ComEd have reflected in their Consolidated Balance Sheets as of January 1, 2007 a net interest liability of $130 million and $167 million, respectively, related to their uncertain income tax positions. The Registrants have not accrued any penalties with respect to unrecognized income tax benefits. The Registrants recognize accrued interest related to unrecognized tax benefits in interest expense or interest income in operating and maintenance expense on their Consolidated Statements of Operations. Exelon has reflected in its Consolidated Statement of Operations net interest expense of $6 million and $10 million related to its uncertain income tax positions for the three and six months ended June 30, 2007, respectively. ComEd has reflected in its Consolidated Statement of Operations net interest expense of $8 million and $17 million related to its uncertain income tax positions for the three and six months ended June 30, 2007, respectively. PECO has reflected in its Consolidated Income Statement net interest income of $2 million and $5 million related to its uncertain income tax positions for the three and six months ended June 30, 2007, respectively.

Exelon and its subsidiaries file a consolidated U.S. Federal income tax return as well as unitary and combined income tax returns in several state jurisdictions with Illinois being the most significant. Exelon and its subsidiaries also file separate company income tax returns in several states with Pennsylvania being the most significant. Exelon and its subsidiaries have completed examinations by the Internal Revenue Service (IRS) for taxable years prior to 1999; however several tax issues remain unresolved for tax years prior to 1999 and have been protested to IRS Appeals, the next administrative level within the IRS. In the second quarter of 2004, the IRS commenced an audit of Exelon and its subsidiaries for taxable years 1999 through 2001 and is expected to complete the audit by the end of 2007. Exelon and its subsidiaries have also completed examinations by the state of Illinois for taxable years prior to 1999 and by the Commonwealth of Pennsylvania on the separate company income tax returns for taxable years ending from 2000 to 2003. However, to the extent adjustments are made to these prior years as either part of a settlement at IRS Appeals or IRS Examination, the state taxable income may also be adjusted.

It is reasonably possible that the amount of unrecognized tax benefits will significantly increase or decrease in the next twelve months as a result of settling several uncertain tax positions. ComEd is in the process of negotiating with IRS Appeals a settlement related to research and development refund claims filed by ComEd for taxable years 1989 through 1998. At this point, an estimate of a change, if any, to the unrecognized tax benefit amount cannot be made. A majority of the refund claim relates to ComEd's formerly owned generation property. Pursuant to the asset transfer agreement between ComEd and Generation, any current tax benefit related to this unrecognized tax benefit as well as a portion of the related interest income would be recorded to ComEd's goodwill as it relates to taxable periods prior to the PECO / Unicom merger as required under EITF 93–7. Generation would record the offsetting future deferred tax effects, which would impact future period earnings. ComEd and PECO also have several other issues at IRS Appeals for taxable years 1996 through 1998 that, if settled, would not significantly increase or decrease the total amount of unrecognized tax benefits.

Exelon filed refund claims for investment tax credits with respect to its utility property with the Illinois Department of Revenue. Although those claims were denied by the Illinois Department of Revenue, Exelon has filed a suit for a refund. The case is now before the Illinois Appellate Court and a decision is likely to occur within the next twelve months. It is reasonably possible that the amount of unrecognized tax benefit will decrease by as much as $71 million, $16 million and $55 million for Exelon, Generation and ComEd, respectively.

As part of the Federal examination of taxable years 1999 through 2001, the IRS has issued proposed adjustments related to ComEd's deferral of gain on the 1999 sale of its fossil plants. See "1999 Sale of Fossil Generating Assets" below for details. ComEd's management is in the process of evaluating its options with respect to the proposed tax deficiency. Those options include either protesting the disallowance to the IRS Appeals Division or possible litigation. If ComEd's management decides to litigate the matter, ComEd may be required to pay the tax and related interest due on the deficiency and file for refund. Upon payment of the tax and related interest, ComEd

Source: EXELON CORP, 10–Q, July 25, 2007

would reassess its tax position with respect to the gain deferral of the fossil plant sale. As a result of this reassessment, the unrecognized tax benefits may decrease by as much as $428 million.

The IRS proposed an adjustment requiring the capitalization of certain merger costs previously deducted, associated with the PECO / Unicom merger. In the second quarter of 2007, management agreed to accept the IRS' adjustment to capitalize the merger costs. Exelon and PECO reduced the amount of unrecognized tax benefits by approximately $16 million and $10 million, respectively.

Generation and ComEd filed refund claims related to taxable years 1999 through 2004 for research and development expenditures. The IRS is in the early stages of the audit of those claims. At this point, an estimate of a change, if any, to the unrecognized tax benefit amount cannot be made.

In 2001, ComEd and PECO filed a request with the IRS to change their tax method of accounting for certain capitalized overhead costs. The requested tax method of accounting, the Simplified Service Cost Method (SSCM), is expressly permitted under IRS regulations. The effect of the tax method change results in the immediate expensing of certain overhead costs that were previously capitalized to self–constructed property. During the first quarter of 2007, the IRS granted the tax method change. In April 2007, ComEd and PECO signed consent agreements, thus making the tax method change effective as of that date. The consent agreement has terms and conditions that subject the change to certain published guidance as well as future guidelines and directives to be issued by the IRS. As a result of the uncertainty of forthcoming IRS settlement guidelines, ComEd and PECO are currently unable to estimate the tax benefit associated with the SSCM. ComEd and PECO have entered into an agreement with a tax consultant related to the filing of this tax method change request. The fee for this agreement is contingent upon receiving consent from the IRS and is based upon a percentage of the refunds recovered from the IRS, if any. The ultimate net cash impacts to ComEd and PECO related to this agreement will either be positive or neutral depending upon the outcome of the refund claim with the IRS. A portion of the tax refund, if any, will likely relate to ComEd and PECO's formerly owned generation property and thus the current tax benefits will be recorded by ComEd and PECO with partially offsetting deferred tax effects at Generation. These potential tax benefits and associated fees would be recorded in accordance with FIN 48 and SFAS No. 5, "Accounting for Contingencies" (SFAS No. 5), respectively, and could be material to the financial position, results of operations and cash flows of Generation, ComEd and PECO.

Certain of ComEd and PECO's tax positions evaluated under FIN 48 are dependent on ComEd and PECO having sufficient tax basis in their fixed assets. Should ComEd and PECO obtain any future benefit associated with the SSCM accounting method change, it will require a reduction to the tax basis of assets. As a result, the SSCM could have an effect on the unrecognized tax benefits associated with other tax positions that are dependent on tax basis.

1999 Sale of Fossil Generating Assets (Exelon, Generation and ComEd)

Exelon, through its ComEd subsidiary, has taken certain tax positions, which have been disclosed to the IRS, to defer the tax gain on the 1999 sale of its fossil generating assets. As of June 30, 2007 and December 31, 2006, deferred tax liabilities related to the fossil plant sale are reflected in Exelon's Consolidated Balance Sheets with the majority allocated to ComEd and the remainder to Generation. The Federal tax returns and related tax return disclosures covering the period of the 1999 sale are currently under IRS audit. Exelon's ability to continue to defer all or a portion of this liability depends on whether its treatment of the sales proceeds, as having been received in connection with an involuntary conversion is proper pursuant to applicable law. In November 2006, ComEd received from the IRS a notice of proposed adjustment disallowing the deferral of gain associated with its position that proceeds from the fossil plant sales resulted from an "involuntary conversion."

Source: EXELON CORP, 10-Q, July 25, 2007

Exelon's and ComEd's ability to continue to defer the remainder of the tax liability on the fossil plant sale may depend in part on whether its tax characterization of a sale leaseback transaction Exelon entered into in connection with the fossil plant sale is proper pursuant to applicable law. In February 2007, Exelon received from the IRS a notice of proposed adjustment disallowing the deferral of gain associated with its sale–leaseback transaction. The IRS has indicated its position that the Exelon sale leaseback transaction is substantially similar to a leasing transaction, a sale–in, lease–out (SILO), the IRS is treating as a "listed transaction" pursuant to guidance it issued in 2005. A listed transaction is one, which the IRS considers to be a potentially abusive tax shelter. Exelon disagrees with the IRS's characterization of its sale–leaseback as a SILO and believes its position is justified and will continue to aggressively defend that position upon audit and any subsequent appeals or litigation.

