101 ¹	10,615 ³
Electricity	Capacity	Sales	MW-Day (in thousands)	98 ²	—
Electricity	Congestion	Purchases	GWh	—	968 ⁴
Fuel oil	Forwards/Futures	Purchases	barrels	—	240,000

December 31, 2010

Commodity	Instrument	Classification	Unit of Measure	Cash Flow Hedges	Economic Hedges
Electricity	Forwards/Futures	Sales	GWh	12,961 ¹	13,437 ³
Electricity	Forwards/Futures	Purchases	GWh	408 ¹	14,066 ³
Electricity	Capacity	Sales	MW-Day (in thousands)	146 ²	—
Electricity	Congestion	Purchases	GWh	—	144 ⁴
Fuel oil	Forwards/Futures	Sales	barrels	—	250,000
Fuel oil	Forwards/Futures	Purchases	barrels	—	490,000

¹ Midwest Generation's hedge products include forward and futures contracts that qualify for hedge accounting. This category excludes power contracts for the Midwest Generation plants which meet the normal purchases and sales exception and are accounted for on the accrual method.

² Midwest Generation's hedge transactions for capacity result from bilateral trades. Capacity sold in the PJM Reliability Pricing Model (RPM) auction is not accounted for as a derivative.

³ Midwest Generation also entered into transactions that adjust financial and physical positions, or day-ahead and real-time positions to reduce costs or increase gross margin. These positions largely offset each other. The net sales positions of these categories are primarily related to hedge transactions that are not designated as cash flow hedges.

⁴ Congestion contracts include financial transmission rights, transmission congestion contracts or congestion revenue rights. These positions are similar to a swap, where the buyer is entitled to receive a stream of revenues (or charges) based on the hourly day-ahead price differences between two locations.

Fair Value of Derivative Instruments

The following table summarizes the fair value of commodity derivative instruments for non-trading purposes reflected on Midwest Generation's consolidated balance sheets:

September 30, 2011

(in millions)	Derivative Assets			Derivative Liabilities			Net Assets
	Short-term	Long-term	Subtotal	Short-term	Long-term	Subtotal	
Cash flow hedges	\$ 26	\$ 8	\$ 34	\$ 13	\$ 6	\$ 19	\$ 15
Economic hedges	21	3	24	22	2	24	—
	47	11	58	35	8	43	15
Netting ¹	(32)	(8)	(40)	(32)	(8)	(40)	—
Total	\$ 15	\$ 3	\$ 18	\$ 3	\$ —	\$ 3	\$ 15

December 31, 2010

(in millions)	Derivative Assets			Derivative Liabilities			Net Assets
	Short-term	Long-term	Subtotal	Short-term	Long-term	Subtotal	
Cash flow hedges	\$ 41	\$ 2	\$ 43	\$ 3	\$ 2	\$ 5	\$ 38
Economic hedges	26	1	27	20	—	20	7
	67	3	70	23	2	25	45
Netting ¹	(20)	—	(20)	(20)	—	(20)	—
Total	\$ 47	\$ 3	\$ 50	\$ 3	\$ 2	\$ 5	\$ 45

¹ Netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists with a derivative counterparty.

Income Statement Impact of Derivative Instruments

The following table provides the cash flow hedge activity as part of accumulated other comprehensive loss:

(in millions)	Cash Flow Hedge Activity ¹		Income Statement Location
	Nine Months Ended		
	September 30,		
	2011	2010	
Beginning of period derivative gains	\$ 37	\$ 111	
Effective portion of changes in fair value	(8)	92	
Reclassification to net income	(16)	(74)	Operating revenues
End of period derivative gains	\$ 13	\$ 129	

¹ Unrealized derivative gains are before income taxes. The after-tax amounts recorded in accumulated other comprehensive loss at September 30, 2011 and 2010 were \$8 million and \$79 million, respectively.

For additional information, see Note 8—Accumulated Other Comprehensive Loss.

The portion of a cash flow hedge that does not offset the change in the value of the transaction being hedged, which is commonly referred to as the ineffective portion, is immediately recognized in earnings. Midwest Generation recorded net gains of \$2 million and \$1 million during the third quarters of 2011 and 2010, respectively, and \$1 million and \$9 million during the nine months ended September 30, 2011 and 2010, respectively, in operating revenues on the consolidated statements of income representing the amount of cash flow hedge ineffectiveness.

The effect of realized and unrealized gains (losses) from derivative instruments used for non-trading purposes on the consolidated statements of income is presented below:

(in millions)	Income Statement Location	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2011	2010	2011	2010
Economic hedges	Operating revenues	\$ (4)	\$ 4	\$ 3	\$ —
	Fuel	(3)	2	1	—

Contingent Features

Midwest Generation sells merchant energy and capacity through EMMT, which has a below investment grade credit rating. Midwest Generation has cash on hand and availability under its working capital facility to provide credit support as needed for hedging contracts entered into by EMMT related to the Midwest Generation plants. EMMT borrows under its revolving credit agreement with Midwest Generation to provide credit support for futures and forward contracts. Loans provided under this revolving credit agreement are repaid by EMMT upon the return of the funds under the terms of the related forward contracts. The amount repaid includes interest earned, if any, under margin agreements supporting such contracts. As of September 30, 2011, EMMT had no borrowings outstanding under this revolving credit agreement. Future increases in power prices could expose Midwest Generation to additional collateral postings.

Note 4. Income Taxes

Midwest Generation had an effective income tax rate of 41% and 37% for the nine months ended September 30, 2011 and 2010, respectively. Midwest Generation's effective income tax rate varies from the federal statutory rate of 35% primarily due to state income taxes, and estimated benefits from a federal deduction related to qualified domestic production activities under Section 199 of the Internal Revenue Code.

Bonus Depreciation Impact

The Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (2010 Tax Relief Act) extended 50% bonus depreciation for qualifying property through 2012 and created a new 100% bonus depreciation for qualifying property placed in service between September 9, 2010 and December 31, 2011. Subject to updated Internal Revenue Service regulations clarifying the definitions of capital expenditures that qualify for 100% bonus depreciation, Midwest Generation's capital expenditures are expected to qualify, accelerating federal tax deductions in 2010 and 2011.

Note 5. Compensation and Benefit Plans

Pension Plans and Postretirement Benefits Other Than Pensions

Pension Plans

During the nine months ended September 30, 2011, Midwest Generation made contributions of \$11 million, and during the remainder of 2011, expects to make \$3 million of additional contributions.

The following were components of pension expense:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Service cost	\$ 3.3	\$ 2.5	\$ 9.7	\$ 8.7
Interest cost	2.1	1.9	6.3	5.9
Expected return on plan assets	(2.1)	(1.6)	(6.3)	(4.8)
Amortization of prior service costs	—	0.1	0.1	0.2
Amortization of net loss	—	(0.1)	0.1	—
Total expense	\$ 3.3	\$ 2.8	\$ 9.9	\$ 10.0

Postretirement Benefits Other Than Pensions

During the nine months ended September 30, 2011, Midwest Generation made contributions of \$0.5 million, and during the remainder of 2011, expects to make \$0.1 million of additional contributions.

