Commonwealth Edison Company
ICC General Information Requirements
Sec. 285.305 (l)

FORM 10–Q

EXELON CORP – EXC

Filed: April 25, 2007 (period: March 31, 2007)

Quarterly report which provides a continuing view of a company's financial position

PART I.

PART II.

PART I.

PART II

EX-32.1 (CERTIFICATION FOR EXELON CORPORATION)

EX-32.2 (CERTIFICATION FOR EXELON CORPORATION)

EX-32.3 (CERTIFICATION FOR EXELON GENERATION COMPANY)

EX-32.4 (CERTIFICATION FOR EXELON GENERATION COMPANY)

EX-32.5 (CERTIFICATION FOR COMMONWEALTH EDISON COMPANY)

EX-32.6 (CERTIFICATION FOR COMMONWEALTH EDISON COMPANY)

EX-32.7 (CERTIFICATION FOR PECO ENERGY COMPANY)

EX-32.8 (CERTIFICATION FOR PECO ENERGY COMPANY)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10–Q

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

For the Quarterly Period Ended March 31, 2007

or

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

Commission File Number	Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
1–16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street P.O. Box 805379 Chicago, Illinois 60680–5379 (312) 394–7398	23–2990190
333–85496	EXELON GENERATION COMPANY, LLC (a Pennsylvania limited liability company) 300 Exelon Way Kennett Square, Pennsylvania 19348 (610) 765–5959	23–3064219
1–1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street Chicago, Illinois 60605–1028 (312) 394–4321	36–0938600
000–16844	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101–8699 (215) 841–4000	23–0970240

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 þ No o.

The number of shares outstanding of each registrant's common stock as of March 31, 2007 was:

Exelon Corporation Common Stock, without par value	672,650,097
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,519
PECO Energy Company Common Stock, without par value	170,478,507

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

	Large Accelerated Filer	Accelerated Filer	Non–accelerated Filer
Exelon Corporation	ü		
Exelon Generation Company, LLC			ü
Commonwealth Edison Company			ü
PECO Energy Company			ü

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b–2 of the Act). Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company and PECO Energy Company Yes o No þ.

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FILING FORMAT

This combined Form 10–Q is being filed separately by Exelon Corporation (Exelon), Exelon Generation Company, LLC (Generation), Commonwealth Edison Company (ComEd), and PECO Energy Company (PECO) (collectively, the Registrants). Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant.

FORWARD–LOOKING STATEMENTS

Certain of the matters discussed in this Report are forward–looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward–looking statements made by a registrant include (a) those factors discussed in the following sections of the Registrants' 2006 Annual Report on Form 10–K: ITEM 1A. Risk Factors, as updated by Part II, Item 1A of this Report, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and ITEM 8. Financial Statements and Supplementary Data: Note 18, as updated by Note 13 of this Report; and (b) other factors discussed herein and in other filings with the United States Securities and Exchange Commission (SEC) by the Registrants. Readers are cautioned not to place undue reliance on these forward–looking statements, which apply only as of the date of this Report. None of the Registrants undertakes any obligation to publicly release any revision to its forward–looking statements to reflect events or circumstances after the date of this Report.

WHERE TO FIND MORE INFORMATION

The public may read and copy any reports or other information that the Registrants file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1–800–SEC–0330. These documents are also available to the public from commercial document retrieval services, the website maintained by the SEC at www.sec.gov and the Registrant's websites at www.exeloncorp.com. Information contained on Exelon's website shall not be deemed incorporated into, or to be a part of, this Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
(In millions, except per share data)	**2007**	**2006**
Operating revenues	$ 4,829	$ 3,861
Operating expenses		
Purchased power	1,245	525
Fuel	770	937
Operating and maintenance	1,058	1,024
Depreciation and amortization	369	363
Taxes other than income	196	194
Total operating expenses	3,638	3,043
Operating income	1,191	818
Other income and deductions		
Interest expense	(156)	(153)
Interest expense to affiliates, net	(57)	(71)
Equity in losses of unconsolidated affiliates and investments	(26)	(39)
Other, net	63	45
Total other income and deductions	(176)	(218)
Income from continuing operations before income taxes	1,015	600
Income taxes	334	201
Income from continuing operations	681	399
Discontinued operations		
Income from discontinued operations (net of taxes of $2 and $0 for the three months ended March 31, 2007 and 2006, respectively)	5	1
Gain on disposal of discontinued operations (net of taxes of $3 and $0 for the three months ended March 31, 2007 and 2006, respectively)	5	—
Income from discontinued operations, net	10	1
Net income	691	400
Other comprehensive income (loss), net of income taxes		
Pension and non-pension postretirement benefit plans:		
Prior service benefit reclassified to periodic benefit cost ($2 and $(4) related to pension and non-pension postretirement benefit plans, respectively)	(2)	—
Actuarial loss reclassified to periodic benefit cost ($16 and $5 related to pension and non-pension postretirement benefit plans, respectively)	21	—
Transition obligation reclassified to periodic benefit cost ($0 and $1 related to pension and non-pension postretirement benefit plans, respectively)	1	—
Change in unrealized gain (loss) on cash-flow hedges	(418)	92
Unrealized gain on marketable securities	9	28
State income tax alignment	3	—
Other comprehensive income (loss)	(386)	120
Comprehensive income	$ 305	$ 520
Average shares of common stock outstanding:		
Basic	672	669
Diluted	677	675
Earnings per average common share — basic:		
Income from continuing operations	$ 1.01	$ .60
Income from discontinued operations	0.01	—
Net income	$ 1.02	$ .60
Earnings per average common share — diluted:		
Income from continuing operations	$ 1.01	$ .59
Income from discontinued operations	0.01	—
Net income	$ 1.02	$ .59
Dividends per common share	$ 0.44	$ 0.40

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Cash flows from operating activities		
Net income	$ 691	$ 400
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	533	524
Deferred income taxes and amortization of investment tax credits	(75)	(35)
Net realized and unrealized mark–to–market and hedging transactions	116	21
Other non–cash operating activities	170	176
Changes in assets and liabilities:		
Accounts receivable	(295)	253
Inventories	141	65
Accounts payable, accrued expenses and other current liabilities	(200)	(454)
Counterparty collateral asset	(101)	146
Counterparty collateral liability	(246)	(41)
Income taxes	319	35
Pension and non–pension postretirement benefit contributions	(20)	(15)
Other assets and liabilities	(365)	(227)
Net cash flows provided by operating activities	668	848
Cash flows from investing activities		
Capital expenditures	(672)	(613)
Proceeds from nuclear decommissioning trust fund sales	945	932
Investment in nuclear decommissioning trust funds	(1,007)	(1,000)
Proceeds from sale of investments	95	—
Change in restricted cash	9	5
Other investing activities	(29)	(37)
Net cash flows used in investing activities	(659)	(713)
Cash flows from financing activities		
Issuance of long–term debt	460	320
Retirement of long–term debt	(179)	(16)
Retirement of long–term debt to financing affiliates	(264)	(215)
Change in short–term debt	331	30
Dividends paid on common stock	(296)	(267)
Proceeds from employee stock plans	98	81
Purchase of treasury stock	(37)	(54)
Other financing activities	34	20
Net cash flows provided by (used in) financing activities	147	(101)
Increase in cash and cash equivalents	156	34
Cash and cash equivalents at beginning of period	224	140
Cash and cash equivalents at end of period	$ 380	$ 174

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 380	$ 224
Restricted cash and investments	49	58
Accounts receivable, net		
Customer	2,077	1,747
Other	400	462
Mark–to–market derivative assets	506	1,418
Inventories, net		
Fossil fuel	176	300
Materials and supplies	422	431
Deferred income taxes	133	—
Other	668	352
Total current assets	4,811	4,992
Property, plant and equipment, net	23,133	22,775
Deferred debits and other assets		
Regulatory assets	5,629	5,808
Nuclear decommissioning trust funds	6,540	6,415
Investments	653	725
Investments in affiliates	80	85
Goodwill	2,641	2,694
Mark–to–market derivative assets	152	171
Other	1,072	654
Total deferred debits and other assets	16,767	16,552
Total assets	$ 44,711	$ 44,319

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short–term borrowings	$ 636	$ 305
Long–term debt due within one year	383	248
Long–term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust due within one year	697	581
Accounts payable	1,251	1,382
Mark–to–market derivative liabilities	757	1,015
Accrued expenses	987	1,180
Other	811	1,084
Total current liabilities	5,522	5,795
Long–term debt	9,045	8,896
Long–term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust	2,066	2,470
Long–term debt to other financing trusts	545	545
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,114	5,340
Asset retirement obligations	3,837	3,780
Pension obligations	731	747
Non–pension postretirement benefit obligations	1,848	1,817
Spent nuclear fuel obligation	962	950
Regulatory liabilities	3,140	3,025
Mark–to–market derivative liabilities	217	78
Other	1,481	782
Total deferred credits and other liabilities	17,330	16,519
Total liabilities	34,508	34,225
Commitments and contingencies		
Preferred securities of subsidiaries	87	87
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 673 and 670 shares outstanding at March 31, 2007 and December 31, 2006, respectively)	8,467	8,314
Treasury stock, at cost (13 and 13 shares held at March 31, 2007 and December 31, 2006, respectively)	(667)	(630)
Retained earnings	3,805	3,426
Accumulated other comprehensive loss, net	(1,489)	(1,103)
Total shareholders' equity	10,116	10,007
Total liabilities and shareholders' equity	$ 44,711	$ 44,319

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2006	683	$ 8,314	$ (630)	$ 3,426	$ (1,103)	$ 10,007
Net income	—	—	—	691	—	691
Long–term incentive plan activity	3	153	—	—	—	153
Common stock purchases	—	—	(37)	—	—	(37)
Common stock dividends declared	—	—	—	(296)	—	(296)
Adoption of Financial Accounting Standards Board Interpretation No. 48 (FIN 48)	—	—	—	(16)	—	(16)
Other comprehensive loss, net of income taxes of $(248)	—	—	—	—	(386)	(386)
Balance, March 31, 2007	686	$ 8,467	$ (667)	$ 3,805	$ (1,489)	$ 10,116