In final form, both the disallowance for the involuntary conversion and the like kind exchange transactions will be in the IRS' audit report expected to be issued in the third quarter of 2007. Upon receipt of the final IRS report, Exelon will have the opportunity to either appeal the disallowance to IRS Appeals, the next administrative level of the IRS, or litigate the matter. If Exelon's and ComEd's management decide to litigate the matter, it may be required to pay the tax and related interest due on the deficiency and file for refund.

A successful IRS challenge to ComEd's positions would accelerate future income tax payments and increase interest expense related to the deferred tax gain that becomes currently payable. As of June 30, 2007, Exelon's and ComEd's potential cash outflow, including tax and interest (after tax), could be as much as $983 million. If the deferral were successfully challenged by the IRS, it could negatively impact Exelon's and ComEd's results of operations by as much as $153 million (after tax) related to interest expense. Exelon's and ComEd's management believe an appropriate reserve for interest has been recorded in accordance with FIN 48; however, the ultimate outcome of such matters could result in unfavorable or favorable impacts to the results of operations, and such adjustments could be material. Final resolution of this matter is not anticipated for several years.

Investments in Synthetic Fuel–Producing Facilities (Exelon)

Exelon, through three separate wholly owned subsidiaries, owns interests in two limited liability companies and one limited partnership (collectively, the Sellers) that own synthetic fuel–producing facilities. Section 45K (formerly Section 29) of the Internal Revenue Code provides tax credits for the sale of synthetic fuel produced from coal. However, Section 45K contains a provision under which the tax credits are phased out (i.e., eliminated) in the event crude oil prices for a year exceed certain thresholds. Exelon is required to pay for tax credits based on the production of the facilities regardless of whether or not a phase–out of the tax credits is anticipated. However, Exelon has the legal right to recover a portion of the payments made to the Sellers related to phased–out tax credits.

In April 2007, the IRS published the 2006 oil Reference Price which resulted in a 33% phase–out of tax credits for calendar year 2006 which reduced Exelon's earned after–tax credits of $164 million to $110 million for the year ended December 31, 2006. At December 31, 2006, Exelon had estimated the 2006 phase–out to be 38% and had receivables on its Consolidated Balance Sheet from the Sellers totaling $63 million associated with the portion of the payments previously made to the Sellers related to tax credits that were anticipated to be phased out for 2006. The difference between the actual 2006 phase–out and the 2006 phase–out previously estimated resulted in a $9 million increase in 2006 tax credits and a corresponding $6 million decrease, net of the related tax benefit, in the receivables due from the Sellers, which has been reflected in Exelon's operating results for the three and six months ended June 30, 2007.

Source: EXELON CORP, 10-Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table (in dollars) provides the estimated phase–out range for 2007 based on the per barrel price of oil as of June 30, 2007. The table also contains the estimated 2007 annual average New York Mercantile Exchange, Inc. index (NYMEX) price per barrel at June 30, 2007 based on year–to–date and futures prices.

	Estimated 2007
Beginning of Phase–Out Range(a)	$ 62
End of Phase–Out Range(a)	78
2007 Annual Average NYMEX	66

(a) The estimated 2007 phase–out range as of June 30, 2007 is based upon the actual 2006 phase–out range. The actual 2006 phase–out range was determined using the inflation adjustment factor published by the IRS in April 2007. The actual 2006 phase–out range was increased by 2% (Exelon's estimate of inflation) to arrive at the estimated 2007 phase–out range.

At June 30, 2007, Exelon had receivables on its Consolidated Balance Sheet from the Sellers totaling $34 million associated with the portion of the payments previously made to the Sellers related to tax credits that are anticipated to be phased out in 2007. As of June 30, 2007, Exelon has estimated the 2007 phase–out to be 25%, which has reduced Exelon's earned after–tax credits of $139 million to $105 million for the six months ended June 30, 2007. These credits may be further phased out during the remainder of 2007 depending on the price of oil; however, as these tax credits are phased out, Exelon anticipates recording income through the establishment of additional receivables from the Sellers or from derivatives entered into in 2005 (as more fully described below) depending on the magnitude of the credits phased–out.

In 2005, Exelon and Generation entered into certain derivatives in the normal course of trading operations to economically hedge a portion of the exposure to a phase–out of the tax credits. One of the Sellers has security interests in these derivatives. Including the related mark–to–market gains and losses on these derivatives, interests in synthetic fuel–producing facilities increased Exelon's net income by $27 million and reduced Exelon's net income by $55 million during the three months ended June 30, 2007 and 2006, respectively. Additionally, interests in synthetic fuel–producing facilities increased Exelon's net income by $52 million and reduced Exelon's net income by $43 million during the six months ended June 30, 2007 and 2006, respectively. Exelon anticipates that it will continue to record income or losses related to the mark–to–market gains or losses on its derivative instruments and changes to the tax credits earned by Exelon during the period of production as a result of volatility in oil prices.

Net income from interests in synthetic fuel–producing facilities is reflected in the Consolidated Statements of Operations and Comprehensive Income within income taxes, operating and maintenance expense, depreciation and amortization expense, interest expense, equity in losses of unconsolidated affiliates and investments and other, net.

There are provisions in the agreements between the parties, such as low production volume, unanimous consents between the parties and defaults by the parties, which would allow or cause an early termination of the partnerships. If none of the parties to the agreements takes action to terminate the partnerships early, the partnerships will terminate in 2008.

The non–recourse notes payable principal balance was $56 million and $108 million at June 30, 2007 and December 31, 2006, respectively. The non–recourse notes payable can be relieved either through eventual payments or possibly through extinguishment, which may occur subsequent to termination of the partnership pursuant to the agreements between the parties.

Source: EXELON CORP, 10–Q, July 25, 2007

11. Asset Retirement Obligations (Exelon and Generation)

Nuclear Decommissioning Asset Retirement Obligations (ARO)

Exelon, Generation and AmerGen have legal obligations to decommission their nuclear power plants following the expiration of their operating licenses. Exelon, Generation and AmerGen will pay for their respective obligations using trust funds that have been established for this purpose.

The following table provides a rollforward of the nuclear decommissioning ARO reflected on Exelon's and Generation's Consolidated Balance Sheets, from January 1, 2007 to June 30, 2007:

	Exelon and Generation
Nuclear decommissioning AROs at January 1, 2007	$ 3,533
Accretion expense	115
Payments to decommission retired plants	(4)
Nuclear decommissioning AROs at June 30, 2007	$ 3,644

Exelon and Generation update their nuclear decommissioning AROs on a periodic basis; however, there were no changes in the underlying assumptions that would result in a significant change to the estimated future cash flows during the six months ended June 30, 2007.

During the second quarter of 2006, Generation recorded a net decrease in the ARO of approximately $604 million and pre-tax income of $149 million resulting from revisions to estimated future nuclear decommissioning cash flows, primarily due to revised management assumptions concerning an increased likelihood of successful nuclear license renewal efforts due to an increasingly favorable environment for nuclear power and, therefore, an increased likelihood of operating the nuclear plants through a full license extension period, and also due to a change in management's expectation of when the U.S. Department of Energy (DOE) will establish a repository for and begin accepting spent nuclear fuel. The recognition of other operating income by Exelon and Generation of $149 million (pre-tax) was included in operating and maintenance expense in Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2006, representing the reduction in the ARO in excess of the existing ARC balance primarily for the AmerGen units.

Nuclear Decommissioning Trust Fund Investments

The trust funds that have been established to satisfy Exelon's and Generation's nuclear decommissioning obligations were originally funded with amounts collected from customers. Certain of these trust funds will continue to be funded by future collections from PECO customers.