The following were components of postretirement benefits expense:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Service cost	\$ 0.4	\$ 0.2	\$ 1.2	\$ 0.6
Interest cost	0.7	0.5	2.2	1.6
Amortization of prior service credit	0.1	(0.2)	0.2	(0.4)
Amortization of net loss	0.1	0.2	0.4	0.3
Total expense	\$ 1.3	\$ 0.7	\$ 4.0	\$ 2.1

Note 6. Commitments and Contingencies

Commitments

Fuel Supply Contracts and Coal Transportation Agreements

At September 30, 2011, Midwest Generation had commitments to purchase coal from third-party suppliers at fixed prices, subject to adjustment clauses. These commitments, together with estimated transportation costs under existing agreements, are estimated to aggregate \$611 million, which consists of: \$128 million for the remainder of 2011, \$188 million in 2012, \$145 million in 2013, and \$150 million in 2014.

Capital Commitments

At September 30, 2011, Midwest Generation had firm commitments to spend approximately \$31 million during the remainder of 2011 and \$16 million in 2012 for capital expenditures primarily related to selective non-catalytic reduction (SNCR) equipment and non-environmental improvements. Midwest Generation intends to fund these expenditures through cash on hand, cash generated from operations or by drawing on its working capital facility, if available.

Guarantees and Indemnities

Environmental Indemnities Related to the Midwest Generation Plants

In connection with the acquisition of the Midwest Generation plants, Midwest Generation agreed to indemnify Commonwealth Edison Company (Commonwealth Edison) with respect to specified environmental liabilities before and after December 15, 1999, the date of sale. The indemnification obligations are reduced by any insurance proceeds and tax benefits related to such indemnified claims and are subject to a requirement that Commonwealth Edison takes all reasonable steps to mitigate losses related to any such indemnification claim. Also, in connection with the sale-leaseback transaction related to the Powerton and Joliet Stations in Illinois, Edison Mission Energy (EME) agreed to indemnify the lessors for specified environmental liabilities. These indemnities are not limited in term or amount. Due to the nature of the obligations under these indemnities, a maximum potential liability cannot be determined. Commonwealth Edison has advised Midwest Generation that Commonwealth Edison believes it is entitled to indemnification for all liabilities, costs, and expenses that it may be required to bear as a result of the litigation discussed below under “—Contingencies—New Source Review and Other Litigation.” Except as discussed below, Midwest Generation has not recorded a liability related to these environmental indemnities.

Midwest Generation entered into a supplemental agreement with Commonwealth Edison and Exelon Generation Company LLC on February 20, 2003 to resolve a dispute regarding interpretation of Midwest Generation’s reimbursement obligation for asbestos claims under the environmental indemnities set forth in the Asset Sale Agreement. Under this supplemental agreement, Midwest Generation agreed to reimburse Commonwealth Edison and Exelon Generation for 50% of specific asbestos claims pending as of February 2003 and related expenses less recovery of insurance costs, and agreed to a sharing arrangement for liabilities and expenses associated with future asbestos-related claims as specified in the agreement. The obligations under this agreement are not subject to a maximum liability. The supplemental agreement had an initial five-year term with an automatic renewal provision for subsequent one-year terms (subject to the right of either party to terminate); pursuant to the automatic renewal provision, it has been extended until February 2012. There were approximately 230 cases for which Midwest Generation was potentially liable that had not been settled and dismissed at September 30, 2011. Midwest Generation had recorded a liability of \$55 million at September 30, 2011 related to this contractual indemnity, included in benefit plans and other long-term liabilities on its consolidated balance sheets.

The amounts recorded by Midwest Generation for the asbestos-related liability are based upon a number of assumptions. Future events, such as the number of new claims to be filed each year, the average cost of disposing of claims, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs to be higher or lower than projected.

Indemnities Provided under Sale-Leaseback Agreements

In connection with the sale-leaseback transactions related to the Powerton and Joliet Stations and, previously, the Collins Station, EME, Midwest Generation and another wholly owned subsidiary of EME entered into tax indemnity agreements. Under these tax indemnity agreements, the lessees in the sale-leaseback transactions agreed to indemnify the lessors for specified adverse tax consequences that could result from certain situations set forth in each tax indemnity agreement, including specified defaults under the respective leases. Although the Collins Station lease terminated in April 2004, Midwest Generation’s indemnities in favor of its former lease equity investors are still in effect. EME provided similar indemnities in the sale-leaseback transactions related to the Powerton and Joliet Stations in Illinois. The potential indemnity obligation under these tax indemnity agreements could be

significant. Due to the nature of these potential obligations, Midwest Generation cannot determine a maximum potential liability and has not recorded a liability related to these indemnities.

Other Indemnities

Midwest Generation provides other indemnifications through contracts entered into in the normal course of business. Midwest Generation's obligations under these agreements may or may not be limited in terms of time and/or amount, and in some instances Midwest Generation may have recourse against third parties. Midwest Generation has not recorded a liability related to these indemnities. The overall maximum amount of the obligations under these indemnifications cannot be reasonably estimated.

Contingencies

In addition to the matters disclosed in these notes, Midwest Generation is involved in other legal, tax and regulatory proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. Midwest Generation believes the outcome of these other proceedings will not materially affect its results of operations or liquidity.

New Source Review and Other Litigation

In August 2009, the United States Environmental Protection Agency (US EPA) and the State of Illinois filed a complaint in the Northern District of Illinois alleging that Midwest Generation or Commonwealth Edison performed repair or replacement projects at six Illinois coal-fired electric generating stations in violation of the Prevention of Significant Deterioration (PSD) requirements and of the New Source Performance Standards of the Clean Air Act (CAA), including alleged requirements to obtain a construction permit and to install controls sufficient to meet best available control technology (BACT) emission rates. The US EPA also alleged that Midwest Generation and Commonwealth Edison violated certain operating permit requirements under Title V of the CAA. Finally, the US EPA alleged violations of certain opacity and particulate matter standards at the Midwest Generation plants. In addition to seeking penalties ranging from \$25,000 to \$37,500 per violation, per day, the complaint calls for an injunction ordering Midwest Generation to install controls sufficient to meet BACT emission rates at all units subject to the complaint; to obtain new PSD or New Source Review permits for those units; to amend its applications under Title V of the CAA; to conduct audits of its operations to determine whether any additional modifications have occurred; and to offset and mitigate the harm to public health and the environment caused by the alleged CAA violations. The remedies sought by the plaintiffs in the lawsuit could go well beyond the requirements of the Combined Pollutant Standard (CPS). Several Chicago-based environmental action groups have intervened in the case.

Nine of ten PSD claims have been dismissed, along with claims related to alleged violations of Title V of the CAA to the extent based on the dismissed PSD claims. The court has also dismissed all claims asserted against Commonwealth Edison and EME. The court denied a motion to dismiss a claim by the Chicago-based environmental action groups for civil penalties in the remaining PSD claim, but noted that the plaintiffs will be required to convince the court that the statute of limitations should be equitably tolled. The court did not address other counts in the complaint that allege violations of opacity and particulate matter limitations under the Illinois State Implementation Plan and Title V of the CAA. Trial of the liability portion of the case is scheduled to commence June 3, 2013. A motion filed by the plaintiffs requesting that the dismissals be certified as "partial final judgments" capable of appeal, and requesting that the remaining claims be stayed pending such an appeal, is pending.

In May 2011, two complaints were filed against Midwest Generation in the Northern District of Illinois by residents living near the Crawford and Fisk facilities on behalf of themselves and all others similarly situated, each asserting claims of nuisance, negligence, trespass, and strict liability. The plaintiffs sought to have their suits certified as a class action and requested injunctive relief, as well as compensatory and punitive damages. In October 2011, the complaints were dismissed for lack of federal jurisdiction. Midwest Generation does not know whether the plaintiffs will appeal the dismissal or file a complaint in state court.