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating revenues		
Operating revenues	$ 1,843	$ 1,032
Operating revenues from affiliates	860	1,188
Total operating revenues	2,703	2,220
Operating expenses		
Purchased power	594	363
Fuel	471	611
Operating and maintenance	561	593
Operating and maintenance from affiliates	78	75
Depreciation and amortization	67	67
Taxes other than income	41	43
Total operating expenses	1,812	1,752
Operating income	891	468
Other income and deductions		
Interest expense	(35)	(42)
Interest expense to affiliates, net	—	(1)
Equity in earnings (losses) of investments	2	(3)
Other, net	32	7
Total other income and deductions	(1)	(39)
Income from continuing operations before income taxes	890	429
Income taxes	335	161
Income from continuing operations	555	268
Discontinued operations		
Gain on disposal of discontinued operations (net of taxes of $3 and $0 for the three months ended March 31, 2007 and 2006, respectively)	5	—
Income from discontinued operations, net	5	—
Net income	560	268
Other comprehensive income (loss), net of income taxes		
Change in unrealized gain (loss) on cash-flow hedges	(422)	92
Unrealized gain on marketable securities	9	28
Other comprehensive income (loss)	(413)	120
Comprehensive income	$ 147	$ 388

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Cash flows from operating activities		
Net income	$ 560	$ 268
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	230	226
Deferred income taxes and amortization of investment tax credits	(25)	(1)
Net realized and unrealized mark–to–market and hedging transactions	118	23
Other non–cash operating activities	56	70
Changes in assets and liabilities		
Accounts receivable	(166)	150
Receivables from and payables to affiliates, net	257	55
Inventories	30	24
Accounts payable, accrued expenses and other current liabilities	(118)	(307)
Counterparty collateral asset	(101)	146
Counterparty collateral liability	(246)	(41)
Income taxes	358	85
Pension and non–pension postretirement benefit contributions	(11)	(5)
Other assets and liabilities	(119)	(96)
Net cash flows provided by operating activities	823	597
Cash flows from investing activities		
Capital expenditures	(290)	(286)
Proceeds from nuclear decommissioning trust fund sales	945	932
Investment in nuclear decommissioning trust funds	(1,007)	(1,000)
Proceeds from sale of investments	95	—
Changes in Exelon intercompany money pool contributions	(117)	—
Change in restricted cash	1	1
Other investing activities	(7)	(1)
Net cash flows used in investing activities	(380)	(354)
Cash flows from financing activities		
Changes in Exelon intercompany money pool borrowings	—	(88)
Distribution to member	(295)	(165)
Contribution from member	—	5
Other financing activities	1	2
Net cash flows used in financing activities	(294)	(246)
Increase (decrease) in cash and cash equivalents	149	(3)
Cash and cash equivalents at beginning of period	128	34
Cash and cash equivalents at end of period	$ 277	$ 31

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 277	$ 128
Restricted cash and investments	1	2
Accounts receivable, net		
Customer	760	575
Other	88	122
Mark–to–market derivative assets	497	1,408
Receivable from affiliates	239	437
Inventories, net		
Fossil fuel	110	127
Materials and supplies	331	335
Deferred income taxes	98	—
Contributions to Exelon intercompany money pool	130	13
Prepayments and other current assets	377	286
Total current assets	2,908	3,433
Property, plant and equipment, net	7,631	7,514
Deferred debits and other assets		
Nuclear decommissioning trust funds	6,540	6,415
Investments	35	115
Mark–to–market derivative assets	151	171
Prepaid pension asset	986	996
Other	337	265
Total deferred debits and other assets	8,049	7,962
Total assets	$ 18,588	$ 18,909

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Long–term debt due within one year	$ 12	$ 12
Accounts payable	754	899
Mark–to–market derivative liabilities	751	1,003
Payables to affiliates	59	—
Accrued expenses	761	496
Deferred income taxes	—	142
Other	138	362
Total current liabilities	2,475	2,914
Long–term debt	1,778	1,778
Deferred credits and other liabilities		
Asset retirement obligations	3,657	3,602
Pension obligation	36	37
Non–pension postretirement benefit obligations	555	538
Spent nuclear fuel obligation	962	950
Deferred income taxes and unamortized investment tax credits	1,349	1,380
Payables to affiliates	1,945	1,911
Mark–to–market derivative liabilities	216	77
Other	314	238
Total deferred credits and other liabilities	9,034	8,733
Total liabilities	13,287	13,425
Commitments and contingencies		
Minority interest of consolidated subsidiary	1	1
Member's equity		
Membership interest	3,267	3,267
Undistributed earnings	2,030	1,800
Accumulated other comprehensive income, net	3	416
Total member's equity	5,300	5,483
Total liabilities and member's equity	$ 18,588	$ 18,909

See the Combined Notes to Consolidated Financial Statements

EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY
(Unaudited)

(In millions)	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income (Loss)	Total Member's Equity
Balance, December 31, 2006	$ 3,267	$ 1,800	$ 416	$ 5,483
Net income	—	560	—	560
Distribution to member	—	(295)	—	(295)
Adoption of FIN 48	—	(35)	—	(35)
Other comprehensive loss, net of income taxes of $(260)	—	—	(413)	(413)
Balance, March 31, 2007	$ 3,267	$ 2,030	$ 3	$ 5,300

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Operating revenues		
Operating revenues	$ 1,488	$ 1,423
Operating revenues from affiliates	2	3
Total operating revenues	1,490	1,426
Operating expenses		
Purchased power	588	91
Purchased power from affiliate	380	771
Operating and maintenance	195	164
Operating and maintenance from affiliates	49	52
Depreciation and amortization	107	98
Taxes other than income	80	81
Total operating expenses	1,399	1,257
Operating income	91	169
Other income and deductions		
Interest expense	(68)	(56)
Interest expense to affiliates, net	(15)	(20)
Equity in losses of unconsolidated affiliates	(2)	(3)
Other, net	2	1
Total other income and deductions	(83)	(78)
Income before income taxes	8	91
Income taxes	3	37
Net income	5	54
Other comprehensive gain, net of income taxes		
Change in unrealized gain on cash–flow hedges	3	—
Other comprehensive income	3	—
Comprehensive income	$ 8	$ 54

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Cash flows from operating activities		
Net income	$ 5	$ 54
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Depreciation, amortization and accretion	107	98
Deferred income taxes and amortization of investment tax credits	9	(8)
Net realized and unrealized mark–to–market and hedging transactions	(2)	10
Other non–cash operating activities	51	37
Changes in assets and liabilities:		
Accounts receivable	(38)	58
Inventories	6	(3)
Accounts payable, accrued expenses and other current liabilities	36	(25)
Receivables from and payables to affiliates, net	(142)	4
Income taxes	(4)	59
Pension and non–pension postretirement benefit contributions	(1)	(2)
Other assets and liabilities	(58)	(8)
Net cash flows provided by (used in) operating activities	(31)	274
Cash flows from investing activities		
Capital expenditures	(289)	(234)
Change in restricted cash	(2)	(2)
Other investing activities	3	—
Net cash flows used in investing activities	(288)	(236)
Cash flows from financing activities		
Changes in short–term debt	280	(151)
Issuance of long–term debt	287	320
Retirement of long–term debt	(145)	—
Retirement of long–term debt to ComEd Transitional Funding Trust	(86)	(89)
Changes in Exelon intercompany money pool borrowings	—	(140)
Contributions from parent	—	23
Other financing activities	—	(3)
Net cash flows provided by (used in) financing activities	336	(40)
Increase (decrease) in cash and cash equivalents	17	(2)
Cash and cash equivalents at beginning of period	35	38
Cash and cash equivalents at end of period	$ 52	$ 36

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 52	$ 35
Restricted cash	2	—
Accounts receivable, net		
Customer	770	740
Other	132	62
Inventories, net	76	83
Deferred income taxes	9	29
Receivables from affiliates	—	18
Regulatory assets	73	—
Other	36	40
Total current assets	1,150	1,007
Property, plant and equipment, net	10,652	10,457
Deferred debits and other assets		
Regulatory assets	517	532
Investments	44	44
Investments in affiliates	18	20
Goodwill	2,641	2,694
Receivables from affiliates	1,793	1,774
Prepaid pension asset	905	914
Other	469	332
Total deferred debits and other assets	6,387	6,310
Total assets	$ 18,189	$ 17,774

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short–term borrowings	$ 340	$ 60
Long–term debt due within one year	298	147
Long–term debt to ComEd Transitional Funding Trust due within one year	285	308
Accounts payable	290	203
Accrued expenses	230	467
Payables to affiliates	79	219
Customer deposits	115	114
Regulatory liabilities	6	—
Other	73	82
Total current liabilities	1,716	1,600
Long–term debt	3,424	3,432
Long–term debt to ComEd Transitional Funding Trust	252	340
Long–term debt to other financing trusts	361	361
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,002	2,310
Asset retirement obligations	158	156
Non–pension postretirement benefit obligations	190	176
Regulatory liabilities	2,853	2,824
Other	928	277
Total deferred credits and other liabilities	6,131	5,743
Total liabilities	11,884	11,476
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid–in capital	4,906	4,906
Retained deficit	(189)	(193)
Accumulated other comprehensive loss, net	—	(3)
Total shareholders' equity	6,305	6,298
Total liabilities and shareholders' equity	$ 18,189	$ 17,774

See the Combined Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock	Other Paid-In Capital	Retained Deficits Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2006	$ 1,588	$ 4,906	$ (1,632)	$ 1,439	$ (3)	$ 6,298
Net income	—	—	5	—	—	5
Appropriation of retained earnings for future dividends	—	—	(4)	4	—	—
Adoption of FIN 48	—	—	(1)	—	—	(1)
Other comprehensive income, net of income taxes of $1	—	—	—	—	3	3
Balance, March 31, 2007	$ 1,588	$ 4,906	$ (1,632)	$ 1,443	$ —	$ 6,305

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Operating revenues		
Operating revenues	$ 1,496	$ 1,403
Operating revenues from affiliates	4	4
Total operating revenues	1,500	1,407
Operating expenses		
Purchased power	64	71
Purchased power from affiliate	480	416
Fuel	299	326
Operating and maintenance	119	117
Operating and maintenance from affiliates	29	31
Depreciation and amortization	185	171
Taxes other than income	71	65
Total operating expenses	1,247	1,197
Operating income	253	210
Other income and deductions		
Interest expense	(19)	(18)
Interest expense to affiliates, net	(43)	(51)
Equity in losses of unconsolidated affiliates	(2)	(3)
Other, net	5	3
Total other income and deductions	(59)	(69)
Income before income taxes	194	141
Income taxes	66	48
Net income	128	93
Preferred stock dividends	1	1
Net income on common stock	$ 127	$ 92
Comprehensive income, net of income taxes		
Net income	$ 128	$ 93
Comprehensive income	$ 128	$ 93