At June 30, 2007 and December 31, 2006, Exelon and Generation had nuclear decommissioning trust fund investments totaling $6,777 million and $6,415 million, respectively.

At June 30, 2007, Exelon and Generation had gross unrealized gains of $1,532 million, related to the nuclear decommissioning trust fund investments, of which $1,218 million associated with the former ComEd and former PECO trusts was included in regulatory liabilities on Exelon's Consolidated Balance Sheets and in noncurrent payables to affiliates on Generation's Consolidated Balance Sheets. The remaining $314 million gross unrealized gains associated with the unregulated portions of Peach Bottom and AmerGen trusts are included in accumulated OCI on Exelon's and Generation's Consolidated Balance Sheets. At December 31, 2006, Exelon and Generation had gross unrealized gains of $1,287 million, related to the nuclear decommissioning trust fund investments, of which $1,037 million associated with the former ComEd and former PECO trusts was included in regulatory liabilities on Exelon's Consolidated Balance Sheets and in noncurrent payables to affiliates on Generation's

Source: EXELON CORP, 10-Q, July 25, 2007

Consolidated Balance Sheets. The remaining $250 million gross unrealized gains associated with the unregulated portions of Peach Bottom and AmerGen trusts are included in accumulated OCI on Exelon's and Generation's Consolidated Balance Sheets. Exelon and Generation consider all nuclear decommissioning trust fund investments in an unrealized loss position to be other–than–temporarily impaired. As a result of certain Nuclear Regulatory Commission restrictions, Exelon and Generation are unable to demonstrate the ability and intent to hold the nuclear decommissioning trust fund investments through a recovery period and accordingly recognize any unrealized holding losses immediately. For the three months ended June 30, 2007, Generation recorded impairment charges totaling $12 million, $1 million and $1 million associated with the nuclear decommissioning trust funds for the former ComEd, the former PECO and the AmerGen units, respectively. For the six months ended June 30, 2007, Generation recorded impairment charges totaling $20 million, $1 million and $3 million associated with the nuclear decommissioning trust funds for the former ComEd, the former PECO and the AmerGen units, respectively. Generation recorded impairment charges totaling $7 million and $10 million associated with the nuclear decommissioning trust funds for the former ComEd units for the three and six months ended June 30, 2006, respectively.

As a result of the sale of nuclear decommissioning trust fund investments, Exelon and Generation realized net gains of $10 million and $19 million for the three and six months ended June 30, 2007, respectively, and realized net losses of $9 million and $11 million for the three and six months ended June 30, 2006, respectively, on nuclear decommissioning trust funds.

Refer to Notes 9 and 13 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for a full discussion of the accounting for nuclear decommissioning obligations, nuclear decommissioning trust funds and the corresponding accounting implications resulting from agreements entered into with ComEd and PECO at the time of the corporate restructuring effective January 1, 2001. In addition, see Note 16 — Related Party Transactions for information regarding intercompany balances between Generation, ComEd and PECO reflecting the obligation to refund to customers any decommissioning–related assets in excess of the related decommissioning obligations.

12. Earnings Per Share and Shareholders' Equity (Exelon)

Earnings per Share

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, including shares to be issued upon exercise of stock options, performance share awards and restricted stock outstanding under Exelon's long–term incentive plans considered to be common stock equivalents. The following table sets forth the components of basic and diluted earnings per share and shows the effect of these stock options, performance share awards and restricted stock on the weighted average number of shares outstanding used in calculating diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Income from continuing operations	$ 703	$ 641	$ 1,384	$ 1,041
Income (loss) from discontinued operations	(1)	3	9	3
Net income	$ 702	$ 644	$ 1,393	$ 1,044
Average common shares outstanding — basic	675	670	674	669
Assumed exercise of stock options, performance share awards and restricted stock	5	6	5	6
Average common shares outstanding — diluted	680	676	679	675

Source: EXELON CORP, 10–Q, July 25, 2007

There were no stock options excluded from the calculation of diluted common shares outstanding due to their antidilutive effect for the three and six months ended June 30, 2007. The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was 4 million for the three and six months ended June 30, 2006, respectively.

Share Repurchases

In April 2004, Exelon's Board of Directors approved a discretionary share repurchase program that allows Exelon to repurchase shares of its common stock on a periodic basis in the open market. See Note 16 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for further information regarding Exelon's share repurchase program. Repurchased shares are held as treasury shares and recorded at cost. As of June 30, 2007, 13 million shares of common stock have been purchased under the share repurchase program for $652 million. During the six months ended June 30, 2007 and 2006, Exelon repurchased 0.6 million shares and 0.9 million shares, respectively, of common stock under the share repurchase program for $37 million and $53 million, respectively.

Long–Term Incentive Plans

The following table presents the stock–based compensation expense included in Exelon's Consolidated Statements of Income and Comprehensive Income during the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Stock options	$ 7	$ 8	$ 22	$ 25
Performance shares	19	20	36	41
Restricted stock units	2	1	8	2
Employee stock purchase plan	1	1	1	1
Total stock–based compensation included in operating and maintenance expense	29	30	67	69
Income tax benefit	12	11	27	26
Total after–tax stock–based compensation expense	$ 17	$ 19	$ 40	$ 43

Stock Options and Performance Shares

For information regarding stock options and performance shares, see Notes 1 and 16 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K.

Restricted Stock Units

Beginning in January 2007, Exelon began granting key managers restricted stock units in lieu of stock options through its long–term incentive plans. During the three and six months ended June 30, 2007, Exelon granted 0 and 331,745 restricted stock units, respectively, which will vest and settle over a three–year period. Prior to 2007, Exelon utilized restricted stock on a limited basis primarily to compensate executive management.

In accordance with SFAS No. 123 (revised 2004), "Share–Based Payment" (SFAS No. 123–R), the cost of services received from employees in exchange for the issuance of restricted stock units is required to be measured

Source: EXELON CORP, 10–Q, July 25, 2007

based on the grant–date fair value of the restricted stock unit issued. The value of the restricted stock units at the date of grant is either amortized through expense over the requisite service period using the straight–line method or capitalized. For non–retirement eligible individuals, the substantive service period was determined to be the three–year vesting period. The cost associated with restricted stock units granted to employees who are retirement eligible is recognized immediately upon the date of grant, as the employees are not required to render any further service to earn the restricted stock units. For employees who become retirement eligible during the vesting period, the cost of the restricted stock units is recognized on a straight–line basis from the grant date until they become retirement eligible.

The holders of the restricted stock units will be issued shares of common stock annually during the vesting period of three years. During the three and six months ended June 30, 2007, Exelon had costs of $2 million and $7 million, respectively, related to restricted stock units granted to key managers in lieu of stock options.

13. Commitments and Contingencies (Exelon, Generation, ComEd and PECO)

For information regarding capital commitments and nuclear decommissioning at December 31, 2006, see Notes 13 and 18 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K. All significant contingencies are disclosed below.

Energy Commitments

Generation's long–term commitments relating to the purchase from and sale to unaffiliated utilities and others of energy, capacity and transmission rights as of June 30, 2007 did not change significantly from December 31, 2006, except for the following:

- Generation's total commitments for future sales of energy to unaffiliated third–party utilities and others decreased by approximately $760 million during the six months ended June 30, 2007, reflecting increases of approximately $819 million, $495 million and $124 million related to 2008, 2009 and 2010 sales commitments, respectively, offset by the fulfillment of approximately $2,198 million of 2007 commitments during the six months ended June 30, 2007. The increases were primarily due to increased forward sales of energy to counterparties other than ComEd as a result of the expiration of the PPA with ComEd on December 31, 2006, as well as increased overall hedging activity in the normal course of business.
- On April 4, 2007, Generation agreed to sell its rights to 942 MWs of capacity, energy, and ancillary services supplied from its existing long–term contract with Tenaska Georgia Partners, LP through a tolling agreement with Georgia Power, a subsidiary of Southern Company, commencing June 1, 2010 and lasting for 15 or 20 years. The transaction between Generation and Georgia Power is subject to approval by the Georgia Public Service Commission (GPSC). Upon approval of the transaction by the GPSC, Exelon and Generation will recognize a non–cash after–tax loss of up to $75 million. Generation expects to receive approval from the GPSC during the third quarter of 2007. The transaction provides Generation with approximately $43 million in annual revenue in the form of capacity payments over the term of the tolling agreement.