Adverse decisions in these cases could involve penalties and remedial actions that could have a material impact on the financial condition and results of operations of Midwest Generation. Midwest Generation cannot predict the outcome of these matters or estimate the impact on its facilities, its results of operations, financial position or cash flows.

Environmental Remediation

With respect to potential liabilities arising under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, commonly referred to as CERCLA, or similar laws for the investigation and remediation of contaminated property, Midwest Generation accrues a liability to the extent the costs are probable and can be reasonably estimated. Midwest Generation had accrued approximately \$10 million at September 30, 2011 for estimated environmental investigation and remediation costs for the Midwest Generation plants. This estimate is based upon the number of sites, the scope of work and the estimated costs for investigation and/or remediation where such expenditures can be reasonably estimated. Future estimated costs may vary based on changes in regulations or requirements of federal, state or local governmental agencies, changes in technology, and actual costs of disposal. In addition, future remediation costs will be affected by the nature and extent of contamination discovered at the sites that requires remediation. Given the prior history of the operations at its facilities, Midwest Generation cannot be certain that the existence or extent of all contamination at its sites has been fully identified.

Note 7. Environmental Developments

Cross-State Air Pollution Rule

On July 6, 2011, the US EPA adopted the Cross-State Air Pollution Rule (CSAPR). CSAPR is the final form of a previously proposed replacement for the Clean Air Interstate Rule (CAIR), originally called the Clean Air Transport Rule that was released in 2010. CSAPR establishes emissions reductions for annual sulfur dioxide (SO₂) emissions and annual and ozone season nitrogen oxide (NO_x) emissions in two phases: a first phase effective January 1, 2012 and, in most states subject to the program (including Illinois), a second phase effective January 1, 2014 that requires additional reductions in annual SO₂ emissions.

CSAPR, like the CAIR, is an allowance-based regulation that provides for emissions trading. Under CSAPR, the amount of actual SO₂ or NO_x emissions from operations will need to be matched by a sufficient amount of SO₂ or NO_x allowances that are either allocated or purchased in the open market. In connection with CSAPR, the US EPA has, for each phase, established SO₂ and NO_x allowance allocations for each state and each generating unit subject to the regulation, and at the close of the annual or seasonal compliance period, units must surrender allowances for each ton of SO₂ and NO_x emitted or face penalties. While trading of allowances is permitted within designated groups of states, the rule provides for penalties against a unit with emissions in excess of its predefined “assurance level,” but only if the state in which it is located also exceeds its budgeted emissions level. On

October 6, 2011, the US EPA announced a proposed revision to the rule that would effectively eliminate such penalties in the first phase.

Midwest Generation believes its current environmental remediation plan developed to comply with the CPS, along with the allowances allocated to it under CSAPR, will be sufficient to comply with the requirements of CSAPR and the US EPA's proposed regulation on hazardous air pollutant (HAP) emissions. In order to achieve compliance, Midwest Generation has begun work to install SO₂ controls at certain of its plants.

Proposed Hazardous Air Pollutant Regulations

In March 2011, the US EPA proposed National Emission Standards for Hazardous Air Pollutants, limiting emissions of HAPs from coal- and oil-fired electrical generating units. This regulation is expected to be finalized by December 2011. Based on its continuing review, Midwest Generation does not expect that these standards, if adopted as proposed, would require it to make material changes to the approach to compliance with state and federal environmental regulations that it contemplates for CPS compliance.

Ozone and Particulates

In September 2011, President Obama announced that the proposed revision to the National Ambient Air Quality Standards (NAAQS) for ozone, which was expected to have set a more stringent standard for primary ozone and a distinct secondary standard to protect sensitive vegetation and ecosystems, was being withdrawn. The ozone NAAQS established in 2008 remains in place, but the implementation process must be completed before the 0.075 parts-per-million standard can be enforced. The US EPA has indicated that it intends to issue initial area designations of attainment, nonattainment and unclassifiable areas across the nation in 2012. States will then be required to develop and submit state implementation plans outlining how compliance with the 2008 NAAQS will be achieved. New primary and secondary ozone standards are expected in 2014.

Water Quality—Clean Water Act

In March 2011, the US EPA proposed standards under the federal Clean Water Act which would affect cooling water intake structures at generating facilities. The standards are intended to protect aquatic organisms by reducing capture in screens attached to cooling water intake structures (impingement) and in the water volume brought into the facilities (entrainment). The regulations are expected to be finalized by July 2012. Midwest Generation is evaluating the proposed standards and believes, from a preliminary review, that compliance with the proposed standards regarding impingement will be achievable without incurring material additional capital expenditures or operating costs. The required measures to comply with the proposed standards regarding entrainment are subject to the discretion of the permitting authority, and Midwest Generation is unable at this time to assess potential costs of compliance, which could be significant for the Midwest Generation plants.

Greenhouse Gas Litigation Developments

In June 2011, the U.S. Supreme Court dismissed public nuisance claims against five power companies, ruling that the CAA and the US EPA actions it authorizes displace federal common law nuisance claims that might arise from the emission of greenhouse gases. The court also affirmed the Second Circuit's determination that at least some of the plaintiffs had standing to bring the case. The court did not address whether the CAA also preempts state law claims arising from the same circumstances.

Parties to the case brought by the Alaskan Native Village of Kivalina against Edison International and other defendants, the appeal of which was deferred before the Ninth Circuit Court of Appeals pending the Supreme Court's ruling described above, have requested that the appeal recommence and have asked for permission to file additional briefs on the impact of the Supreme Court's ruling. The stay of the appeal has now been lifted and argument before the Ninth Circuit is scheduled for November 2011. Kivalina is seeking damages of up to \$400 million for the cost of relocating the village.

On May 27, 2011, private citizens filed a purported class action complaint in the United States District Court for the Southern District of Mississippi, naming a large number of defendants, including Edison International and several of its subsidiaries. Midwest Generation was not named. Plaintiffs allege that the defendants' activities resulted in emissions of substantial quantities of greenhouse gases that have contributed to climate change and sea level rise, which in turn are alleged to have increased the destructive force of Hurricane Katrina. The lawsuit alleges causes of action for negligence, public and private nuisance, and trespass, and seeks unspecified compensatory and punitive damages. The claims in this lawsuit are nearly identical to a subset of the claims that were raised against many of the same defendants in a previous lawsuit that was filed in, and dismissed by, the same federal district court where the current case has been filed. Edison International was dismissed as a defendant in this complaint in July 2011.

Note 8. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following:

(in millions)	Unrealized Gains on Cash Flow Hedges, Net	Unrecognized Losses and Prior Service Adjustments, Net ¹	Accumulated Other Comprehensive Loss
Balance at December 31, 2010	\$ 23	\$ (26)	\$ (3)
Current period change	(15)	1	(14)
Balance at September 30, 2011	\$ 8	\$ (25)	\$ (17)

¹ For further detail, see Note 5—Compensation and Benefit Plans.

Unrealized gains on cash flow hedges, net of tax, at September 30, 2011, consist of futures and forward electricity contracts that qualify for hedge accounting. These gains arise because current forecasts of future electricity prices are lower than the contract prices. Approximately \$7 million of unrealized gains on cash flow hedges, net of tax, are expected to be reclassified into earnings during the next 12 months. Management expects that reclassification of net unrealized gains will increase energy revenues recognized at market prices. Actual amounts ultimately reclassified into earnings over the next 12 months could vary materially from this estimated amount as a result of changes in market conditions. The maximum period over which a commodity cash flow hedge is designated is December 31, 2013.