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended March 31, 2007	2006
Cash flows from operating activities		
Net income	$ 128	$ 93
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	185	171
Deferred income taxes and amortization of investment tax credits	(77)	(70)
Other non–cash operating activities	29	36
Changes in assets and liabilities:		
Accounts receivable	(97)	(3)
Inventories	105	44
Accounts payable, accrued expenses and other current liabilities	(71)	(68)
Receivables from and payables to affiliates, net	(23)	(5)
Income taxes	167	136
Pension and non–pension postretirement benefit contributions	(6)	(5)
Other assets and liabilities	(139)	(94)
Net cash flows provided by operating activities	201	235
Cash flows from investing activities		
Capital expenditures	(85)	(90)
Changes in Exelon intercompany money pool contributions	—	8
Change in restricted cash	3	(1)
Other investing activities	(3)	(1)
Net cash flows used in investing activities	(85)	(84)
Cash flows from financing activities		
Issuance of long–term debt	173	—
Retirement of long–term debt to PECO Energy Transition Trust	(178)	(126)
Change in short–term debt	5	87
Changes in Exelon intercompany money pool borrowings	(32)	—
Dividends paid on common and preferred stock	(156)	(117)
Contributions from parent	65	48
Net cash flows used in financing activities	(123)	(108)
Increase (decrease) in cash and cash equivalents	(7)	43
Cash and cash equivalents at beginning of period	29	37
Cash and cash equivalents at end of period	$ 22	$ 80

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 22	$ 29
Restricted cash	1	4
Accounts receivable, net		
Customer	534	426
Other	98	79
Inventories, net		
Gas	66	173
Materials and supplies	15	13
Deferred income taxes	26	25
Prepaid utility taxes	149	—
Other	11	13
Total current assets	922	762
Property, plant and equipment, net	4,698	4,651
Deferred debits and other assets		
Regulatory assets	3,749	3,896
Investments	23	21
Investments in affiliates	63	64
Receivable from affiliate	164	151
Other	458	228
Total deferred debits and other assets	4,457	4,360
Total assets	$ 10,077	$ 9,773

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	March 31, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 100	$ 95
Borrowings from Exelon intercompany money pool	13	45
Long-term debt to PECO Energy Transition Trust due within one year	412	273
Accounts payable	139	175
Accrued expenses	215	121
Payables to affiliates	212	203
Customer deposits	52	50
Other	27	16
Total current liabilities	1,170	978
Long-term debt	1,644	1,469
Long-term debt to PECO Energy Transition Trust	1,814	2,131
Long-term debt to other financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,713	2,601
Asset retirement obligations	21	21
Non-pension postretirement benefit obligations	285	283
Regulatory liabilities	237	151
Other	150	146
Total deferred credits and other liabilities	3,406	3,202
Total liabilities	8,218	7,964
Commitments and contingencies		
Shareholders' equity		
Common stock	2,223	2,223
Preferred stock	87	87
Receivable from parent	(1,025)	(1,090)
Retained earnings	569	584
Accumulated other comprehensive income, net	5	5
Total shareholders' equity	1,859	1,809
Total liabilities and shareholders' equity	$ 10,077	$ 9,773

See the Combined Notes to Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock	Preferred Stock	Receivable from Parent	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2006	$ 2,223	$ 87	$ (1,090)	$ 584	$ 5	$ 1,809
Net income	—	—	—	128	—	128
Common stock dividends	—	—	—	(155)	—	(155)
Preferred stock dividends	—	—	—	(1)	—	(1)
Repayment of receivable from parent	—	—	65	—	—	65
Adoption of FIN 48	—	—	—	13	—	13
Balance, March 31, 2007	$ 2,223	$ 87	$ (1,025)	$ 569	$ 5	$ 1,859

See the Combined Notes to Consolidated Financial Statements

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share data, unless otherwise noted)

1. Basis of Presentation (Exelon, Generation, ComEd and PECO)

Exelon Corporation (Exelon) is a utility services holding company engaged, through its subsidiaries, in the generation, energy delivery and other businesses discussed below. The generation business consists of the electric generating facilities, the wholesale energy marketing operations and competitive retail sales operations of Exelon Generation Company, LLC (Generation). The energy delivery businesses include the purchase and regulated retail and wholesale sale of electricity and the provision of distribution and transmission services by Commonwealth Edison Company (ComEd) in northern Illinois, including the City of Chicago, and by PECO Energy Company (PECO) in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services by PECO in the Pennsylvania counties surrounding the City of Philadelphia.

Exelon's consolidated financial statements include the accounts of entities in which Exelon has a controlling financial interest, other than certain financing trusts of ComEd and PECO, and Generation's and PECO's proportionate interests in jointly owned electric utility property, after the elimination of intercompany transactions. A controlling financial interest is evidenced by either a voting interest greater than 50% or a risk and rewards model that identifies Exelon or one of its subsidiaries as the primary beneficiary of the variable interest entity. Investments and joint ventures in which Exelon does not have a controlling financial interest and certain financing trusts of ComEd and PECO are accounted for under the equity or cost methods of accounting.

Exelon owns 100% of all significant consolidated subsidiaries, either directly or indirectly, except for ComEd, of which Exelon owns more than 99%, and PECO, of which Exelon owns 100% of the common stock but none of PECO's preferred stock. Exelon has reflected the third–party interests in ComEd as minority interests and PECO's preferred stock as preferred securities of subsidiaries in its consolidated financial statements.

Generation's consolidated financial statements include the accounts of its subsidiaries, including AmerGen Energy Company, LLC (AmerGen) and Exelon Energy Company, LLC. All intercompany transactions have been eliminated.

ComEd's consolidated financial statements include the accounts of ComEd and Commonwealth Edison Company of Indiana, Inc. All intercompany transactions have been eliminated.

PECO's consolidated financial statements include the accounts of its subsidiaries, including ExTel Corporation, LLC, Adwin Realty Company and PECO Wireless, LP. All intercompany transactions have been eliminated.

The accompanying consolidated financial statements as of March 31, 2007 and 2006 and for the three months then ended are unaudited but, in the opinion of the management of each of Exelon, Generation, ComEd and PECO (collectively, the Registrants), include all adjustments that are considered necessary for a fair presentation of its respective financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2006 Consolidated Balance Sheets were taken from audited financial statements. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for Quarterly Reports on Form 10–Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Certain prior–year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income. These notes should be read in conjunction with the Notes to Consolidated Financial Statements of Exelon, Generation, ComEd and PECO included in ITEM 8 of their 2006 Annual Report on Form 10–K.

2. Discontinued Operations (Exelon and Generation)

As discussed in Note 4 — Acquisitions and Dispositions, on January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe Energies, Inc. (Sithe). In addition, during 2003 and 2004, Exelon sold or wound down substantially all components of Exelon Enterprises Company, LLC (Enterprises). As a result, the results of operations and any gain or loss on the sale of these entities are presented as discontinued operations for the three months ended March 31, 2007 and 2006 within Exelon's (for Sithe and Enterprises) and Generation's (for Sithe) Consolidated Statements of Operations and Comprehensive Income.

For the three months ended March 31, 2007 and 2006, Exelon's Consolidated Statements of Operations and Comprehensive Income included $5 million and $1 million of income, respectively, from discontinued operations related to Enterprises.

For the three months ended March 31, 2007, Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income included $5 million (after–tax) gain on disposal of discontinued operations related primarily to Sithe, resulting from a settlement agreement between a subsidiary of Sithe, the Pennsylvania Attorney General's Office and the Pennsylvania Department of Revenue regarding a previously disputed tax position asserted for the 2000 tax year. There was no significant activity related to the discontinued operations for Sithe during the three months ended March 31, 2006. See Note 4 — Acquisitions and Dispositions for additional information regarding Generation's sale of its investment in Sithe.

3. New Accounting Pronouncements (Exelon, Generation, ComEd and PECO)

FIN 48

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 applies to all income tax positions taken on previously filed tax returns or expected to be taken on a future tax return. FIN 48 prescribes a benefit recognition model with a two–step approach, a more–likely–than–not recognition criterion and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold for purposes of applying FIN 48. Therefore, if it can be established that the only uncertainty is when an item is taken on a tax return, such positions have satisfied the recognition step for purposes of FIN 48 and uncertainty related to timing should be assessed as part of measurement. FIN 48 also requires that the amount of interest expense and income to be recognized related to uncertain tax positions be computed by applying the applicable statutory rate of interest to the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken in a tax return.

FIN 48 was effective for the Registrants as of January 1, 2007. The change in net assets as a result of applying this pronouncement was considered a change in accounting principle with the cumulative effect of the change required to primarily be treated as an adjustment to the opening balance of retained earnings. Adjustments to goodwill or regulatory accounts associated with the implementation of FIN 48 were based on other applicable accounting standards. See Note 10 — Income Taxes for additional information.

SFAS No. 157

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements but does not change the requirements to apply fair value in existing accounting standards. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. SFAS No. 157 will be effective for the Registrants as of January 1, 2008, and the Registrants are currently assessing the impact that SFAS No. 157 may have on their financial statements.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FAS Statement No. 115" (SFAS No. 159). SFAS No. 159 gives companies the option of applying at specified election dates fair value accounting to certain financial instruments and other items that are not currently required to be measured at fair value. If a company chooses to record eligible items at fair value, the company must report unrealized gains and losses on those items in earnings at each subsequent reporting date. SFAS No. 159 also prescribes presentation and disclosure requirements for assets and liabilities that are measured at fair value pursuant to this standard and pursuant to the guidance in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 159 will be effective for the Registrants as of January 1, 2008. As the provisions of SFAS No. 159 are applied prospectively, the impact to the Registrants will depend on the instruments selected for fair value measurement at the time of implementation.

4. Acquisitions and Dispositions (Exelon and Generation)

Sithe (Exelon and Generation)

On January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe. Specifically, subsidiaries of Generation closed on the acquisition of Reservoir Capital Group's 50% interest in Sithe and the sale of 100% of Sithe to Dynegy, Inc. (Dynegy).