As a result of the first reverse–auction competitive bidding process, ComEd is procuring substantially all of its supply under supplier forward contracts with various suppliers. See Note 4 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for further information.

Source: EXELON CORP, 10–Q, July 25, 2007

Fuel Purchase Obligations

Generation's and PECO's fuel purchase obligations as of June 30, 2007 did not change significantly from December 31, 2006, except for the following:

- Generation's total fuel purchase obligations for nuclear and fossil generation as of June 30, 2007 increased by $108 million, $120 million, $95 million, $102 million, and $293 million for 2008, 2009, 2010, 2011, 2012 and beyond, respectively, as compared to December 31, 2006 due to contracts entered into in the normal course of business.
- PECO's total fuel purchase obligations increased by approximately $134 million during the six months ended June 30, 2007, reflecting an increase of $18 million, $63 million, $34 million and $19 million in 2007, 2008, 2009 and 2010, respectively, primarily related to the purchase of natural gas and related transportation services.

Commercial and Construction Commitments

Exelon's, Generation's, ComEd's and PECO's commercial commitments as of June 30, 2007, representing commitments potentially triggered by future events, did not change significantly from December 31, 2006, except for the following:

- Exelon's letters of credit increased $42 million and guarantees increased by $209 million primarily as a result of leasing activities, energy trading and performance guarantees.
- Generation's letters of credit increased by $41 million and its guarantees increased by $176 million primarily as a result of energy trading activities and the performance guaranty agreement entered into in connection with the sale of TEG and TEP.

Under their operating agreements with PJM, ComEd and PECO are committed to construct transmission facilities. ComEd and PECO will work with PJM to continue to evaluate the scope and timing of any required construction projects. ComEd's and PECO's estimated commitments are as follows:

	Total	July to December 2007	2008	2009	2010	2011	2012
ComEd	$ 151	$ 64	$ 32	$ 9	$ 13	$ 15	$ 18
PECO	151	4	28	58	28	26	7

Rate Relief Commitments

In connection with the Settlement agreement reached on July 24, 2007 between legislative leaders in Illinois, ComEd, Generation and other utilities and generators in Illinois, Exelon has committed to contributing approximately $800 million to rate relief programs over four years and funding for the Illinois Power Agency. ComEd will continue to execute upon its $64 million rate relief package announced April 23, 2007, whereby $11 million of rate relief credits had been provided by ComEd to its customers prior to June 14, 2007. Generation would contribute an aggregate of up to $747 million, of which $435 million would be available to reimburse ComEd for rate relief programs for ComEd customers, $307.5 million would be available for rate relief programs for customers of other Illinois utilities, and $4.5 million would be available for funding operations of the Illinois Power Agency. The

Source: EXELON CORP, 10-Q, July 25, 2007

following table shows the $800 million to be contributed to rate relief by Generation and ComEd by year. See Note 5 — Regulatory Issues for more information.

	Total	June 14 to June 30, 2007(a)	July to December 2007	2008	2009	2010
Generation	$ 747	$ —	$ 426	$ 212	$ 95	$ 14
ComEd(a)	53	7	26	10	10	—
Total	$ 800	$ 7	$ 452	$ 222	$ 105	$ 14

(a) During the six months ended June 30, 2007, ComEd has credited approximately $18 million to its customers, including $11 million prior to June 14, 2007.

Nuclear Insurance

Generation is a member of an industry mutual insurance company, Nuclear Electric Insurance Limited (NEIL), which provides property damage, decontamination and premature decommissioning insurance for each station for losses resulting from damage to its nuclear plants, either due accidents or acts of terrorism. In the event that one or more acts of terrorism cause accidental property damage within a twelve-month period from the first accidental property damage under one or more policies for all insured plants, the maximum recovery for all losses by all insureds will be an aggregate of $3.2 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity and any other source, applicable to such losses. The $3.2 billion maximum recovery limit is not applicable, however, in the event of a "certified act of terrorism" as defined in the Terrorism Risk Insurance Act of 2002, as extended, as a result of government indemnity. Generally, a "certified act of terrorism" is defined in the Terrorism Risk Insurance Act to be an act of terrorism committed on behalf of a foreign person or interest, as certified by the U.S. government. The Terrorism Risk Insurance Act expires on December 31, 2007, which, if not extended, could have an impact on the insurance coverages available to Generation. Additionally, the expiration of the Terrorism Risk Insurance Act could have an impact on the non-nuclear insurance coverages available to the Registrants.

Refer to Note 18 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10-K for a full discussion of nuclear insurance.

Environmental Liabilities

The Registrants' operations have in the past and may in the future require substantial expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, the Registrants are generally liable for the costs of remediating environmental contamination of property now or formerly owned by them and of property contaminated by hazardous substances generated by them. The Registrants own or lease a number of real estate parcels, including parcels on which their operations or the operations of others may have resulted in contamination by substances that are considered hazardous under environmental laws. ComEd and PECO have identified 42 and 27 sites, respectively, where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. For almost all of these sites, ComEd or PECO is one of several Potentially Responsible Parties (PRPs), which may be responsible for ultimate remediation of each location. Of these 42 sites identified by ComEd, the Illinois Environmental Protection Agency has approved the clean up of 9 sites and of the 27 sites identified by PECO, the Pennsylvania Department of Environmental Protection has approved the cleanup of 13 sites. Of the remaining sites identified by ComEd and PECO, 20 and 9 sites, respectively, are currently under some degree of active study and/or remediation. ComEd and PECO anticipate that

Source: EXELON CORP, 10-Q, July 25, 2007

the majority of the remediation at these sites will continue through at least 2015 and 2013, respectively. In addition, the Registrants are currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

ComEd and Nicor Gas Company, a subsidiary of Nicor Inc. (Nicor), are parties to an interim agreement under which they cooperated in remediation activities at 38 former MGP sites for which ComEd or Nicor, or both, may have responsibility. Under the interim agreement, costs were split evenly between ComEd and Nicor pending their final agreement on allocation of costs at each site. For most of the sites, the interim agreement contemplated that neither party would pay less than 20%, or more than 80% of the final costs for each site. Through June 30, 2007, ComEd has incurred approximately $110 million associated with remediation of the sites in question. On April 17, 2006, Nicor submitted a demand for arbitration of the cost allocation for 38 MGP sites. In July 2007, ComEd and Nicor reached an agreement on the allocation of costs for the MGP sites. The agreement is contingent upon ICC approval and the execution of definitive written agreements. ComEd's accrual as of June 30, 2007 for these environmental liabilities has been adjusted to reflect the cost allocations contemplated in the agreement.

Based on the final order received in ComEd's Rate Case, beginning in 2007, ComEd is recovering MGP remediation costs from customers for which it established a regulatory asset. Pursuant to a PAPUC order, PECO is currently recovering a provision for environmental costs annually for the remediation of former MGP facility sites, for which PECO has recorded a regulatory asset. See Note 14 — Supplemental Financial Information for further information regarding regulatory assets and liabilities.