Note 9. Supplemental Cash Flows Information

(in millions)	Nine Months Ended September 30,	
	2011	2010
Cash paid		
Interest	\$ 43	\$ 51
Income taxes	8	19

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect Midwest Generation's current expectations and projections about future events based on Midwest Generation's knowledge of present facts and circumstances and assumptions about future events and include any statement that does not directly relate to a historical or current fact. Other information distributed by Midwest Generation that is incorporated in this report, or that refers to or incorporates this report, may also contain forward-looking statements. In this quarterly report on Form 10-Q, the words "expects," "believes," "anticipates," "estimates," "projects," "intends," "plans," "probable," "may," "will," "could," "would," "should," and variations of such words and similar expressions, or discussions of strategy or plans, are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ from those currently expected, or that otherwise could impact Midwest Generation or its subsidiaries, include but are not limited to:

- Midwest Generation's ability to borrow funds and access the capital markets on reasonable terms;
- environmental laws and regulations, at both state and federal levels, or changes in the application of those laws, that could require additional expenditures or otherwise affect Midwest Generation's cost and manner of doing business, including compliance with the CPS and CSAPR and the proposed National Emission Standards for Hazardous Air Pollutants;
- supply and demand for electric capacity and energy, and the resulting prices and dispatch volumes, in the wholesale markets to which Midwest Generation's generating units have access;
- the cost and availability of fuel, sorbents, and other commodities used for power generation and emission controls, and of related transportation services;
- the cost and availability of emission credits or allowances;
- transmission congestion in and to each market area and the resulting differences in prices between delivery points;
- the difficulty of predicting wholesale prices, transmission congestion, energy demand, and other aspects of the complex and volatile markets in which Midwest Generation participates;
- the availability and creditworthiness of counterparties, and the resulting effects on liquidity in the power and fuel markets in which Midwest Generation operates and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- governmental, statutory, regulatory or administrative changes or initiatives affecting Midwest Generation or the electricity industry generally, including market structure rules and price mitigation strategies adopted by independent system operators and regional transmission organizations;
- market volatility and other market conditions that could increase Midwest Generation's obligations to post collateral beyond the amounts currently expected, and the potential effect of such

conditions on the ability of Midwest Generation to provide sufficient collateral in support of its hedging activities and purchases of fuel;

- weather conditions, natural disasters and other unforeseen events;
- the extent of additional supplies of capacity, energy and ancillary services from current competitors or new market entrants, including the development of new generation facilities, and technologies that may be able to produce electricity at a lower cost than Midwest Generation's generating facilities and/or increased access by competitors to Midwest Generation's markets as a result of transmission upgrades;
- operating risks, including equipment failure, availability, heat rate, output, costs of repairs and retrofits, and availability and cost of spare parts;
- creditworthiness of suppliers and their ability to deliver goods and services under their contractual obligations to Midwest Generation or to pay damages if they fail to fulfill those obligations;
- effects of legal proceedings changes in or interpretations of tax laws, rates or policies, and changes in accounting standards; and
- general political, economic and business conditions.

Additional information about risks and uncertainties, including more detail about the factors described above, is contained throughout this MD&A and in "Item 1A. Risk Factors" on page 18 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010. Readers are urged to read this entire quarterly report on Form 10-Q and the annual report on Form 10-K for the year ended December 31, 2010, including the information incorporated by reference, and to carefully consider the risks, uncertainties and other factors that affect Midwest Generation's business. Forward-looking statements speak only as of the date they are made, and Midwest Generation is not obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by Midwest Generation with the Securities and Exchange Commission.

This MD&A discusses material changes in the results of operations, financial condition and other developments of Midwest Generation since December 31, 2010, and as compared to the third quarter of 2010 and the nine months ended September 30, 2010. This discussion presumes that the reader has read or has access to the MD&A included in Item 7 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010.

MANAGEMENT'S OVERVIEW

Midwest Generation is a limited liability company engaged in the business of operating and selling energy and capacity from its 5,172 MW of coal-fired generating plants and 305 MW of oil-fired peaking plants. The profitability of Midwest Generation has been significantly lower in 2011 compared to 2010 as a result of lower realized energy prices and higher fuel costs. In addition, the profitability of the Midwest Generation plants is expected to be adversely affected by a decline in capacity prices and higher rail transportation costs (due to the expiration at the end of 2011 of a favorable long-term rail contract). For discussion of energy and fuel price risks, see "Market Risk Exposures—Commodity Price Risk" and refer to "Market Risks" in Item 1A on page 20 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010. As a result, Midwest Generation may incur net losses in subsequent years unless energy and capacity prices increase or its costs decline.

Highlights of Operating Results

Midwest Generation's net income for the third quarter and nine months ended September 30, 2011 decreased \$51 million and \$81 million, respectively, compared to the corresponding periods of 2010. The third quarter decrease in earnings was due to lower capacity revenues, average realized energy prices and generation, and a gain in 2010 from the sale of bankruptcy claims against Lehman. The year-to-date decrease in earnings was due to lower average realized energy prices and generation, and a gain in 2010 from the sale of the bankruptcy claims against Lehman.

Cross-State Air Pollution Rule

On July 6, 2011, the US EPA adopted the CSAPR. CSAPR is the final form of a previously proposed replacement for the CAIR, originally called the Clean Air Transport Rule that was released in 2010. CSAPR establishes emissions reductions for annual SO₂ emissions and annual and ozone season NO_x emissions in two phases: a first phase effective January 1, 2012 and, in most states subject to the program (including Illinois), a second phase effective January 1, 2014 that requires additional reductions in annual SO₂ emissions.

CSAPR, like the CAIR, is an allowance-based regulation that provides for emissions trading. Under CSAPR, the amount of actual SO₂ or NO_x emissions from operations will need to be matched by a sufficient amount of SO₂ or NO_x allowances that are either allocated or purchased in the open market. In connection with CSAPR, the US EPA has, for each phase, established SO₂ and NO_x allowance allocations for each state and each generating unit subject to the regulation, and at the close of the annual or seasonal compliance period, units must surrender allowances for each ton of SO₂ and NO_x emitted or face penalties. While trading of allowances is permitted within designated groups of states, the rule provides for penalties against a unit with emissions in excess of its predefined "assurance level," but only if the state in which it is located also exceeds its budgeted emissions level. On October 6, 2011, the US EPA announced a proposed revision to the rule that would effectively eliminate such penalties in the first phase.

Midwest Generation believes its current environmental remediation plan developed to comply with the CPS, along with the allowances allocated to it under CSAPR, will be sufficient to comply with the requirements of CSAPR and the US EPA's proposed regulation on HAP emissions. In order to achieve compliance, Midwest Generation has begun work to install SO₂ controls at certain of its plants.

Environmental Compliance Plans and Costs

During 2011, Midwest Generation continued its permitting and planning activities for NO_x and SO₂ controls to meet the requirements of the CPS. Based on its continuing review, Midwest Generation also does not expect the US EPA's proposed National Emission Standards for Hazardous Air Pollutants, if adopted, would require it to make material changes to the approach to compliance with state and federal environmental regulations that it contemplates for CPS compliance. Midwest Generation expects to continue to develop and implement a compliance program that includes the use of activated carbon injection, upgrades to particulate removal systems and dry sorbent injection, combined with its use of low sulfur PRB coal, to meet emissions limits for criteria pollutants, such as NO_x and SO₂ as well as for HAPs, such as mercury, acid gas and non-mercury metals. Based on stack tests performed at various Midwest Generation plants, Midwest Generation believes that currently installed activated carbon injection and proposed particulate removal equipment is sufficient to achieve or exceed the mercury standards outlined in the US EPA's existing and proposed rules.