In connection with the sale, Exelon recorded liabilities related to certain indemnifications provided to Dynegy and other guarantees directly resulting from the transaction. These indemnifications and guarantees are being accounted for under the provisions of FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others". The remaining exposures covered by these indemnities are anticipated to expire in 2007 and beyond. As of March 31, 2007, Exelon's accrued liabilities related to these indemnifications and guarantees were $42 million, including $1 million related to income tax indemnifications. The estimated maximum possible exposure to Exelon related to the guarantees provided as part of the sales transaction to Dynegy was approximately $175 million at March 31, 2007.

See Note 2 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10-K for further discussion of Generation's investment in Sithe.

Sale of Termoeléctrica del Golfo (TEG) and Termoeléctrica Peñoles (TEP) (Exelon and Generation)

On February 9, 2007, Tamuin International Inc. (TII), a wholly owned subsidiary of Generation, sold its 49.5% ownership interests in TEG and TEP to a subsidiary of AES Corporation for $95 million in cash plus certain purchase price adjustments. In connection with the transaction, Generation entered into a guaranty agreement under which Generation guarantees the timely payment of TII's obligations to the subsidiary of AES Corporation expressly covered under the purchase and sale agreement. Generation would be required to perform in the event that TII does not pay any obligation covered by the guaranty that is not otherwise subject to a dispute resolution process. Generation's maximum obligation under the guaranty is $95 million. The exposures covered by this guaranty are anticipated to expire in the second half of 2008 and beyond.

5. Regulatory Issues (Exelon, Generation, ComEd and PECO)

The legislatively mandated transition and rate freeze period in Illinois ended in January 2007. Associated with the end of this rate freeze, ComEd has been engaged in various regulatory proceedings to establish rates for the post–2006 period, which are more fully described below. In view of the rate increases following the expiration of the rate freeze, various Illinois legislative attempts, as more fully described below, have been made to roll back and freeze ComEd's rates for an additional period or to control the rate at which the rate increases are phased in.

Rate Freeze Extension Proposal (Exelon and ComEd). The increases in ComEd's 2007 rates following the expiration of the rate freeze reflect the pass–through of ComEd's costs of procuring electricity for customers, significant capital investment that ComEd made in distribution assets, and changes in ComEd's operating costs. ComEd believes that its average residential customer is experiencing an annual increase of approximately 24% in its electric bills; however, some customer increases have been larger (most notably for space heating customers whose bills reflect, in part, the unusually cold weather earlier this year). Customers of certain other Illinois utilities have experienced much more significant increases in their bills. ComEd has taken steps to assist customers with the rate increases, including a program that allows customers to elect to defer some of the increase to future years (see "Residential Rate Stabilization Program" below), various customer assistance and energy efficiency programs, and customer education programs (see "Environmental and Customer Assistance Programs" below).

On March 6, 2007, the Illinois House of Representatives (House) approved legislation that, if enacted, would roll back ComEd's current electricity rates to the rates that were in effect in 2006, exclusive of 2006 competitive transition charge (CTC) rates, would provide for a refund, with interest, of the charges collected from residential customers in excess of those rolled–back rates since January 2007, and would generally limit rate increases for all bundled service customers until at least 2010. Also, the Illinois State Senate's (Senate) Environment and Energy Committee (the Senate Committee) approved a bill, that, if enacted into law as amended, would roll back rates, exclusive of 2006 CTC rates, of certain Illinois utilities, not including ComEd, for at least one year, would provide for refunds, with interest, of charges collected from customers in excess of the rolled–back rates since January 2007, and would generally limit rate increases for at least one year. On March 22, 2007, the Senate Committee approved for consideration by the full Senate an amendment that would make the legislation applicable to all Illinois utilities, including ComEd. On April 20, 2007, the Senate passed legislation that would rollback and freeze the rates of certain Illinois utilities, not including ComEd. This bill now moves to the House. As of April 24, 2007, the Senate has not passed any legislation rolling back or freezing ComEd's rates.

To become law in Illinois, legislation would need to be passed by the House and Senate and signed by the Governor of Illinois (Governor). The Governor has expressed support for rate freeze legislation. If legislation is enacted, it could impose a rate freeze or take other forms. For example, some Illinois legislators have discussed the possibility of applying a tax on electric generation in the state as a means to reduce electric rates to the customers in the state. As of April 24, 2007, no electric generation tax legislation had been submitted to either the Illinois House or Senate committees for consideration. ComEd and other interested parties, including Generation and some other electric generating companies and suppliers, have been engaged in discussions with members of the Illinois General Assembly and other leaders to explore alternative measures in lieu of rate freeze legislation or taxes on electric generation that would provide financial assistance for Illinois electric customers with unusually high electric bills and other customers in need of financial assistance. ComEd plans to move forward with the customer relief programs affecting its customers provided that no rate rollback and freeze legislation applicable to ComEd is enacted into law. Inclusive of ComEd's funding of its Customers' Affordable Reliable Energy (CARE) initiative (See "Environmental and Customer Assistance Programs" below), ComEd anticipates that these customer rate relief programs may cost approximately $44 million in 2007 and approximately $20 million in additional funds during 2008 and 2009.

ComEd is unable to predict the outcome of discussions with members of the Illinois General Assembly or the legislative process in Illinois or whether rate rollback and freeze legislation will be applicable to ComEd in the future. ComEd believes a rate rollback and freeze, if enacted into law, would have serious detrimental effects on Illinois, ComEd and consumers of electricity. See "Post–2006 Summary" below for further detail. ComEd believes such legislation, if enacted into law, will violate Federal law and the U.S. Constitution, and ComEd is prepared to vigorously challenge any such legislation in court.

Illinois Procurement Case and Related Proceedings (Exelon, Generation and ComEd). On February 25, 2005, ComEd made a filing with the Illinois Commerce Commission (ICC) to seek regulatory approval of tariffs that would authorize ComEd to bill its customers for electricity costs incurred under a reverse–auction competitive bidding process (the Procurement Case). On October 17, 2005, Exelon filed a request for a declaratory order at the Federal Energy Regulatory Commission (FERC) seeking approval of the reverse–auction competitive bidding process it planned to use for ComEd's procurement of wholesale supplies of electricity. On December 16, 2005, FERC issued an order holding that the proposed competitive bidding process satisfied FERC's criteria for a competitive process and that Generation would be eligible for market–based rate sales to ComEd under the terms of the auction. On May 1, 2006, FERC denied the Illinois Attorney General's request for rehearing of that order, and the Attorney General filed a petition for review of the ICC's decision in the United States Court of Appeals for the District of Columbia Circuit. That appeal remains pending. On January 24, 2006, the ICC, by a unanimous vote, approved a reverse–auction competitive bidding process for procurement of electricity by ComEd after the end of the transition period. This approval, currently under appeal before the Illinois Appellate Court, provides ComEd with stability and greater certainty that it will be able to procure energy through the auction process, a transparent market mechanism, and pass through the costs of that energy to ComEd's customers. The energy price that resulted from the first auction is fixed until June 2008. The reverse–auction competitive bidding process is administered by an independent auction manager, with oversight by ICC staff. On December 6, 2006, the ICC staff released its report on the auction, which generally spoke favorably of the process and the outcome. The report recommended the continued use of the reverse–auction for future electric power procurement. In order to mitigate the effects of changes in future prices, electricity to serve residential and commercial customers with loads less than 400kW will be procured through staggered contracts. The ICC will subsequently review on an annual basis the prudence of ComEd's electricity purchases, but compliance with the ICC–approved reverse–auction process will establish a rebuttable presumption of prudence.

Various parties, including governmental and consumer representatives and ComEd, have filed petitions for review of portions of the ICC's January 24, 2006 order with the Illinois Appellate Court. While ComEd is generally supportive of the order in the Procurement Case, ComEd has objected to the requirement for an after–the–fact prudence review. The appeals before the Illinois Appellate Court are pending. The Illinois Appellate Court will hear arguments on this case in late May 2007.

On March 15, 2007, the Illinois Attorney General filed a complaint before FERC alleging that the prices to all suppliers resulting from the auction are unjust and unreasonable under the Federal Power Act and that the suppliers colluded in the course of the auction. On April 4, 2007, at the request of the Illinois Attorney General and the recommendation of its staff, the ICC initiated a proceeding to determine whether to authorize the public release of certain confidential information related to the reverse auction. In its publicly filed FERC complaint, the Illinois Attorney General redacted certain of this confidential information, and Generation and other parties have asked FERC to enter a protective order under which the Illinois Attorney General would provide the redacted information to the litigants. Additionally, on March 28, 2007 and March 30, 2007, class action suits were filed in Illinois state court against ComEd and Generation as well as the other suppliers in the Illinois procurement auction, claiming that the suppliers manipulated the auction and that the resulting wholesale prices are unlawfully high. Exelon, Generation and ComEd cannot predict the outcome of these proceedings, but each believes the claims to be completely false and unsupported by requisite evidence, and each intends to vigorously oppose these claims.

Consistent with the process previously approved by the ICC, the ICC has opened a proceeding to consider improvements to the procurement process. It is anticipated that a final order will be entered in that proceeding with sufficient time to incorporate changes into the process for the February 2008 auction.

Illinois Rate Case (Exelon and ComEd). On August 31, 2005, ComEd filed a rate case with the ICC to comprehensively revise its tariffs and to adjust rates for delivering electricity effective January 2007 (Rate Case). The commodity component of ComEd's rates was established by the reverse–auction process in accordance with the ICC rate order in the Procurement Case. ComEd proposed a revenue increase of $317 million. The ICC staff and several intervenors in the Rate Case, including the Illinois Attorney General, suggested and provided testimony that ComEd's rates for delivery services should be reduced. On July 26, 2006, the ICC issued its order in the Rate Case which approved a delivery services revenue increase of approximately $8 million of the $317 million proposed revenue increase requested by ComEd. On December 20, 2006, the ICC issued an order on rehearing that increased the amount previously approved by approximately $74 million for a total rate increase of $83 million. ComEd and various other parties have appealed the rate order to the courts. It is unlikely the appeal will be resolved until the third quarter of 2007 at the earliest. In the event the order is ultimately changed, the changes are expected to be prospective only.