As of June 30, 2007 and December 31, 2006, Exelon, Generation, ComEd and PECO had accrued the following amounts for environmental liabilities:

June 30, 2007	Total Environmental Investigation and Remediation Reserve	Portion of Total Related to MGP Investigation and Remediation
Exelon	$ 127	$ 101
Generation	17	—
ComEd	72	65
PECO	38	36

December 31, 2006	Total Environmental Investigation and Remediation Reserve	Portion of Total Related to MGP Investigation and Remediation
Exelon	$ 119	$ 88
Generation	20	—
ComEd	58	49
PECO	41	39

The Registrants cannot predict the extent to which they will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by environmental agencies or others, or whether such costs may be recoverable from third parties.

Source: EXELON CORP, 10-Q, July 25, 2007

Section 316(b) of the Clean Water Act

In July 2004, the United States Environmental Protection Agency (EPA) issued the final Phase II rule implementing Section 316(b) of the Clean Water Act. The Clean Water Act requires that the cooling water intake structures at electric power plants reflect the best technology available to minimize adverse environmental impacts. The Phase II rule established national performance standards for reducing entrainment and impingement of aquatic organisms at existing power plants. The rule provided each facility with a number of compliance options and permitted site–specific variances based on a cost–benefit analysis. The requirements were intended to be implemented through state–level National Pollutant Discharge Elimination System (NPDES) permit programs. All of Generation's power generation facilities with cooling water systems are subject to the regulations. Facilities without closed–cycle recirculating systems (e.g., cooling towers) are potentially most affected. Those facilities are Clinton, Cromby, Dresden, Eddystone, Fairless Hills, Handley, Mountain Creek, New Boston, Oyster Creek, Peach Bottom, Quad Cities, Salem and Schuylkill. Since promulgation of the rule, Generation has been evaluating compliance options at each of its affected plants to achieve interim compliance deadlines.

On January 25, 2007, the U.S. Court of Appeals for the Second Circuit issued its opinion in a challenge to the final Phase II rule brought by environmental groups and several states. The court found that, with respect to a number of significant provisions of the rule, the EPA either exceeded its authority under the Clean Water Act, failed to adequately set forth its rationale for the rule, or failed to follow required procedures for public notice and comment. The court remanded the rule back to the EPA for revisions consistent with the court's opinion. By its action, the court invalidated compliance measures that the utility industry supported because they were cost–effective and provided existing plants with needed flexibility in selecting the compliance option appropriate to its location and operations. For example, the court found that environmental restoration does not qualify as a compliance option and site–specific compliance variances based on a cost–benefit analysis are impermissible.

The court's decision has created significant uncertainty about the specific nature, scope and timing of the final compliance requirements. Several industry parties to the litigation sought review by the entire U.S. Court of Appeals for the Second Circuit, which was denied on July 5, 2007. Parties to the litigation have until October 3, 2007 to file a petition seeking review by the U.S. Supreme Court. On July 9, 2007, the EPA formally suspended the Phase II rule due to the uncertainty about the specific compliance requirements created by the court's remand of significant provisions of the rule. Until the EPA finalizes the rule on remand (which could take several years), the state permitting agencies will continue the current practice of applying their best professional judgment to address impingement and entrainment requirements at plant cooling water intake structures. Due to this uncertainty, Generation cannot estimate the effect that compliance with the Phase II rule requirements will have on the operation of its generating facilities and its future results of operations, financial condition and cash flows. If the final rule, or interim state requirements under best professional judgment, have performance standards that require the reduction of cooling water intake flow at the plants consistent with closed loop cooling systems, then the impact on the operation of the facilities and Exelon's and Generation's future results of operations, financial position and cash flows could be material.

In a pre–draft permit dated May 13, 2005 and a draft permit issued on July 19, 2005, as part of the NPDES permit renewal process for Oyster Creek that has been pending since 1999, the New Jersey Department of Environmental Protection (NJDEP) preliminarily determined that closed–cycle cooling and environmental restoration are the only viable compliance options for Section 316(b) compliance at Oyster Creek. The final permit has not been issued, and Oyster Creek has continued to operate under the 1999 permit. Generation cannot predict with any certainty how the NJDEP will implement its best professional judgment. AmerGen has not made a determination regarding how it will comply with the Section 316(b) regulations and must first evaluate the final regulations issued by the EPA as a result of the decision of the U.S. Court of Appeals for the Second Circuit,

Source: EXELON CORP, 10–Q, July 25, 2007

discussed above. In addition, the cost required to retrofit Oyster Creek with closed cycle cooling could be material and could therefore negatively impact Generation's decision to renew the plant's operating license.

In June 2001, the NJDEP issued a renewed NPDES permit for Salem allowing for the continued operation of Salem with its existing cooling water system. The NPDES permit expired in July 2006. NJDEP advised Public Service Enterprise Group Incorporated (PSEG), the plant operator, in a letter dated July 12, 2004 that it strongly recommended reducing cooling water intake flow commensurate with closed–cycle cooling as a compliance option for Salem. PSEG submitted an application for a renewal of the permit on February 1, 2006. In the permit renewal application, PSEG analyzed closed–cycle cooling and other options and demonstrated that the continuation of the Estuary Enhancement Program, an extensive environmental restoration program at Salem, along with continued operation of the existing intake, is the best available technology to meet the Section 316(b) requirements. PSEG continues to operate Salem under the approved June 2001 NPDES permit while the NPDES permit renewal application is being reviewed. PSEG must evaluate the final Phase II rule after remand, particularly whether the restoration done under the Estuary Enhancement Project remains a compliance option. If application of the final Section 316(b) regulations or the NJDEP as a result of the Phase II ruling discussed above ultimately requires the retrofitting of Salem's cooling water intake structure to reduce cooling water intake flow commensurate with closed–cycle cooling, Exelon's and Generation's share of the total cost of the retrofit and any resulting interim replacement power would likely be in excess of $500 million and could result in increased depreciation expense related to the retrofit investment.

Nuclear Generating Station Groundwater

On December 16, 2005 and February 27, 2006, the Illinois EPA issued violation notices to Generation alleging violations of state groundwater standards as a result of historical discharges of liquid tritium from a line at the Braidwood Nuclear Generating Station (Braidwood). In November 2005, Generation discovered that spills from the line in 1996, 1998 and 2000 have resulted in a tritium plume in groundwater that is both on and off the plant site. Levels in portions of the plume exceed Federal limits for drinking water. However, samples from drinking water wells on property adjacent to the plant showed that, with one exception, tritium levels in these wells were at levels that naturally occur. The tritium level in one drinking water well was elevated above levels that occur naturally, but was significantly below the state and Federal drinking water standards, and Generation believes that this level posed no threat to human health. Generation has investigated the causes of the releases and has taken the necessary corrective actions to prevent another occurrence. Generation notified the owners of 14 potentially affected adjacent properties that, upon sale of their property, Generation will reimburse the owners for any diminution in property value caused by the tritium release. As of June 30, 2007, Generation has purchased four of the 14 adjacent properties.

On March 13, 2006, a class action lawsuit was filed against Exelon, Generation and ComEd (as the prior owner of Braidwood) in Federal District Court for the Northern District of Illinois on behalf of all persons who live or own property within 10 miles of Braidwood. Initially, the plaintiffs primarily sought compensation for diminished property values, but in February 2007, they amended their complaint to seek punitive damages. The U.S. District Court for the Northern District of Illinois denied the class action status of the lawsuit on March 19, 2007. Plaintiffs requested reconsideration and sought certification of a class of approximately 200 persons whose property allegedly had tritium at levels below detection level, along with a class of adjacent property owners (unspecified in number) that had allegedly been affected by tritium from the plant. On June 8, 2007, the plaintiffs voluntarily dismissed the lawsuit with prejudice.