In February 2011, the Illinois Environmental Protection Agency issued construction permits authorizing Midwest Generation to install a dry sorbent injection system using Trona or other sodium-based sorbents at the Powerton Station's Units 5 and 6.

Decisions regarding whether or not to proceed with retrofitting units to comply with CPS requirements for SO₂ emissions, including those that have received permits, remain subject to a number of factors, such as market conditions, regulatory and legislative developments, and forecasted commodity prices and capital and operating costs applicable at the time decisions are required or made. Midwest Generation could also elect to temporarily or permanently shut down units, instead of installing controls, to be in compliance with the CPS.

Therefore, decisions about any particular combination of retrofits and shutdowns Midwest Generation may ultimately employ also remain subject to conditions applicable at the time decisions are required or made. Final decisions on whether to install controls, to install particular kinds of controls, and to actually expend capital or continue with the expenditure of capital that is budgeted may not occur until 2012 for some of the units and potentially later for others, subject to the requirements of the CPS and other applicable regulations. Pending such final decisions, Midwest Generation plans to continue with any work necessary to comply with issued permits.

Liquidity

At September 30, 2011, Midwest Generation had cash and cash equivalents of \$333 million and a total of \$497 million of available borrowing capacity under its \$500 million working capital facility. Midwest Generation's liquidity is also composed of cash flow generated from operations and payments by EME under the intercompany notes issued in connection with the Powerton-Joliet facilities sale-leaseback. The Midwest Generation credit facility matures in June 2012. Midwest Generation may seek to extend or replace this facility or seek other means of credit support to meet its liquidity requirements.

Midwest Generation has not yet committed to the completion of environmental compliance activities for its plants. Additional expenditures for NO_x and SO₂ controls through 2013 are estimated at \$514 million based on an assumption that Midwest Generation would retrofit all units over the compliance period, which extends to 2018 at an estimated aggregate cost of \$1.2 billion. Depending upon the facilities selected to be retrofitted, the cost of such retrofitting, and the timing of funding requirements beyond the near term, Midwest Generation may utilize operating cash flow, draw on its credit facility to the extent these are available at the time funds are required, obtain funding from EME, or seek debt financing to fund capital expenditures.

RESULTS OF OPERATIONS

Summary

The table below summarizes total revenues as well as key performance measures related to coal-fired generation, which represents the majority of Midwest Generation's operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating Revenues (in millions)	\$ 366	\$ 444	\$ 997	\$ 1,104
Statistics				
Generation (in GWh)	7,957	8,449	20,987	22,091
Aggregate plant performance				
Equivalent availability	89.4%	91.7%	80.0%	79.4%
Capacity factor	69.8%	70.0%	62.0%	61.7%
Load factor	78.1%	76.4%	77.5%	77.8%
Forced outage rate	7.2%	5.4%	5.9%	6.9%
Average realized price/MWh	\$ 40.05	\$ 42.09	\$ 38.19	\$ 40.99
Capacity revenues only (in millions)	\$ 50	\$ 79	\$ 195	\$ 184
Average realized fuel costs/MWh	\$ 19.43	\$ 18.08	\$ 18.32	\$ 17.41

Reconciliation of Non-GAAP Disclosures and Statistical Definitions

Average Realized Energy Price

The average realized energy price reflects the average price at which energy is sold into the market including the effects of hedges, real-time and day-ahead sales and PJM fees and ancillary services. It is determined by dividing (i) operating revenues less unrealized gains (losses) and other non-energy related revenues by (ii) generation as shown in the table below. Revenues related to capacity sales are excluded from the calculation of average realized energy price.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues	\$ 366	\$ 444	\$ 997	\$ 1,104
Less:				
Unrealized losses	3	16	1	12
Capacity and other revenues ¹	(51)	(104)	(197)	(210)
Realized revenues	\$ 318	\$ 356	\$ 801	\$ 906
Generation (in GWh)	7,957	8,449	20,987	22,091
Average realized energy price/MWh	\$ 40.05	\$ 42.09	\$ 38.19	\$ 40.99

¹ A gain from the sale of the bankruptcy claims against Lehman is included in the three and nine months ended September 30, 2010.

The average realized energy price is presented as an aid in understanding the operating results of the Midwest Generation plants. Average realized energy price is a non-GAAP performance measure since such statistical measure excludes unrealized gains or losses recorded as operating revenues.

Management believes that the average realized energy price is meaningful for investors as this information reflects the impact of hedge contracts at the time of actual generation in period-over-period comparisons or as compared to real-time market prices.

Average Realized Fuel Costs

The average realized fuel costs reflect the average cost per MWh at which fuel is consumed for generation sold into the market, including emission allowance costs and the effects of hedges. It is determined by dividing (i) fuel costs adjusted for unrealized gains (losses) by (ii) generation as shown in the table below:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Fuel costs	\$ 157	\$ 151	\$ 390	\$ 390
Add back:				
Unrealized gains (losses)	(4)	2	(6)	(5)
Realized fuel costs	\$ 153	\$ 153	\$ 384	\$ 385
Generation (in GWh)	7,957	8,449	20,987	22,091
Average realized fuel costs/MWh	\$ 19.43	\$ 18.08	\$ 18.32	\$ 17.41

The average realized fuel costs are presented as an aid in understanding the operating results of the Midwest Generation plants. Average realized fuel costs are a non-GAAP performance measure since such statistical measure excludes unrealized gains or losses recorded as fuel costs. Management believes that average realized fuel costs are meaningful for investors as this information reflects the impact of hedge contracts at the time of actual generation in period-over-period comparisons.

Statistical Definitions

- Equivalent availability reflects the impact of the unit's inability to achieve full load, referred to as derating, as well as outages which result in a complete unit shutdown. The coal plants are not available during periods of planned and unplanned maintenance. The equivalent availability factor is defined as the number of MWh the coal plants are available to generate electricity divided by the product of the capacity of the coal plants (in MW) and the number of hours in the period.
- The capacity factor indicates how much power a unit generated compared to the maximum amount of power that could be generated according to its rating. It is defined as the actual number of MWh generated by the coal plants divided by the product of the capacity of the coal plants (in MW) and the number of hours in the period.
- The load factor indicates how much power a unit generated compared to the maximum amount of power that a unit was available to generate electricity. It is determined by dividing capacity factor by the equivalent availability factor.
- The forced outage rate refers to forced outages and deratings excluding events outside of management's control as defined by NERC. Examples include floods, tornado damage and transmission outages.

Seasonality

Due to fluctuations in electric demand resulting from warm weather during the summer months and cold weather during the winter months, electric revenues from the Midwest Generation plants normally vary substantially on a seasonal basis. In addition, maintenance outages generally are scheduled during periods of lower projected electric demand (spring and fall), further reducing generation and increasing major maintenance costs which are recorded as an expense when incurred. Accordingly, earnings from the Midwest Generation plants are seasonal and have significant variability from quarter to quarter. Seasonal fluctuations may also be affected by changes in market prices. For further discussion regarding market prices, see “Market Risk Exposures—Commodity Price Risk—Energy Price Risk.”

Operating Income

Operating income from the Midwest Generation plants decreased \$76 million for the third quarter ended September 30, 2011, compared to the corresponding period of 2010. The third quarter decrease in operating income was primarily attributable to lower energy and capacity revenues and a gain in 2010 from the sale of bankruptcy claims against Lehman. During the third quarter of 2010, Midwest Generation sold its bankruptcy claims against Lehman and recorded a gain of \$24 million. The decline in energy revenues was due to lower generation and lower average realized energy prices, and the decline in capacity revenues was due to lower capacity prices from the RPM auction.