Illinois Rate Design Investigation (Exelon and ComEd). On March 2, 2007, the ICC voted to initiate investigations into ComEd's and the Ameren Corporation (Ameren) utilities' rate designs, particularly for residential and residential space–heating customers. The investigation was prompted by hearings before the Illinois House of Representatives Committee of the Whole that took place in February 2007, where House Representatives and customers spoke of extreme and unexpected rate increases that took effect January 2007. The vast majority of noted situations related to Ameren customers. The ICC specified that the investigation would not look to the overall level of rates, which has just recently been set, but only to the allocation among the various customer groups. The ICC has a schedule that contemplates a final order by September 2007, which would allow implementation of changes, if any, prior to the next winter heating season.

Original Cost Audit (Exelon and ComEd). In the Rate Case, the ICC ordered an "original cost" audit of ComEd's distribution assets. The ICC order did not find that any portion of ComEd's delivery service assets should be disallowed because it was unreasonable in amount, imprudently incurred or not used and useful. The ICC rate order does not provide for a new review of these issues but instead provides that the ICC–appointed auditors determine whether the costs of ComEd's distribution assets were properly recorded on ComEd's financial statements at their original costs. The result of this audit will be addressed through a separately docketed proceeding. The original cost audit report is expected to be finalized in mid–2007 with an ICC proceeding to follow the issuance of the report. This proceeding may extend into 2008, and ComEd is unable to predict the results of this audit.

Environmental and Customer Assistance Programs (Exelon and ComEd). On April 4, 2006, ComEd filed with the ICC a request for ICC approval to purchase and receive recovery of costs associated with the output of a portfolio of competitively procured wind resources of approximately 300 megawatts (MWs). On April 4, 2007, at the request of ComEd, the ICC terminated the proceeding.

In July 2006, ComEd implemented CARE, an initiative to help customers prepare for electricity rate increases coming in 2007 after the expiration of the rate freeze in Illinois. In addition to the residential rate stabilization program discussed below, CARE includes a variety of energy efficiency, low–income and senior citizen programs to help mitigate the impacts of the rate increase on customers' bills.

In the ICC's December 20, 2006 order approving ComEd's residential rate stabilization program (see below), the ICC also strongly encouraged, but did not require, ComEd to make contributions to environmental and customer assistance programs. On February 20, 2007, ComEd filed a letter with the ICC indicating its intent, if financially able to do so, to contribute $30 million over three years to CARE related programs. ComEd also stated that it did not intend to seek rate recovery of these amounts and thus did not believe that the ICC needed to investigate the programs.

Since the inception of CARE, ComEd has spent approximately $12 million for CARE related programs, including $3 million during the three months ended March 31, 2007.

Residential Rate Stabilization Program (Exelon and ComEd). On December 20, 2006, the ICC approved a program, proposed by ComEd, to mitigate the impact on ComEd's residential customers of ComEd's transition from almost a decade of reduced and frozen rates to rates that reflect the current cost of providing service. The program includes an "opt–in" feature to give residential customers the choice to participate in the program. The program caps average annual residential rate increases at 10% in each of 2007, 2008 and 2009. For participating customers, costs that exceed the caps are deferred and recovered over three years from 2010 to 2012. Deferred balances will be assessed an annual carrying charge of 3.25% to partially cover ComEd's costs of financing the program. If ComEd's rate increases are less than the caps in 2008 and 2009, ComEd would begin to recover deferred amounts up to the caps with carrying costs. The program would terminate upon a force majeure event, upon a ComEd bankruptcy, or if ComEd's senior secured credit ratings from two of three major credit rating agencies fall below investment grade. The ratings test was changed by ComEd voluntarily. It was previously based on the senior unsecured rating. However, the fact that ComEd's senior unsecured debt is rated below investment grade by all three agencies is not reflective of ComEd's ability to support the program but instead largely relates to legislative and political risk. ComEd's residential customers will have until August 2007 to choose to participate in the program. Reductions began to be reflected in April 2007 and are not retroactive. As of March 31, 2007, approximately 34,000 or 1% of ComEd's residential customers have enrolled in the program. At this time, ComEd cannot predict the full extent of participation in the program or its financial effects.

City of Chicago Negotiations (Exelon and ComEd). ComEd has been in negotiations with the City of Chicago related to various components of its franchise agreement with the City of Chicago. As part of these discussions, ComEd may be able to resolve various outstanding issues relating to reliability, franchise obligations and other matters. As part of any agreement, ComEd may make payments to the City of Chicago, which may be material. No formal agreement has been reached.

Customer Disconnection Moratorium (Exelon and ComEd). On April 20, 2007, the Senate amended and passed a bill that would prevent customer disconnections until September 1, 2007. The amended bill will now go back to the House where they can decide whether to agree with the amendment. If this bill becomes law, ComEd believes it would eventually increase past–due amounts from customers and have an adverse effect on ComEd's results of operations, financial position and cash flows. ComEd is unable to predict the final outcome of this bill.

Post–2006 Summary (Exelon and ComEd). ComEd cannot predict the results of any rehearings or appeals in the Rate Case or the Procurement Case or whether the Illinois General Assembly might pass rate roll back and freeze legislation or take other action that could have a material effect on the outcome of the regulatory process. If the price which ComEd is ultimately allowed to bill to customers for electricity is below ComEd's cost to procure and deliver electricity, ComEd expects that it will suffer adverse consequences, which could be material. Exelon and ComEd believe that these potential material adverse consequences could include, but may not be limited to, reduced earnings for Exelon and ComEd, further reduction of ComEd's credit ratings, limited or lost access for ComEd to credit markets to finance operations and capital investment, and loss of ComEd's capacity to enter into bilateral long–term energy procurement contracts, which may force ComEd to procure electricity at more volatile spot market prices, all of which could lead ComEd to seek protection through a bankruptcy filing. Moreover, to the extent ComEd is not permitted to recover its costs, ComEd's ability to maintain and improve service may be diminished and its ability to maintain reliability may be impaired. In the near term, these prospects could have adverse effects on ComEd's liquidity if vendors reduce credit or shorten payment terms or if ComEd's financing alternatives become more limited and significantly less flexible. Additionally, if ComEd's ability to recover its costs from customers through rates is significantly affected, all or a portion of ComEd's business could be required to cease applying SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation", which covers the accounting for the effects of rate regulation and would require Exelon and ComEd to eliminate the financial statement effects of regulation for the portion of ComEd's business that ceases to meet the criteria. This would result in the elimination of all associated regulatory assets and liabilities that ComEd had recorded on its Consolidated Balance Sheets through the recording of a one–time extraordinary gain on its Consolidated Statements of Operations and Comprehensive Income. At March 31, 2007, the income statement gain could have been as much as $2.3 billion (before taxes) at ComEd. In that event, Exelon would record an income statement gain in an equal amount related to ComEd's regulatory assets and liabilities in addition to a charge against other comprehensive income of up to $1.2 billion (before taxes) related to Exelon's regulatory assets and liabilities associated with its defined benefit postretirement plans and deferred taxes. Such eliminations could have the effect of producing income. If legislation extends an earnings–sharing provision that applied during the period in which rates were generally frozen, that provision requires that earnings in excess of a threshold be shared with customers. Finally, the impacts and resolution of the above items could lead to an additional impairment of ComEd's goodwill, which would be significant and partially offset, or exceed, the extraordinary gain discussed above. See Note 6 — Intangible Assets for further information related to ComEd's goodwill. If ComEd seeks relief through a bankruptcy filing, there would be material adverse consequences to ComEd and Exelon, including, but not limited to: uncertainty in collection of receivables from ComEd by Exelon, including Exelon's Business Services Company (BSC); significant legal and other costs associated with the bankruptcy filing; possible negative income tax consequences; and possible reduced ability to effectively administer and allocate the costs of the various Exelon–sponsored benefit plans.

Transmission Rate Case (Exelon and ComEd). On March 1, 2007, ComEd filed a request with FERC seeking approval to update its transmission rates and change the manner in which ComEd's transmission rates are determined from fixed rates to a formula rate. The formula rate would be updated annually to ensure that under this rate customers pay the actual costs of providing transmission services. Initial application of the formula would result in an increase of the revenues ComEd receives for transmission services, reflecting substantial investment in transmission plant since rates were last determined in 2003. ComEd also requested incentive rate treatment for certain transmission projects. If approved by the FERC, the total proposed increase of $147 million in the annual revenue requirement, including incentives, would increase an average residential customer bill about 1.5%. ComEd requested that the new transmission rate, if accepted by FERC, be effective as of May 2007. ComEd cannot predict how much, if any, of a transmission rate increase FERC may approve or when the rate increase may go into effect.

Authorized Return on Rate Base (Exelon, ComEd and PECO). Under Illinois legislation, if the two–year average of the earned return on common equity of a utility through December 31, 2006 exceeded an established threshold, one–half of the excess earnings was required to be refunded to customers. The threshold rate of return on common equity was based on a two–year average of the Monthly Treasury Bond Long–Term Average Rates (20 years and above) plus 8.5% in the years 2000 through 2006. Earnings for purposes of ComEd's threshold included ComEd's net income calculated in accordance with GAAP and reflected the amortization of regulatory assets. Under Illinois statute, any impairment of goodwill would have had no impact on the determination of the cap on ComEd's allowed equity return during the transition period. ComEd did not trigger the earnings sharing provision through 2006. With the end of the transition and rate freeze period, in its December 20, 2006 order the ICC authorized a return on distribution rate base of 8.01% for ComEd starting in 2007. During the first quarter of 2007, ComEd filed a transmission rate case with the FERC in which it requested a return on transmission rate base of 9.87%.

PECO's transition period included caps for its electric transmission and distribution rates that expired on December 31, 2006 and continues to include caps on generation rates that will expire on December 31, 2010 pursuant to legislation enacted in Pennsylvania. The distribution and transmission components of PECO's rates will continue to be regulated subsequent to its transition period. PECO's most recently approved return on electric rate base was 11.23% (approved in 1990). PECO's gas rates are currently not subject to caps and its most recently authorized return on gas rate base was 11.45% (approved in 1988).