On March 14 and 23, 2006, 37 area residents filed two separate but identical lawsuits against Exelon, Generation and ComEd in the Circuit Court of Will County, Illinois alleging property contamination and seeking compensation for diminished property values. Exelon removed these cases to Federal court, and all three cases were

Source: EXELON CORP, 10-Q, July 25, 2007

assigned to the same District Court judge. Subsequently, seven plaintiffs withdrew from the cases, and 18 additional plaintiffs were added. On May 17, 2007, the plaintiffs voluntarily dismissed the cases without prejudice. On October 11, 2006, two area residents filed a lawsuit in the U.S. District Court for the Northern District of Illinois against Exelon, Generation and ComEd. The allegations in the complaint are substantially similar to the lawsuits described above, and the case has been transferred to the judge overseeing the other Federal cases. This is the only remaining lawsuit brought by local residents. Exelon, Generation and ComEd have tendered the defense for this lawsuit to their insurance carrier, ANI, and ANI has agreed to defend the suit subject to a reservation of rights. Exelon, Generation and ComEd continue to believe that this lawsuit is without merit and will continue to vigorously oppose it.

On March 16, 2006, the Attorney General of the state of Illinois and the State's Attorney for Will County, Illinois filed a civil enforcement action against Exelon, Generation and ComEd in the Circuit Court of Will County relating to the releases of tritium discussed above and alleging that, beginning on or before 1996, and with additional events in 1998, 2000 and 2005, there have been tritium and other non–radioactive wastes discharged from Braidwood in violation of Braidwood's NPDES permit, the Illinois Environmental Protection Act and regulations of the Illinois Pollution Control Board. The lawsuit seeks injunctive relief relating to the discontinuation of the liquid tritium discharge line until further court order, soil and groundwater testing, prevention of future releases and off–site migration and to provide potable drinking water to area residents. The action also seeks the maximum civil penalties allowed by the statute and regulations, $10,000 or $50,000 for each violation (depending on the specific violation), and $10,000 for each day during which a violation continues. On May 24, 2006, the Circuit Court of Will County, Illinois entered an order resulting in Generation commencing remediation efforts in June 2006 for tritium in groundwater off of plant property. Among other things, the May 24, 2006 order requires Generation to conduct certain studies and implement measures to ensure that tritium does not leave plant property at levels in excess of the United States EPA safe drinking water standard. Any civil penalty will not be determined until the consent decree is finalized. Furthermore, the Circuit Court of Will County may exercise its discretion in determining the final penalty, if any, taking into account a number of factors, including corrective actions taken by Generation and other mitigating circumstances.

As of June 30, 2007 and December 31, 2006, Generation had reserves of $2 million and $3 million, respectively, related to the matters described above, which Generation deems adequate to cover the costs of remediation and potential related corrective measures.

As a result of intensified monitoring and inspection efforts in 2006, Generation detected small underground tritium leaks at the Dresden Nuclear Generating Station (Dresden) and at the Byron Nuclear Generating Station (Byron). Neither of these discharges occurred outside the property lines of the plant, nor does Generation believe either of these matters poses health or safety threats to employees or to the public. Generation identified the source of the leaks and implemented repairs. On March 31, 2006 and April 12, 2006, the Illinois EPA issued a violation notice to Generation in connection with the Dresden and Byron leaks, respectively, alleging various violations, including those related to (1) Illinois groundwater standards, (2) non–permitted discharges, and (3) each station's NPDES permit. Generation has analyzed the remediation options related to these matters and submitted its response and proposed remediation plan to the Illinois EPA. On July 10, 2006, the Illinois EPA rejected the remediation plan for Dresden and on July 12, 2006, the Illinois EPA sent a Notice of Intention to Pursue Legal Action. On July 17, 2006, the Illinois EPA rejected the remediation plan for Byron and has referred the matter to the Illinois Attorney General for consideration of formal enforcement action and the imposition of penalties.

Generation is actively discussing the violation notices and Attorney General civil enforcement matters for Braidwood, Dresden and Byron, discussed above, with the Illinois EPA and the Attorneys General for Illinois and the Counties in which the plants are located. While Generation is unable to determine the amount of the civil

Source: EXELON CORP, 10-Q, July 25, 2007

penalties that will be included in a final consent decree, it is probable that they will exceed $100,000 in the aggregate for all three stations but will not be material to Exelon's and Generation's financial positions, results of operations and cash flows. Generation expects these matters to be resolved during 2007.

Exelon, Generation or ComEd cannot determine the outcome of the above-described matters but believe their ultimate resolution should not, after consideration of reserves established, have a significant impact on Exelon's, Generation's or ComEd's financial position, results of operations or cash flows.

Cotter Corporation

The EPA has advised Cotter Corporation (Cotter), a former ComEd subsidiary, that it is potentially liable in connection with radiological contamination at a site known as the West Lake Landfill in Missouri. On February 18, 2000, ComEd sold Cotter to an unaffiliated third party. As part of the sale, ComEd agreed to indemnify Cotter for any liability incurred by Cotter as a result of any liability arising in connection with the West Lake Landfill. In connection with Exelon's 2001 corporate restructuring, this responsibility to indemnify Cotter was transferred to Generation. Cotter is alleged to have disposed of approximately 39,000 tons of soils mixed with 8,700 tons of leached barium sulfate at the site. Cotter, along with three other companies identified by the EPA as PRPs, has submitted a draft feasibility study addressing options for remediation of the site. The PRPs are also engaged in discussions with the State of Missouri and the EPA. The estimated costs of the anticipated remediation strategy for the site range up to $24 million. Once a remedy is selected, it is expected that the PRPs will agree on an allocation of responsibility for the costs. Generation has accrued what it believes to be an adequate amount to cover its anticipated share of the liability.

Greenhouse Gas Emissions Reductions

Exelon announced on May 6, 2005 that it has established a voluntary goal to reduce its greenhouse gas (GHG) emissions by 8% from 2001 levels by the end of 2008. The 8% reduction goal represents a decrease of an estimated 1.3 million metric tons of GHG emissions. Exelon will incorporate recognition of GHG emissions and their potential cost into its business analyses as a means to promote internal investment in activities that result in the reduction or avoidance of GHG emissions. Exelon made this pledge under the United States EPA's Climate Leaders program, a voluntary industry-government partnership addressing climate change. Exelon believes that its planned GHG management efforts, including increased use of renewable energy, its current energy and process efficiency initiatives and its efforts in the areas of carbon sequestration, will allow it to achieve this goal. The anticipated cost of achieving the voluntary GHG emissions reduction goal will not have a material effect on Exelon's future results of operations, financial condition or cash flows.

On April 2, 2007, the U.S. Supreme Court issued a decision in the case of Massachusetts v. U.S. Environmental Protection Agency holding that carbon dioxide and other GHG emissions are pollutants subject to regulation under the new motor vehicle provisions of the Clean Air Act. The case was remanded to the EPA for further rulemaking to determine whether GHG emissions may reasonably be anticipated to endanger public health or welfare, or in the alternative provide a reasonable explanation why GHG emissions should not be regulated. Possible outcomes from this decision include regulation of GHG emissions from manufacturing plants, including electric generation, transmission and distribution facilities, under a new EPA rule and Federal or state legislation. Exelon continues to support the enactment, through federal legislation, of a cap-and-trade system for GHG emissions that is mandatory, economy-wide and designed in a way to limit potential harm to the economy and the competitiveness of the manufacturing base in the U.S. Due to the uncertainty as to any of these potential outcomes, Exelon cannot estimate the effect of the decision on its operations and its future results of operations, financial condition and cash flows.

Source: EXELON CORP, 10-Q, July 25, 2007

Litigation and Regulatory Matters

Exelon, Generation and PECO

PJM Billing Dispute. In December 2004, Exelon filed a complaint with FERC against PJM and PPL Electric (PPL) alleging that PJM had overcharged Exelon from April 1998 through May 2003 as a result of a billing error. Specifically, the complaint alleged that PJM mistakenly identified PPL's Elroy substation transformer as belonging to Exelon and that, as a consequence, during times of congestion, Exelon's bills for transmission congestion from PJM erroneously reflected energy that PPL took from the Elroy substation and used to serve PPL load.