Operating income from the Midwest Generation plants decreased \$129 million for the nine months ended September 30, 2011, compared to the corresponding period of 2010. The 2011 decrease in operating income was primarily attributable to lower energy revenues and a gain in 2010 from the sale of the bankruptcy claims discussed above. The decline in energy revenues was due to lower average realized energy prices and lower generation due to the permanent shutdown of Will County Units 1 and 2 at the end of 2010 in accordance with the CPS.

Included in operating revenues were unrealized losses from hedge activities of \$3 million and \$16 million for the third quarters of 2011 and 2010, respectively, and \$1 million and \$12 million for the nine months ended September 30, 2011 and 2010, respectively. Unrealized losses in 2011 and 2010 were primarily attributable to economic hedge contracts that are accounted for at fair value with offsetting changes recorded on the consolidated statements of income.

Included in fuel costs were unrealized gains (losses) of \$(4) million and \$2 million during the third quarters of 2011 and 2010, respectively, and \$(6) million and \$(5) million during the nine months ended September 30, 2011 and 2010, respectively. Unrealized gains (losses) were due to oil futures contracts that were accounted for as economic hedges. These contracts were entered into in 2010 and 2009 to hedge variable fuel oil components of rail transportation costs. Also included in fuel costs were net costs of emission allowances of \$1 million and \$5 million during the third quarters of 2011 and 2010, respectively, and \$3 million and \$10 million during the nine months ended September 30, 2011 and 2010, respectively.

Other Income (Expense)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest and other income	\$ —	\$ 1	\$ 2	\$ —
Interest income from affiliates	27	28	83	84
Interest expense	(8)	(12)	(30)	(36)
Total other income	\$ 19	\$ 17	\$ 55	\$ 48

Income Taxes

Midwest Generation had an effective income tax rate of 41% and 37% for the nine months ended September 30, 2011 and 2010, respectively. Midwest Generation's effective income tax rate varies from the federal statutory rate of 35% primarily due to state income taxes, and estimated benefits from a federal deduction related to qualified domestic production activities under Section 199 of the Internal Revenue Code.

New Accounting Guidance

For a discussion of new accounting guidance affecting Midwest Generation, see "Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—New Accounting Guidance."

LIQUIDITY AND CAPITAL RESOURCES

Available Liquidity

At September 30, 2011, Midwest Generation had cash and cash equivalents of \$333 million and a total of \$497 million of available borrowing capacity under its \$500 million working capital facility. Midwest Generation's liquidity is also composed of cash flow generated from operations and payments by EME under the intercompany notes issued in connection with the Powerton-Joliet facilities sale-leaseback.

The following table summarizes the status of Midwest Generation's working capital facility at September 30, 2011, which matures in June 2012:

(in millions)	
Commitment	\$ 500
Outstanding borrowings	—
Outstanding letters of credit	(3)
Amount available	\$ 497

Midwest Generation may seek to extend or replace its credit facility or retire it by other means. The terms and conditions of any refinancing could be substantially different than those in the current credit facility.

For additional discussion of liquidity, see "Management's Overview—Liquidity."

Capital Investment Plan

Forecasted capital expenditures through 2013 are as follows:

(in millions)	October through December 2011	2012	2013
Environmental ¹	\$ 26	\$ 172	\$ 316
Plant capital	5	22	29
Total	\$ 31	\$ 194	\$ 345

¹ For additional information, see "Management's Overview—Cross-State Air Pollution Rule."

Environmental capital expenditures include \$13 million for remaining expenditures in 2011 related to selective non-catalytic reduction (SNCR) equipment and \$501 million for expenditures for the remainder of 2011 to 2013 to begin to retrofit initial units using dry scrubbing with sodium-based sorbents to comply with CPS requirements for SO₂ emissions, assuming all units are retrofitted for an estimated aggregate cost of \$1.2 billion. Midwest Generation believes that its current environmental remediation plan developed to comply with the CPS, along with the allowances allocated to it under CSAPR, will be sufficient to comply with the requirements of CSAPR and the US EPA's proposed regulation on HAP emissions. In order to achieve compliance, Midwest Generation has begun work to install SO₂ controls at certain of its plants. Midwest Generation could elect to shut down units instead of installing controls to be in compliance with the CPS and other requirements, and, therefore, decisions about any particular combination of retrofits and shutdowns it may ultimately employ to comply remain subject to conditions applicable at the time decisions are required or made. Accordingly, the environmental expenditures for Midwest Generation in the preceding table represent current

projects only and are subject to change based upon a number of considerations. Actual expenditures could be higher or lower. Preconstruction engineering and initial construction work for a project may occur in 2011 in advance of a final decision to continue or complete the project. For additional discussion, see “Management’s Overview—Environmental Compliance Plans and Costs” and refer to “Environmental Matters and Regulations” in Item 1 on page 10 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010.

Plant capital expenditures relate to non-environmental projects such as upgrades to boiler and turbine controls, replacement of major boiler components and generator stator rewinds.

Consolidated Cash Flow

At September 30, 2011, Midwest Generation had cash and cash equivalents of \$333 million, compared to \$295 million at December 31, 2010. Net cash provided by operating activities decreased \$51 million in the first nine months of 2011, compared to the first nine months of 2010. The 2011 decrease was primarily attributable to lower net income and the timing of cash receipts and disbursements related to working capital items, partially offset by higher payments for settlements of derivative contracts in 2010.

Net cash used in financing activities decreased \$52 million in the first nine months of 2011, compared to the first nine months of 2010. The 2011 decrease was due to \$40 million of lower distributions by Midwest Generation to its parent and lower lease financing payments of \$12 million.

Net cash used in investing activities increased \$19 million in the first nine months of 2011, compared to the first nine months of 2010. The 2011 increase was primarily due to \$18 million of expenditures in 2011 for investments in future plant improvements.

Credit Ratings

Overview

Credit ratings for Midwest Generation, EME and EMMT as of September 30, 2011 were as follows:

	Moody’s Rating	Standard & Poor’s Rating	Fitch Rating
Midwest Generation ¹	Ba3	B+	BB-
EME ²	Caa1	B-	CCC
EMMT	Not Rated	B-	Not Rated

¹ First priority senior secured rating.

² Senior unsecured rating.

All the above ratings are on negative outlook. Midwest Generation cannot provide assurance that its current credit ratings or the credit ratings of its subsidiaries will remain in effect for any given period of time or that one or more of these ratings will not be lowered. Midwest Generation notes that these credit ratings are not recommendations to buy, sell or hold its securities and may be revised at any time by a rating agency.

Midwest Generation’s coal contracts include provisions that provide the right to request additional collateral to support payment obligations for delivered coal and may vary based on Midwest Generation’s credit ratings.

Credit Rating of EMMT

For a discussion of EMMT's credit rating and the credit support arrangements related to EMMT's forward sales of power from the Midwest Generation plants, refer to "Credit Rating of EMMT" in Item 7 on page 38 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010.

Equity Distributions and Tax Payments

The following table summarizes payments made by Midwest Generation as equity distributions through Edison Mission Midwest Holdings and payments made pursuant to tax-allocation agreements:

(in millions)	Nine Months Ended September 30,	
	2011	2010
Equity distributions	\$ 85	\$ 125
Tax payments under tax-allocation agreements	8	19
Total payments	\$ 93	\$ 144

Key Ratio Affecting Distributions

Set forth below is the key ratio required under the covenants contained in Midwest Generation's credit agreement at September 30, 2011:

Financial Ratio	Covenant	Actual
Debt to Capitalization Ratio	Less than or equal to 0.60 to 1	0.13 to 1

For a more detailed description of the covenants binding Midwest Generation refer to "Credit Facility and Other Covenants" in Item 7 on page 36 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010.