Through and Out (T&O) Rates and Seams Elimination Charge/Cost Adjustment/Assignment (SECA) (Exelon, ComEd and PECO). In November 2004, FERC issued two orders authorizing ComEd and PECO to recover amounts for a limited time during a specified transitional period as a result of the elimination of T&O rates for transmission service scheduled out of, or across, their respective transmission systems and ending within territories of PJM Interconnection, LLC (PJM) or Midwest Independent Transmission System Operator (MISO). T&O rates were terminated pursuant to FERC orders, effective December 1, 2004. The new rates, known as SECA, were collected from load–serving entities and paid to transmission owners within PJM and MISO over a transitional period from December 1, 2004 through March 31, 2006, subject to refund, surcharge and hearing. As load–serving entities, ComEd and PECO were also required to pay SECA rates during the transitional period based on the benefits they received from the elimination of T&O rates of other transmission owners within PJM and MISO. Since the inception of the SECA rates in December 2004, ComEd has recorded approximately $49 million of SECA collections net of SECA charges, while PECO has recorded $11 million of SECA charges net of SECA collections. Management of each of ComEd and PECO believes that appropriate reserves have been established in the event that some portion of SECA collections are required to be refunded. A hearing was held in May 2006 and the administrative law judge (ALJ) issued an Initial Decision on August 10, 2006. The ALJ's Initial Decision found that the transmission owners overstated their lost revenues in their compliance filings and the SECA rate design was flawed. Additionally, the ALJ recommended that the transmission owners should be ordered to refile their respective compliance filings related to SECA rates. ComEd and PECO have filed exceptions to the Initial Decision and FERC, on review, will determine whether or not to accept the ALJ's recommendation. There is no scheduled date for FERC to act on this matter. Settlements have been reached with various parties. FERC has approved several of these settlements while others are still awaiting FERC approval. The ultimate outcome of the proceeding establishing SECA rates is uncertain, but ComEd and PECO do not believe ultimate resolution of this matter will be material to their results of operations or financial position.

PJM Transmission Design (Exelon, ComEd and PECO). On July 13, 2006, the ALJ in the case issued an Initial Decision that recommends that FERC implement the postage stamp rate suggested by FERC staff, effective as of April 1, 2006, but also allows for the potential to phase in rate changes. On April 19, 2007, FERC issued its order on review of the ALJ's decision. FERC held that PJM's current rate design for existing matter facilities is just and reasonable and should not be changed. That is consistent with Exelon's position in the case. FERC also held that new facilities should be allocated under a different rate design. FERC held that new facilities 500 kilovolts (kV) and above should be socialized across the entire PJM footprint and that new facilities less than 500 kV should be allocated to the beneficiaries of the new facilities. FERC stated that PJM's stakeholders should develop a standard method for allocating new transmission facilities lower than 500 kV. FERC's decision on existing facilities leaves the status quo as to existing costs, which is substantially more favorable to Exelon than the ALJ's decision as to existing facilities. In the short term, based on new transmission facilities approved by PJM, it is likely that socializing costs across PJM will reduce costs to PECO and increase costs to ComEd, but ComEd and PECO cannot estimate the final impact on either company's results of operations and cash flows, both because what new facilities will be built is not certain at this time and because how the smaller lower voltage new facilities will be allocated is uncertain. Moreover, FERC's decision may be subject to a request for rehearing and review in the United States Court of Appeals. However, ComEd anticipates that all impacts of any rate design changes effective after December 31, 2006 should be recoverable through retail rates in the absence of rate freeze or similar legislation. With the expiration of PECO's transmission and distribution rate caps on December 31, 2006, PECO has the right to file with the Pennsylvania Public Utility Commission (PAPUC) for a change in retail rates to reflect the impact of any change in wholesale transmission rates.

Alternative Energy Filing (Exelon and PECO). In November 2004, Pennsylvania adopted Act 213, the Alternative Energy Portfolio Standards Act of 2004 (AEPS Act). The AEPS Act mandates that beginning in 2007, or at the end of an electric distribution company's restructuring cost recovery period during which competitive transition charges or intangible transition charges are being recovered, certain percentages of electric energy sold by an electric distribution company or electric generation supplier to Pennsylvania retail electric customers must come from certain alternative energy resources. In March 2007, PECO filed a request with the PAPUC for approval to acquire and bank up to 450,000 non–solar Tier I Alternative Energy Credits (equivalent to up to 240 MWs of electricity generated by wind) annually for a five–year term in order to prepare for 2011, the first year of PECO's required compliance following the completion of its restructuring period. PECO proposes that all of the costs it incurs in connection with such procurement prior to 2011 will be deferred as a regulatory asset with a return on the unamortized balance in accordance with the AEPS Act. Those costs, and PECO's AEPS compliance costs incurred thereafter, would be recovered through a reconcilable ratemaking mechanism as contemplated by the AEPS legislation. All deferred costs will be recovered from customers in 2011. Additionally, all AEPS related costs incurred after 2010 are recoverable from customers on a full and current basis.

Post–2006 Summary (Exelon and Generation). Generation's power purchase agreement (PPA) with ComEd expired at the end of 2006. In September 2006, Generation participated in and won portions of the ComEd and Ameren procurement auctions. As a result of the expiration of the PPA and the results of the auctions, beginning in 2007, Generation is selling more power through bilateral agreements. Generation has credit risk associated with counterparty performance on energy contracts which includes, but is not limited to, the risk of financial default or slow payment; therefore, Generation's credit risk profile has changed based on the credit–worthiness of the new and existing counterparties, including ComEd and Ameren. Additionally, due to the possibility of rate freeze legislation in Illinois affecting both ComEd and Ameren, Generation may be subject to the risk of default. If ComEd and Ameren seek relief through a bankruptcy filing, there would be material adverse consequences to Exelon and Generation, including, but not limited to: uncertainty in collection of Generation's receivables from ComEd and Ameren for the electricity previously provided under the supplier forward contracts; uncertainty in the enforcement of Generation's rights under its supplier forward contracts with ComEd and Ameren and possible rejection of the supplier forward contracts in a ComEd or Ameren bankruptcy; and possible negative income tax consequences. A default by ComEd or Ameren on contracts for purchase of electricity, or a rejection of those contracts in a bankruptcy proceeding, could alter the wholesale power markets and result in Generation selling more power in spot markets.

Market–Based Rates Matters (Exelon and Generation). On May 19, 2006, FERC issued a Notice of Proposed Rule Making (NOPR) on Market–Based Rates for Wholesale Sales of Electric Energy, Capacity and

Ancillary Services by Public Utilities. The NOPR proposes a set of regulations that would modify the tests that Exelon and other market participants must satisfy to be entitled to market-based rates. Exelon is not certain as to the impact of any new rules that may be promulgated as a result of FERC's future ruling with respect to the NOPR.

On December 15, 2006, Exelon made a Change in Status (CIS) filing with FERC. The triggering event was the end of the full-requirements PPA between Generation and ComEd and the resulting increase in Generation's uncommitted capacity. A CIS filing is required when there is a material change in status relied upon by FERC when granting market-based rates authority. Exelon's filing, supported by an updated market-power analysis, demonstrated that Exelon continues to be entitled to market-based rates. The time period for interventions expired on January 5, 2007, no party intervened, and on February 9, 2007, FERC accepted Exelon's CIS filing.

Reliability Pricing Model (RPM) (Exelon and Generation). On August 31, 2005, PJM filed its RPM with FERC to replace its current capacity market rules. The RPM proposal provided for a forward capacity auction using a demand curve and locational deliverability zones for capacity phased in over a several year period beginning on June 1, 2006. On November 5, 2005, PJM proposed to delay the effective date of the RPM until June 1, 2007. On April 20, 2006, FERC issued an order generally finding aspects of PJM's RPM filing to be just and reasonable, but FERC also established further procedures to resolve the remaining issues and encouraged the parties to seek a negotiated resolution. A final settlement was filed with FERC on September 29, 2006 and FERC issued its order approving the settlement, subject to conditions, on December 22, 2006. FERC's adoption of the settlement proposal of September 2006 is expected to have a favorable impact for owners of generation facilities, and particularly for such facilities located in constrained zones.

FERC has also denied requests for rehearing of its April 20, 2006 order. The time for filing a petition for review of FERC's April 2006 order expired on February 20, 2007 without any petition for review having been filed. FERC's December 22, 2006 order approving the settlement, subject to conditions, is subject to requests for rehearing and judicial review. PJM is moving ahead to implement RPM in 2007 notwithstanding, as FERC's orders are rarely stayed, and therefore almost always remain in effect, pending appellate review. The first auction took place in April 2007 and resulted in Generation auctioning capacity at prices ranging from $40.80/MW to $197.67/MW per day for the period from June 1, 2007 through May 31, 2008. Subsequent auctions will be conducted in July 2007, October 2007 and January 2008 to auction capacity for periods through May 2011.

6. Intangible Assets (Exelon and ComEd)

Goodwill (Exelon and ComEd). As of March 31, 2007 and December 31, 2006, Exelon and ComEd had goodwill of approximately $2.6 billion and $2.7 billion, respectively. Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), goodwill is tested for impairment at least annually or more frequently if events or circumstances indicate that it is "more likely than not" that goodwill might be impaired, such as a significant negative regulatory outcome. Exelon and ComEd perform their annual goodwill impairment assessment in the fourth quarter of each year.

The changes in the carrying amount of goodwill for the period from January 1, 2007 to March 31, 2007 were as follows:

Balance as of January 1, 2007	$ 2,694
Uncertain tax positions(a)	(53)
Balance as of March 31, 2007	$ 2,641

(a) For uncertain tax positions that existed at the Unicom / PECO merger, the impact of adopting FIN 48 is recorded to goodwill in accordance with Emerging Issues Task Force (EITF) Issue No. 93–7, "Uncertainties Related to Income Taxes in a Purchase Business Combination" (EITF 93–7). See Notes 3 and 10 for further information regarding the adoption of FIN 48.

7. Debt and Credit Agreements (Exelon, Generation, ComEd and PECO)

Short–Term Borrowings

Exelon, Generation and PECO meet their short–term liquidity requirements primarily through the issuance of commercial paper and ComEd meets its short–term liquidity requirements primarily through borrowings from its credit facilities and the issuance of commercial paper. Exelon, ComEd and PECO had the following amounts of commercial paper outstanding at March 31, 2007 and December 31, 2006:

Borrower	March 31, 2007	December 31, 2006
Exelon Corporate	$ 196	$ 150
ComEd	—	60
PECO	100	95

As of March 31, 2007, Exelon, Generation, ComEd and PECO have access to revolving credit facilities with aggregate bank commitments of $1 billion, $5 billion, $1 billion and $600 million, respectively. At March 31, 2007, ComEd had $340 million outstanding borrowings under its credit agreement. See Note 11 of Exelon's 2006 Annual Report on Form 10–K for further information regarding these credit facilities.