Beginning in September of 2005 and throughout 2006, Exelon and PPL filed multiple settlement proposals with FERC, with each new proposal superceding the prior, in attempts to resolve this matter. On March 20, 2007, FERC issued an order accepting the settlement in which PPL agreed to directly pay Exelon approximately $43 million in a lump-sum payment (comprised of $38 million of erroneous charges, plus interest of $5 million). At that time, Exelon established a receivable due from PPL and recognized the corresponding gain in earnings during the first quarter of 2007. Approximately $32 million and $11 million of the settlement amount were to be received by Generation and PECO, respectively, and recorded as a reduction to purchased power expense and interest income. In April 2007, this receivable amount was paid in full, including interest.

Real Estate Tax Appeals. Generation and PECO each have been challenging real estate taxes assessed on certain nuclear plants. PECO has been involved in litigation in which it has contested taxes assessed in 1997 under the Pennsylvania Public Utility Realty Tax Act of March 4, 1971, as amended (PURTA), and has appealed local real estate assessments for 1998 and 1999 on the Peach Bottom Atomic Power Station (York County, PA) (Peach Bottom). On March 27, 2007, PECO prevailed in a unanimous decision by the Pennsylvania Supreme Court in its contesting of taxes assessed in 1997 under PURTA. The Commonwealth of Pennsylvania (Commonwealth) had contended that PECO owed more in real estate taxes in 1997 than had previously been remitted by PECO, while PECO contended that it owed less than what it had previously remitted. PECO received a favorable ruling in this case, which resulted in a credit to PECO of approximately $38 million of real estate taxes previously remitted. That credit was received in May 2007. PECO also received a credit for approximately $17 million in interest from the Commonwealth in July 2007. PECO had previously reserved approximately $17 million for the difference between the Commonwealth's assessment and the amount previously remitted by PECO. This reserve was reversed as a result of the favorable ruling PECO received. PECO is in the process of determining the ultimate use and ratemaking treatment of these amounts and has recorded the total of these amounts of $72 million as a regulatory liability. The balance of this regulatory liability as of June 30, 2007 is $71 million, which also reflects $1 million in legal costs already incurred in connection with the tax recovery. See Note 14 — Supplemental Financial Information for a listing of PECO's regulatory assets and liabilities.

As of June 30, 2007, Generation was involved in real estate tax appeals for the 2005 and 2006 tax years concerning the value of its Byron plant for real estate tax purposes. Also, Generation was involved in real estate tax appeals and related litigation for the 2006 tax year concerning the value for real estate tax purposes of its Braidwood, Clinton and Dresden plants. The ultimate outcome of these matters remains uncertain and could result in unfavorable or favorable impacts to the consolidated financial statements of Exelon, Generation and PECO. Generation and PECO believe their reserve balances for exposures associated with real estate taxes as of June 30, 2007 reflect their best estimates of the probable outcome of these appeals and related proceedings in accordance with SFAS No. 5.

Source: EXELON CORP, 10-Q, July 25, 2007

Exelon and Generation

Asbestos Personal Injury Claims. In the second quarter of 2005, Generation engaged independent actuaries to determine if, based on historical claims data and other available information, a reasonable estimate of future losses could be calculated associated with asbestos–related personal injury actions in certain facilities that are currently owned by Generation or were previously owned by ComEd and PECO. Based on the actuaries' analyses, management's review of current and expected losses, and the view of counsel regarding the assumptions used in estimating the future losses, Generation recorded an undiscounted $43 million pre–tax charge for its estimated portion of all estimated future asbestos–related personal injury claims estimated to be presented through 2030. This amount did not include estimated legal costs associated with handling these matters, which could be material. Generation's management determined that it was not reasonable to estimate future asbestos–related personal injury claims past 2030 based on only three years of historical claims data and the significant amount of judgment required to estimate this liability. The $43 million pre–tax charge was recorded as part of operating and maintenance expense in Generation's Consolidated Statements of Operations and Comprehensive Income in 2005 and reduced net income by $27 million after tax.

At June 30, 2007 and December 31, 2006, Generation had reserved approximately $51 and $48 million, respectively, in total for asbestos–related bodily injury claims. As of June 30, 2007, approximately $12 million of this amount relates to 144 open claims presented to Generation, while the remaining $39 million of the reserve is for estimated future asbestos–related bodily injury claims anticipated to arise through 2030 based on actuarial assumptions and analysis. Generation obtains annual actuarial study updates of the estimate of future losses. On a quarterly basis, Generation monitors actual experience against the number of forecasted claims to be received and expected claim payments. During 2006 and the first and second quarters of 2007, Generation performed periodic updates to this reserve, which did not result in a material adjustment.

Oil Spill Liability Trust Fund Claim. In December 2004, the two Salem nuclear generation units were taken offline due to an oil spill from a tanker in the Delaware River near the facilities. The units, which draw water from the river for cooling purposes, were taken offline for approximately two weeks to avoid intake of the spilled oil and for an additional two weeks relating to start up issues arising from the oil spill shutdown. The total shutdown period resulted in lost sales from the plant. Generation and PSEG subsequently filed a joint claim for losses and damages with the Oil Spill Liability Trust Fund. In January 2007, Generation and PSEG submitted a revised damages calculation to the Oil Spill Liability Trust Fund identifying approximately $46 million in total damages and losses, of which approximately $20 million would be paid to Exelon. As this matter represents a contingent gain, Generation has not recorded any income. Generation expects this matter to be resolved in 2007.

Supply Agreement Non–performance Claims. Generation enters into long–term supply agreements to procure uranium concentrates. In 2007, Generation initiated claims asserting non–performance by certain counterparties. As a result of this non–performance, Generation will be required to procure uranium concentrates at higher prices than originally anticipated. Generation has filed suit against two counterparties asserting breach of uranium supply agreement against one counterparty and breach of performance guarantee and fraudulent inducement against the other counterparty. As these matters represent contingent gains, Generation has not recorded any income. The cases are scheduled for trial in 2008.

Exelon

Pension Claim. On July 11, 2006, a former employee of ComEd filed a purported class action lawsuit against the Exelon Corporation Cash Balance Pension Plan (Plan) in the U.S. District Court for the Northern District of Illinois. The complaint alleges that the Plan, which covers certain management employees of Exelon's subsidiaries, calculates lump sum distributions in a manner that does not comply with the Employee Retirement Income Security

Source: EXELON CORP, 10–Q, July 25, 2007

Act (ERISA). The plaintiff seeks compensatory relief from the Plan on behalf of participants who received lump sum distributions since 2001 and injunctive relief with respect to future lump sum distributions. It remains to be determined whether this case will proceed as a class action and how many Plan participants may be part of the proposed class, if a class is certified.

Savings Plan Claim. On September 11, 2006, five individuals claiming to be participants in the Exelon Corporation Employee Savings Plan, Plan #003 (Savings Plan), filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois. The complaint names as defendants Exelon, its Director of Employee Benefit Plans and Programs, the Employee Savings Plan Investment Committee, the Compensation and the Risk Oversight Committees of Exelon's Board of Directors and members of those committees. The complaint alleges that the defendants breached fiduciary duties under ERISA by, among other things, permitting fees and expenses to be incurred by the Savings Plan that allegedly were unreasonable and for purposes other than to benefit the Savings Plan and participants, and failing to disclose purported "revenue sharing" arrangements among the Savings Plan's service providers. The plaintiffs seek declaratory, equitable and monetary relief, including alleged investment losses. On February 21, 2007 the district court granted the defendants' motion to strike the plaintiffs' claim for investment losses. On June 27, 2007, the district court granted the plaintiffs' motion for class certification. On June 28, 2007, the district court granted the defendants' motion to stay proceedings in this action pending the outcome of the forthcoming appeal to the U.S. Seventh Circuit Court of Appeals in another case not involving Exelon. In that case, an appeal is expected to be taken from the June 20, 2007 decision of the U.S. District Court for the Western District of Wisconsin, which dismissed with prejudice substantially similar claims.