Powerton-Joliet Lease Payments

As part of the sale-leaseback of the Powerton Station and Units 7 and 8 of the Joliet Station, Midwest Generation loaned the proceeds (in the original amount of \$1.367 billion) to EME in exchange for promissory notes in the same aggregate amount. EME's obligations under the promissory notes payable to Midwest Generation are general corporate obligations of EME and are not contingent upon receiving distributions from its subsidiaries. There is no assurance that EME will have sufficient cash flow to meet these obligations. Furthermore, EME has guaranteed Midwest Generation's lease obligations under these leases. If EME fails to pay under its guarantee, including payments due under the Powerton-Joliet leases in the event that Midwest Generation could not make such payments, this would result in an event of default under the Powerton and Joliet leases. This event would have a material adverse effect on Midwest Generation.

Contractual Obligations and Contingencies

Fuel Supply Contracts and Coal Transportation Agreements

For a discussion of fuel supply contracts and coal transportation agreements, see “Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 6. Commitments and Contingencies—Commitments—Fuel Supply Contracts and Coal Transportation Agreements.”

New Source Review and Other Litigation

For a discussion of the New Source Review lawsuit, see “Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 6. Commitments and Contingencies—Contingencies—New Source Review and Other Litigation.”

Off-Balance Sheet Transactions

For a discussion of Midwest Generation’s off-balance sheet transactions, refer to “Off-Balance Sheet Transactions” in Item 7 on page 39 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010. There have been no significant developments with respect to Midwest Generation’s off-balance sheet transactions that affect disclosures presented in Midwest Generation’s annual report.

Environmental Matters and Regulations

For a discussion of Midwest Generation’s environmental matters, refer to “Environmental Matters and Regulations” in Item 1 on page 10 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010. There have been no significant developments with respect to environmental matters specifically affecting Midwest Generation since the filing of Midwest Generation’s annual report, except as set forth in “Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 7. Environmental Developments.”

MARKET RISK EXPOSURES

For a detailed discussion of Midwest Generation's market risk exposures, including commodity price risk, credit risk and interest rate risk, refer to "Market Risk Exposures" in Item 7 on page 40 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010.

Derivative Instruments

Unrealized Gains and Losses

Midwest Generation classifies unrealized gains and losses from derivative instruments (other than the effective portion of derivatives that qualify for hedge accounting) as part of operating revenues or fuel costs. The following table summarizes unrealized gains (losses):

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Non-qualifying hedges	\$ (8)	\$ (12)	\$ (7)	\$ (18)
Ineffective portion of cash flow hedges	1	(2)	—	1
Total unrealized losses	\$ (7)	\$ (14)	\$ (7)	\$ (17)

At September 30, 2011, cumulative unrealized gains of \$1 million were recognized from non-qualifying hedge contracts or the ineffective portion of cash flow hedges related to subsequent periods (unrealized losses of \$2 million for the remainder of 2011 and unrealized gains of \$3 million for 2012).

Fair Value Disclosures

In determining the fair value of Midwest Generation's derivative positions, Midwest Generation uses third-party market pricing where available. For further explanation of the fair value hierarchy and a discussion of Midwest Generation's derivative instruments, see "Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 2. Fair Value Measurements" and "—Note 3. Derivative Instruments and Hedging Activities," respectively.

Commodity Price Risk

Energy Price Risk

Energy and capacity from the Midwest Generation plants are sold under terms, including price, duration and quantity, arranged by EMMT with customers through a combination of bilateral agreements (resulting from negotiations or from auctions), forward energy sales and spot market sales. Power is sold into PJM at spot prices based upon locational marginal pricing. Hedging transactions related to generation are generally entered into at the Northern Illinois Hub, and to a lesser extent, the AEP/Dayton and Cinergy Hubs, all in PJM. In addition, energy hedging transactions may be entered into using natural gas.

The following table depicts the average historical market prices for energy per megawatt-hour for the first nine months of 2011 and 2010:

	24-Hour Average Historical Market Prices ¹	
	2011	2010
Northern Illinois Hub	\$ 35.39	\$ 35.02

¹ Energy prices were calculated at the Northern Illinois Hub delivery point using historical hourly real-time prices as published by PJM or provided on the PJM web site.

The following table sets forth the forward market prices for energy per megawatt-hour as quoted for sales into the Northern Illinois Hub at September 30, 2011:

	24-Hour Forward Energy Prices ¹ Northern Illinois Hub
2011	
October	\$ 26.05
November	27.27
December	31.10
2012 calendar "strip" ²	\$ 33.67
2013 calendar "strip" ²	\$ 36.48

¹ Energy prices were determined by obtaining broker quotes and information from other public sources relating to the Northern Illinois Hub delivery point.

² Market price for energy purchases for the entire calendar year.

Forward market prices at the Northern Illinois Hub fluctuate as a result of a number of factors, including natural gas prices, transmission congestion, changes in market rules, electricity demand (which in turn is affected by weather, economic growth and other factors), plant outages in the region, and the amount of existing and planned power plant capacity. The actual spot prices for electricity delivered by the Midwest Generation plants into these markets may vary materially from the forward market prices set forth in the preceding table.

EMMT engages in hedging activities for the Midwest Generation plants to hedge the risk of future change in the price of electricity. The following table summarizes Midwest Generation's hedge positions for contracts primarily entered into at the Northern Illinois and to a lesser extent the AEP/Dayton and Cinergy Hubs (including forward contracts accounted for on the accrual basis) at September 30, 2011 for electricity expected to be generated during the remainder of 2011 and in 2012 and 2013:

	2011	2012	2013
MWh (in thousands)	3,959	8,206	1,020
Average price/MWh ¹	\$ 38.61	\$ 37.60	\$ 39.11

¹ The above hedge positions include forward contracts for the sale of power and futures contracts during different periods of the year and the day. Market prices tend to be higher during on-peak periods and during summer months, although there is significant variability of power prices during different periods of time. Accordingly, the above hedge positions are not directly comparable to the 24-hour Northern Illinois Hub prices set forth above.

Capacity Price Risk

The following table summarizes the status of capacity sales for Midwest Generation at September 30, 2011:

	Installed Capacity MW	Unsold Capacity ¹ MW	Capacity Sold MW	RPM Capacity Sold in Base Residual Auction		Other Capacity Sales, Net of Purchases ²		Aggregate Average Price per MW-day
				MW	Price per MW-day	MW	Average Price per MW-day	
October 1, 2011 to May 31, 2012	5,477	(495)	4,982	4,582	\$ 110.00	400	\$ 85.00	\$ 107.99
June 1, 2012 to May 31, 2013	5,477	(773)	4,704	4,704	16.46	—	—	16.46
June 1, 2013 to May 31, 2014	5,477	(827)	4,650	4,650	27.73	—	—	27.73
June 1, 2014 to May 31, 2015	5,477	(852)	4,625	4,625	125.99	—	—	125.99

¹ Capacity not sold arises from: (i) capacity retained to meet forced outages under the RPM auction guidelines, and (ii) capacity that PJM does not purchase at the clearing price resulting from the RPM auction.

² Other capacity sales and purchases, net includes contracts executed in advance of the RPM base residual auction to hedge the price risk related to such auction, participation in RPM incremental auctions and other capacity transactions entered into to manage capacity risks.