Carrying Amounts and Fair Values of Long–Term Debt

Fair values of long–term debt are determined by a valuation model performed by an external consultant and is based on a conventional discounted cash flow methodology utilizing assumptions of current market pricing curves.

Exelon

The carrying amounts and fair values of Exelon's long–term debt as of March 31, 2007 and December 31, 2006 were as follows:

	March 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long–term debt (including amounts due within one year)	$ 9,428	$ 9,295	$ 9,144	$ 9,122
Long–term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust (PETT) (including amounts due within one year)	2,763	2,854	3,051	3,149
Long–term debt to other financing trusts	545	503	545	517

Generation

The carrying amounts and fair values of Generation's long–term debt as of March 31, 2007 and December 31, 2006 were as follows:

	March 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long–term debt (including amounts due within one year)	$ 1,790	$ 1,816	$ 1,790	$ 1,821

ComEd

The carrying amounts and fair values of ComEd's long–term debt as of March 31, 2007 and December 31, 2006 were as follows:

	March 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long–term debt (including amounts due within one year)	$ 3,722	$ 3,668	$ 3,579	$ 3,592
Long–term debt to ComEd Transitional Funding Trust (including amounts due within one year)	537	541	648	652
Long–term debt to other financing trusts	361	325	361	338

PECO

The carrying amounts and fair values of PECO's long–term debt as of March 31, 2007 and December 31, 2006 were as follows:

	March 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long–term debt	$ 1,644	$ 1,629	$ 1,469	$ 1,464
Long–term debt to PETT (including amounts due within one year)	2,226	2,313	2,404	2,496
Long–term debt to other financing trusts	184	178	184	179

Issuance of Long–Term Debt

During the three months ended March 31, 2007, the following long–term debt was issued:

Company	Type	Interest Rate	Maturity	Amount(a)
ComEd	First Mortgage Bonds	5.90%	March 15, 2036	$ 300
PECO	First Mortgage Bonds	5.70%	March 15, 2037	175
Other				1

(a) Excludes unamortized bond discounts.

Retirement of Long–Term Debt

During the three months ended March 31, 2007, the following long–term debt was retired:

Company	Type	Interest Rate	Maturity	Amount
Exelon	Notes payable for investments in synthetic fuel–producing facilities	6.00–8.00%	Various	$ 34
ComEd	Notes payable	7.625%	January 15, 2007	145
ComEd	ComEd Transitional Funding Trust	5.63%	June 25, 2007	111(a)(b)
PECO	PETT	6.13%	September 1, 2008	178

(a) Amount includes a $17 million reallocation from prepaid interest to long–term debt to ComEd Transitional Funding Trust. This reallocation did not have an impact on ComEd's Consolidated Statement of Operations or ComEd's Consolidated Statement of Cash Flows.

(b) ComEd applied $8 million of previously prepaid balances against the long–term debt to ComEd Transitional Funding Trust.

8. Derivative Financial Instruments (Exelon, Generation, ComEd and PECO)

Interest–Rate Swaps (Exelon, Generation, ComEd and PECO)

The fair values of Exelon's, Generation's, ComEd's and PECO's interest–rate swaps are determined using quoted exchange prices, external dealer prices and available market pricing curves.

Fair–Value Hedges. The Registrants may utilize fixed–to–floating interest–rate swaps from time to time as a means to achieve their targeted level of variable–rate debt as a percent of total debt. At March 31, 2007 and December 31, 2006, Exelon had $100 million and $50 million, respectively, of notional amounts of fair–value hedges outstanding. Fixed–to–floating interest–rate swaps are designated as fair–value hedges, as defined in SFAS No. 133, and, as such, changes in the fair value of the swaps are recorded in earnings; however, as long as the hedge remains effective and the underlying liability remains outstanding, changes in the fair value of the swaps are offset by changes in the fair value of the hedged liabilities. Any change in the fair value of the hedge as a result of ineffectiveness is recorded immediately in earnings. During the three months ended March 31, 2007, no amounts relating to fair–value hedges were recorded in earnings as a result of ineffectiveness.

Cash–Flow Hedges. The Registrants utilize interest rate derivatives from time to time to lock in interest–rate levels in anticipation of future financings. Forward–starting interest–rate swaps are designated as cash–flow hedges, as defined in SFAS No. 133 and, as such, changes in the fair value of the swaps are recorded in accumulated other comprehensive income (OCI). Any change in the fair value of the hedge as a result of ineffectiveness is recorded immediately in earnings. At March 31, 2007 and 2006, the Registrants did not have any notional amounts of interest–rate related cash–flow hedges outstanding. During the three months ended March 31, 2007 and 2006, the Registrants did not reclassify any amounts from accumulated OCI into earnings as a result of ineffectiveness.

Energy–Related Derivatives (Exelon, Generation, ComEd and PECO)

Generation utilizes derivatives to manage the utilization of its available generating capacity and the provision of wholesale energy to its affiliates and others. Exelon and Generation also utilize energy option contracts and energy financial swap arrangements to limit the market price risk associated with forward energy commodity contracts. Additionally, Generation enters into certain energy–related derivatives for trading or speculative purposes.

The Registrants' energy contracts are accounted for under SFAS No. 133. Economic hedges may qualify for the normal purchases and normal sales exception to SFAS No. 133 and are accounted for under the accrual method of accounting. Those that do not meet the normal purchase and normal sales exception are recorded as assets or liabilities on the balance sheet at fair value. Changes in the derivatives recorded at fair value are recognized in earnings unless specific hedge accounting criteria are met and they are designated as cash–flow hedges, in which case those changes are recorded in OCI, and gains and losses are recognized in earnings when the underlying transaction occurs or are designated as fair–value hedges, in which case those changes are recognized in current earnings offset by changes in the fair value of the hedged item in current earnings. Changes in the fair value of derivative contracts that do not meet the hedge criteria under SFAS No. 133 (or are not designated as such) and proprietary trading contracts are recognized in current earnings. Generation also has contracted for access to additional generation and sales to load–serving entities that are accounted for under the accrual method of accounting discussed in Note 18 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K.

ComEd has derivatives related to one wholesale contract and various other contracts to manage the market price exposures to several wholesale contracts that extend through 2007. The contracts that ComEd has entered into as part of the initial ComEd auction (See Note 5 — Regulatory Issues) are deemed to be derivatives that qualify for the normal purchase and normal sale exception to SFAS No. 133. ComEd does not enter into derivatives for speculative or trading purposes.

Some of PECO's gas supply agreements are derivatives under SFAS No. 133 and accounted for as such. Due to the nature of these gas contracts and market conditions, PECO's balance sheet reflected no fair value of energy derivatives at March 31, 2007 as the amounts were insignificant.

At March 31, 2007, Exelon, Generation and ComEd had net liabilities of $316 million, $319 million and $5 million, respectively, on their Consolidated Balance Sheets for the fair value of energy derivatives. The following table provides a summary of the fair value balances recorded by Exelon, Generation and ComEd as of March 31, 2007:

	March 31, 2007								
	Generation				ComEd				Exelon
Derivatives	Cash–Flow Hedges	Other Derivatives	Proprietary Trading	Subtotal	Cash–Flow Hedge	Other Derivatives	Subtotal	Other(a)	Energy–Related Derivatives(b)
Current assets	$ 94	$ 320	$ 83	$ 497	$ —	$ 1	$ 1	$ 8	$ 506
Noncurrent assets	67	75	9	151	—	—	—	1	152
Total mark–to–market energy contract assets	$ 161	$ 395	$ 92	$ 648	$ —	$ 1	$ 1	$ 9	$ 658
Current liabilities	$ (333)	$ (344)	$ (74)	$ (751)	$ (2)	$ (4)	$ (6)	$ —	$ (757)
Noncurrent liabilities	(114)	(93)	(9)	(216)	—	—	—	(1)	(217)
Total mark–to–market energy contract liabilities	$ (447)	$ (437)	$ (83)	$ (967)	$ (2)	$ (4)	$ (6)	$ (1)	$ (974)
Total mark–to–market energy contract net assets (liabilities)	$ (286)	$ (42)	$ 9	$ (319)	$ (2)	$ (3)	$ (5)	$ 8	$ (316)

(a) Other includes corporate operations, shared service entities, including Exelon Business Services Company (BSC), Enterprises and investments in synthetic fuel–producing facilities.

(b) Excludes Exelon's interest–rate swaps.

At December 31, 2006, Exelon, Generation and ComEd had net assets (liabilities) of $496 million, $499 million and $(11) million, respectively, on their Consolidated Balance Sheets for the fair value of energy derivatives. The following table provides a summary of the fair value balances recorded by Exelon, Generation and ComEd as of December 31, 2006:

	December 31, 2006								
	Generation				ComEd				Exelon
Derivatives	Cash–Flow Hedges	Other Derivatives	Proprietary Trading	Subtotal	Cash–Flow Hedge	Other Derivatives	Subtotal	Other(a)	Energy–Related Derivatives(b)
Current assets	$ 460	$ 751	$ 197	$ 1,408	$ —	$ —	$ —	$ 10	$ 1,418
Noncurrent assets	104	52	15	171	—	—	—	—	171
Total mark–to–market energy contract assets	$ 564	$ 803	$ 212	$ 1,579	$ —	$ —	$ —	$ 10	$ 1,589
Current liabilities	$ (119)	$ (697)	$ (187)	$ (1,003)	$ (6)	$ (5)	$ (11)	$ (1)	$ (1,015)
Noncurrent liabilities	(30)	(33)	(14)	(77)	—	—	—	(1)	(78)
Total mark–to–market energy contract liabilities	$ (149)	$ (730)	$ (201)	$ (1,080)	$ (6)	$ (5)	$ (11)	$ (2)	$ (1,093)
Total mark–to–market energy contract net assets (liabilities)	$ 415	$ 73	$ 11	$ 499	$ (6)	$ (5)	$ (11)	$ 8	$ 496

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities.
(b) Excludes Exelon's interest-rate swaps.

Normal Operations and Hedging Activities (Generation). Electricity available from Generation's owned or contracted generation supply in excess of Generation's obligations to customers, including ComEd's contracted auction requirement and PECO's retail load, is sold into the wholesale markets. To reduce price risk caused by market fluctuations, Generation enters into physical contracts as well as derivative contracts, including forwards, futures, swaps and options, with approved counterparties to hedge anticipated exposures.

Cash-Flow Hedges (Generation and ComEd). The tables below provide details of effective cash-flow hedges under SFAS No. 133 included on Exelon's, Generation's and ComEd's Consolidated Balance Sheets as of March 31, 2007. The data in the table is indicative of the magnitude of SFAS No. 133 hedges Generation and ComEd have in place; however, since under SFAS No. 133 not all derivatives are recorded in OCI, the table does not provide an all-encompassing picture of Generation's and ComEd's derivatives. The tables also include the activity of accumulated OCI related to cash-flow hedges for the three months ended March 31, 2007 and 2006, providing information about the changes in the fair value of hedges and the reclassification from OCI into earnings.

March 31, 2007	Total Cash-Flow Hedge OCI Activity, Net of Income Tax		
	Generation	ComEd	Exelon
Accumulated OCI derivative gain (loss) at December 31, 2006	$ 250	$ (4)	$ 246
Changes in fair value	(411)	1	(410)
Reclassifications from OCI to net income	(13)	2	(11)
Accumulated OCI derivative gain (loss) at March 31, 2007	$ (174)	$ (1)	$ (175)

March 31, 2006	Total Cash-Flow Hedge OCI Activity, Net of Income Tax
	Exelon and Generation
Accumulated OCI derivative loss at December 31, 2005	$ (314)
Changes in fair value	46
Reclassifications from OCI to net income	45
Accumulated OCI derivative loss at March 31, 2006	$ (223)

At March 31, 2007, Generation and ComEd had net unrealized pre-tax losses on cash-flow hedges of $289 million and $2 million in accumulated OCI, respectively. Based on market prices at March 31, 2007, approximately $239 million and $2 million of these deferred net pre-tax unrealized losses on derivative instruments in accumulated OCI are expected to be reclassified to earnings during the next twelve months by Generation and ComEd, respectively. However, the actual amount reclassified to earnings could vary due to future changes in market prices. Amounts recorded in accumulated OCI related to changes in energy commodity cash-flow hedges are reclassified to earnings when the forecasted purchase or sale of the energy commodity occurs. The majority of Generation's cash-flow hedges are expected to settle within the next two years, while ComEd's cash flow hedge expires on May 31, 2007.

Generation's cash–flow hedge activity impact to pre–tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a $21 million pre–tax gain and a $75 million pre–tax loss for the three months ended March 31, 2007 and 2006, respectively. During the three months ended March 31, 2007 and 2006, amounts reclassified from accumulated OCI into earnings as a result of ineffectiveness were not material to the financial statements.

Other Derivatives (Exelon, Generation and ComEd). Exelon, Generation and ComEd enter into certain contracts that are derivatives, but do not qualify for hedge accounting under SFAS No. 133 or are not designated as cash–flow hedges. These contracts are also entered into to economically hedge and limit the market price risk associated with energy commodity prices. Changes in the fair value of these derivative contracts are recognized in current earnings. For the three months ended March 31, 2007 and 2006, Exelon, Generation and ComEd recognized the following net unrealized mark–to–market gains (losses), realized mark–to–market gains (losses) and total mark–to– market gains (losses) (before income taxes) relating to economic hedge mark–to–market activity of certain purchase power and sale contracts pursuant to SFAS No. 133. Generation's, ComEd's and Exelon's other economic hedge mark–to–market activity on purchase power and sale contracts are reported in fuel and purchased power, revenue and operating and maintenance expense, respectively.

	Three Months Ended March 31, 2007			
	Generation	ComEd(a)	Other(b)	Exelon
Unrealized mark–to–market gains (losses)	$ (76)	$ 1	$ (1)	$ (76)
Realized mark–to–market gains (losses)	(39)	1	—	(38)
Total net mark–to–market gains (losses)	$ (115)	$ 2	$ (1)	$ (114)

(a) See "Energy–Related Derivatives" above.
(b) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel–producing facilities.

	Three Months Ended March 31, 2006			
	Generation	ComEd(a)	Other(b)	Exelon
Unrealized mark–to–market gains (losses)	$ (57)	$ (10)	$ 13	$ (54)
Realized mark–to–market gains	35	—	—	35
Total net mark–to–market gains (losses)	$ (22)	$ (10)	$ 13	$ (19)

(a) See "Energy–Related Derivatives" above.
(b) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel–producing facilities.

Proprietary Trading Activities (Generation). Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure and is subject to limits established by Exelon's Risk Management Committee. These contracts are recognized on the Consolidated Balance Sheets at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings. The proprietary trading activities, which included volumes of 5,101 GWhs and 6,985 GWhs for the three months ended March 31, 2007 and 2006, respectively, are a complement to Generation's energy marketing portfolio but represent a very small portion of Generation's revenue from energy marketing activities. For the three months ended March 31, 2007 and 2006, Exelon and Generation recognized the following net unrealized mark–to–market gains, realized mark–to–market losses and total net mark–to–market losses (before income taxes) relating to mark–to–market activity on derivative instruments entered into for trading purposes. Gains and losses associated with financial trading are reported as revenue in Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

	Three Months Ended March 31,	
	2007	2006
Unrealized mark–to–market gains	$ —	$ 2
Realized mark–to–market losses	(3)	(2)
Total net mark–to–market losses	$ (3)	$ —

Credit Risk Associated with Derivative Instruments (Exelon and Generation)

The Registrants would be exposed to credit–related losses in the event of non–performance by counterparties that enter into derivative instruments. The credit exposure of derivatives contracts is represented by the fair value of contracts at the reporting date. For energy–related derivative instruments, Generation attempts to enter into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allows for cross product netting. In addition to payment netting language in the enabling agreement, the credit department establishes credit limits and letter of credit requirements for each counterparty, which are defined in the derivatives contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's credit limit and letter of credit thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

Under the Illinois auction rules and the supplier forward contracts that Generation entered into with ComEd and Ameren, beginning in 2007, collateral postings will be one–sided from Generation only. That is, if market prices fall below ComEd's or Ameren's contracted price levels, ComEd or Ameren are not required to post collateral; however, if market prices rise above contracted price levels with ComEd or Ameren, Generation may be required to post collateral.

The notional amount of derivatives does not represent amounts that are exchanged by the parties and, thus, is not a measure of the Registrants' exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on the other terms of the derivatives, which relate to interest rates and the volatility of these rates. Exelon's and Generation's credit exposure, net of collateral, as of March 31, 2007 and December 31, 2006 were $525 million and $791 million, respectively.

As of March 31, 2007, Generation had $127 million of collateral deposit payments being held by counterparties and Generation was holding $27 million of collateral deposits received from counterparties.

9. Retirement Benefits (Exelon, Generation, ComEd and PECO)

Exelon sponsors defined benefit pension plans and postretirement benefit plans for essentially all Generation, ComEd, PECO and BSC employees, except for those employees of Generation's wholly owned subsidiary, AmerGen, who participate in the separate AmerGen–sponsored defined benefit pension plan and postretirement benefit plan.

Defined Benefit Pension and Other Postretirement Benefits — Consolidated Plans (Exelon, Generation, ComEd and PECO)

The following table presents the components of Exelon's net periodic benefit costs for the three months ended March 31, 2007 and 2006. The 2007 pension benefit cost is calculated using an expected long–term rate of return on plan assets of 8.75%. The 2007 other postretirement benefit cost is calculated using an expected long–term rate of return on plan assets of 7.87%. A portion of the net periodic benefit cost is capitalized within the Consolidated Balance Sheets.

Exelon calculates the expected return on pension and other postretirement benefit plan assets by multiplying the expected long–term rate of return on plan assets by the market–related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. SFAS No. 87, "Employer's Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" allow the MRV of plan assets to be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. Exelon uses a calculated value when determining the MRV of the pension plan assets that adjusts for 20% of the difference between fair value and expected MRV of plan assets. This calculated value has the effect of stabilizing variability in assets to which Exelon applies that expected return. Exelon uses fair value when determining the MRV of the other postretirement benefit plan assets.

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2007	2006	2007	2006
Service cost	$ 41	$ 41	$ 25	$ 25
Interest cost	151	142	49	47
Expected return on assets	(204)	(204)	(28)	(26)
Amortization of:				
Transition obligation	—	—	2	2
Prior service cost (benefit)	4	4	(14)	(23)
Actuarial loss	37	40	17	23
Net periodic benefit cost	$ 29	$ 23	$ 51	$ 48

The following approximate amounts were included in capital and operating and maintenance expense during the three months ended March 31, 2007 and 2006, respectively, for Generation's, ComEd's, PECO's and Exelon

Corporate's allocated portion of the Exelon–sponsored and AmerGen–sponsored pension and postretirement benefit plans:

Pension and Postretirement Benefit Costs	Three Months Ended March 31, 2007	2006
Generation	$ 36	$ 31
ComEd	24	19
PECO	10	10
Exelon Corporate(a)	10	11

(a) Represents amounts billed to Exelon's subsidiaries through intercompany allocations.

Pension and Other Postretirement Benefits — AmerGen Plans (Generation)

The following table presents the components of net periodic benefit costs for the three months ended March 31, 2007 and 2006 for the AmerGen–sponsored plans. The 2007 pension benefit cost is calculated using an expected long–term rate of return on plan assets of 8.75%. A portion of the net periodic benefit cost is capitalized within the Consolidated Balance Sheets. AmerGen uses fair value for purposes of determining the MRV of the pension and other postretirement benefit plan assets.

	Pension Benefits Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2007	2006	2007	2006
Service cost	$ 3	$ 3	$ 2	$ 2
Interest cost	2	2	1	1
Expected return on assets	(2)	(2)	—	—
Net periodic benefit cost	$ 3	$ 3	$ 3	$ 3

401(k) Savings Plan (Exelon, Generation, ComEd and PECO)

Exelon, Generation, ComEd and PECO participate in a 401(k) savings plan sponsored by Exelon. The plan allows employees to contribute a portion of their pre–tax income in accordance with specified guidelines. Exelon, Generation, ComEd and PECO match a percentage of the employee contribution up to certain limits. The following table presents, by registrant, the matching contribution to the savings plans during the three months ended March 31, 2007 and 2006:

Savings Plan Matching Contributions	Three Months Ended March 31, 2007	2006
Exelon	$ 16	$ 15
Generation	8	8
ComEd	4	4
PECO	2	2