The RPM auction capacity prices for the delivery period of June 1, 2012 to May 31, 2013 and June 1, 2013 to May 31, 2014 varied between different areas of PJM. In the western portion of PJM, affecting Midwest Generation, the prices of \$16.46 per MW-day and \$27.73 per MW-day were substantially lower than other areas' capacity prices. The impact of lower capacity prices for these periods compared to previous years will have an adverse effect on Midwest Generation's revenues unless such lower capacity prices are offset by an unavailability of competing resources and increased energy prices.

Basis Risk

During the nine months ended September 30, 2011, prices at the individual busbars of the Midwest Generation plants were lower than the AEP/Dayton Hub, Cinergy Hub and Northern Illinois Hub by an average of 12%, 1% and 1%, respectively, compared to 10%, 1% and 1%, respectively, during the nine months ended September 30, 2010, due to transmission congestion in PJM.

Coal and Transportation Price Risk

The Midwest Generation plants purchase coal primarily from the Southern PRB of Wyoming. Coal purchases are made under a variety of supply agreements. The following table summarizes the amount of coal under contract at September 30, 2011 for the remainder of 2011 and the following three years:

	October through December 2011	2012	2013	2014
Amount of Coal Under Contract in Millions of Equivalent Tons ¹	5.0	13.7	9.8	9.8

¹ The amount of coal under contract in equivalent tons is calculated based on contracted tons and applying an 8,800 Btu equivalent.

Midwest Generation is subject to price risk for purchases of coal that are not under contract. Prices of PRB coal (with 8,800 Btu per pound heat content and 0.8 pounds of SO₂ per MMBtu sulfur content)

purchased for the Midwest Generation plants fluctuated between \$12.35 per ton and \$15 per ton during the first nine months of 2011. The market price of PRB coal increased to a price of \$15 per ton at September 30, 2011, compared to a price of \$13.60 per ton at December 31, 2010, as reported by the Energy Information Administration.

Midwest Generation has contracts for the transport of coal to its facilities. The primary contract is with Union Pacific Railroad (and various short-haul carriers), which extends through December 31, 2011. Midwest Generation is exposed to price risk related to transportation rates after the expiration of its existing transportation contracts. Current market transportation rates for PRB coal are materially higher than the existing rates under contract. Midwest Generation expects to finalize a new long-term contract for the transport of coal during the fourth quarter of 2011.

Emission Allowances Price Risk

Under CSAPR, beginning January 1, 2012, the amount of SO₂ that a plant emits in its operation will need to be matched by a sufficient amount of SO₂ allowances designated under this program (CSAPR SO₂ allowances) that are either allocated to the plant under the CSAPR program or purchased in the open market. SO₂ allowances under the federal Acid Rain Program cannot be used to satisfy the requirements under CSAPR. Midwest Generation will be impacted by market prices for additional CSAPR SO₂ allowances required, but availability and market prices are uncertain. For additional information on CSAPR, see “Management’s Overview—Cross-State Air Pollution Rule” and “Midwest Generation, LLC and Subsidiaries Notes to Consolidated Financial Statements—Note 7. Environmental Developments—Cross-State Air Pollution Rule.”

Credit Risk

Midwest Generation derives a significant source of its operating revenues from electric power sold into the PJM market by EMMT. Sales into PJM accounted for approximately 81% of Midwest Generation’s consolidated operating revenues for the nine months ended September 30, 2011.

Interest Rate Risk

Interest rate changes can affect earnings and the cost of capital for capital improvements. Midwest Generation has a \$500 million working capital facility, maturing in 2012, which exposes Midwest Generation to the risk of earnings loss resulting from changes in interest rates from any borrowings outstanding. At September 30, 2011, Midwest Generation had no borrowings outstanding.

Regulatory Matters

For a discussion of Midwest Generation’s regulatory matters, refer to “Regulatory Matters” in Item 1 on page 9 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010. There have been no significant developments with respect to regulatory matters specifically affecting Midwest Generation since the filing of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010, except as follows:

Dodd-Frank Act

The Commodities Futures Trading Commission and the Securities Exchange Commission had been expected to issue rules and regulations to fulfill the mandates of the Dodd-Frank Wall Street Reform and Consumer Protection Act by July 2011. The agencies have announced they intend to complete the issuances in the first half of 2012.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

For a discussion of Midwest Generation's critical accounting policies, refer to "Critical Accounting Estimates and Policies" in Item 7 on page 46 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of market risk sensitive instruments, refer to "Market Risk Exposures" in Item 7 on page 40 of Midwest Generation's annual report on Form 10-K for the year ended December 31, 2010. For an update to that disclosure, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk Exposures."

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Midwest Generation's management, under the supervision and with the participation of the company's President and Chief Financial Officer, has evaluated the effectiveness of Midwest Generation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on that evaluation, the President and Chief Financial Officer concluded that, as of the end of the period, Midwest Generation's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

There were no changes in Midwest Generation's internal control over financial reporting (as that term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, Midwest Generation's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of Midwest Generation’s legal proceedings, refer to “Contingencies” in Item 8 on page 90 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010. There have been no significant developments with respect to legal proceedings specifically affecting Midwest Generation since the filing of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010, except as follows:

New Source Review and Other Litigation

Nine of ten PSD claims in the US EPA’s New Source Review litigation have been dismissed, along with claims related to alleged violations of Title V of the CAA to the extent based on the dismissed PSD claims. The court has also dismissed all claims asserted against Commonwealth Edison and EME. The court denied a motion to dismiss a claim by the Chicago-based environmental action groups for civil penalties in the remaining PSD claim, but noted that the plaintiffs will be required to convince the court that the statute of limitations should be equitably tolled. The court did not address other counts in the complaint that allege violations of opacity and particulate matter limitations under the Illinois State Implementation Plan and Title V of the CAA. Trial of the liability portion of the case is scheduled to commence June 3, 2013. A motion filed by the plaintiffs requesting that the dismissals be certified as “partial final judgments” capable of appeal, and requesting that the remaining claims be stayed pending such an appeal, is pending.

In May 2011, two complaints were filed against Midwest Generation in the Northern District of Illinois by residents living near the Crawford and Fisk facilities on behalf of themselves and all others similarly situated, each asserting claims of nuisance, negligence, trespass, and strict liability. The plaintiffs sought to have their suits certified as a class action and requested injunctive relief, as well as compensatory and punitive damages. In October 2011, the complaints were dismissed for lack of federal jurisdiction.

ITEM 1A. RISK FACTORS

For a discussion of the risks, uncertainties, and other important factors which could materially affect Midwest Generation’s business, financial condition, or future results, refer to “Item 1A. Risk Factors” on page 18 of Midwest Generation’s annual report on Form 10-K for the year ended December 31, 2010. The risks described in Midwest Generation’s annual report on Form 10-K and in this report are not the only risks facing Midwest Generation. Additional risks and uncertainties that are not currently known, or that are currently deemed to be immaterial, also may materially adversely affect Midwest Generation’s business, financial condition or future results.

ITEM 4. REMOVED AND RESERVED

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of the President pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Statement Pursuant to 18 U.S.C. Section 1350.
101	Financial statements from the quarterly report on Form 10-Q of Midwest Generation, LLC for the quarter ended September 30, 2011, filed on November 2, 2011, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements tagged as blocks of text.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIDWEST GENERATION, LLC

By: _____ /s/ Maria Rigatti

Maria Rigatti
*Manager and Vice President
(Duly Authorized Officer and
Principal Financial Officer)*

Date: _____ November 2, 2011