Exelon, Generation, ComEd and PECO

General. The Registrants are involved in various other litigation matters that are being defended and handled in the ordinary course of business. The Registrants maintain accruals for such costs that are probable of being incurred and subject to reasonable estimation. The ultimate outcomes of such matters, as well as the matters discussed above, are uncertain and may have a material adverse effect on the Registrants' financial condition, results of operations or cash flows.

Fund Transfer Restrictions

The Federal Power Act declares it to be unlawful for any officer or director of any public utility "to participate in the making or paying of any dividends of such public utility from any funds properly included in capital account." What constitutes "funds properly included in capital account" is undefined in the Federal Power Act or the related regulations; however, FERC has consistently interpreted the provision to allow dividends to be paid as long as (1) the source of the dividends is clearly disclosed, (2) the dividend is not excessive and (3) there is no self–dealing on the part of corporate officials. While these restrictions may limit the absolute amount of dividends that a particular subsidiary may pay, Exelon does not believe these limitations are materially limiting because, under these limitations, the subsidiaries are allowed to pay dividends sufficient to meet Exelon's actual cash needs. See Note 18 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for additional information regarding fund transfer restrictions.

Income Taxes

ComEd and PECO have entered into several agreements with a tax consultant related to the filing of refund claims with the IRS. The fees for these agreements are contingent upon a successful outcome of the claims and are based upon a percentage of the refunds recovered from the IRS, if any. The ultimate net cash impacts to ComEd and

Source: EXELON CORP, 10–Q, July 25, 2007

PECO related to these agreements and the associated refund claims will either be positive or neutral depending upon the outcome of the refund claim with the IRS. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of ComEd and PECO. If a settlement is reached, a portion of ComEd's tax benefits, including any associated interest for periods prior to the PECO/Unicom merger, would be recorded as a reduction of goodwill under the provisions of EITF 93–7. Exelon cannot predict the timing of the final resolution of these refund claims or the potential payment of any contingent fees.

See Note 10 — Income Taxes for information regarding the Registrants' income tax refund claims and certain tax positions, including the 1999 sale of fossil generating assets.

14. Supplemental Financial Information (Exelon, Generation, ComEd and PECO)

Supplemental Statement of Operations Information

The following tables provide additional information regarding the components of other, net within the Consolidated Statements of Operations and Comprehensive Income of Exelon, Generation, ComEd and PECO for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30, 2007			
	Exelon	Generation	ComEd	PECO
Investment income	$ 3	$ —	$ 1	$ 2
Gain on disposition of assets and investments, net	4	3	1	—
Decommissioning–related activities:				
Decommissioning trust fund income(a)	58	58	—	—
Decommissioning trust fund income — AmerGen(a)	15	15	—	—
Other–than–temporary impairment of decommissioning trust funds(b)	(12)	(12)	—	—
Other–than–temporary impairment of decommissioning trust funds — AmerGen	(2)	(2)	—	—
Regulatory offset to non–operating decommissioning–related activities(c)	(45)	(45)	—	—
Net direct financing lease income	4	—	—	—
AFUDC, equity	1	—	1	—
Recovery of tax credits related to Exelon's investments in synthetic fuel–producing facilities(d)	9	—	—	—
Interest income related to uncertain income tax positions under FIN 48(e)	—	—	—	2
Other	8	5	2	1
Other, net	$ 43	$ 22	$ 5	$ 5

(a) Includes investment income and realized gains and losses.

(b) Includes other–than–temporary impairments totaling $12 million on nuclear decommissioning trust funds for the former ComEd units.

(c) Includes the elimination of non–operating decommissioning–related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other–than–temporary impairments. See

Source: EXELON CORP, 10–Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Notes 9 and 13 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for additional information regarding the accounting for nuclear decommissioning.

(d) Receivable for the contractual recovery of unrealized income tax credits related to Exelon's investment in synthetic fuel–producing facilities. See Note 10 — Income Taxes for additional information.

(e) See Note 3 — New Accounting Pronouncements and Note 10 — Income Taxes for additional information.

	Six Months Ended June 30, 2007			
	Exelon	Generation	ComEd	PECO
Investment income	$ 5	$ —	$ 2	$ 3
Gain on disposition of assets and investments, net	19	18	1	—
Decommissioning–related activities:				
Decommissioning trust fund income(a)	104	104	—	—
Decommissioning trust fund income — AmerGen(a)	26	26	—	—
Other–than–temporary impairment of decommissioning trust funds(b)	(20)	(20)	—	—
Other–than–temporary impairment of decommissioning trust funds — AmerGen	(4)	(4)	—	—
Regulatory offset to non–operating decommissioning–related activities(c)	(82)	(82)	—	—
Net direct financing lease income	10	—	—	—
AFUDC, equity	2	—	2	—
Recovery of tax credits related to Exelon's investments in synthetic fuel–producing facilities(d)	29	—	—	—
Interest income related to settlement of PJM billing dispute(e)	5	4	—	1
Interest income related to uncertain income tax positions under FIN 48(f)	—	—	—	5
Other	12	8	2	1
Other, net	$ 106	$ 54	$ 7	$ 10

(a) Includes investment income and realized gains and losses.

(b) Includes other–than–temporary impairments totaling $20 million on nuclear decommissioning trust funds for the former ComEd units.

(c) Includes the elimination of non–operating decommissioning–related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other–than–temporary impairments. See Notes 9 and 13 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for additional information regarding the accounting for nuclear decommissioning.

(d) Receivable for the contractual recovery of unrealized income tax credits related to Exelon's investment in synthetic fuel–producing facilities. See Note 10 — Income Taxes for additional information.

(e) See Note 13 — Commitments and Contingencies for additional information.

(f) See Note 3 — New Accounting Pronouncements and Note 10 — Income Taxes for additional information.

Source: EXELON CORP, 10–Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended June 30, 2006			
	Exelon	Generation	ComEd	PECO
Investment income	$ 2	$ —	$ —	$ 2
Loss on disposition of assets and investments, net	(3)	—	(2)	(1)
Decommissioning–related activities:				
Decommissioning trust fund income(a)	37	37	—	—
Decommissioning trust fund income — AmerGen(a)	10	10	—	—
Other–than–temporary impairment of decommissioning trust funds(b)	(7)	(7)	—	—
Regulatory offset to non–operating decommissioning–related activities(c)	(31)	(31)	—	—
Net direct financing lease income	6	—	—	—
Recovery of tax credits related to Exelon's investments in synthetic fuel–producing facilities(d)	24	—	—	—
Other	8	5	3	1
Other, net	$ 46	$ 14	$ 1	$ 2

(a) Includes investment income and realized gains and losses.

(b) Includes other–than–temporary impairments totaling $7 million on nuclear decommissioning trust funds for the former ComEd units.

(c) Includes the elimination of non–operating decommissioning–related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other–than–temporary impairments. See Notes 9 and 13 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10–K for additional information regarding the accounting for nuclear decommissioning.

(d) Receivable for the contractual recovery of unrealized income tax credits related to Exelon's investment in synthetic fuel–producing facilities. See Note 10 — Income Taxes for further information.

	Six Months Ended June 30, 2006			
	Exelon	Generation	ComEd	PECO
Investment income	$ 4	$ —	$ —	$ 4
Loss on disposition of assets and investments, net	(2)	—	(2)	—
Decommissioning–related activities:				
Decommissioning trust fund income(a)	66	66	—	—
Decommissioning trust fund income — AmerGen(a)	19	19	—	—
Other–than–temporary impairment of decommissioning trust funds(b)	(10)	(10)	—	—
Regulatory offset to non–operating decommissioning–related activities(c)	(57)	(57)	—	—
Net direct financing lease income	12	—	—	—
Unrealized income tax credits(d)	53	—	—	—
Other	6	2	3	1
Other, net	$ 91	$ 20	$ 1	$ 5

Source: EXELON CORP, 10–Q, July 25, 2007

(a) Includes investment income and realized gains and losses.

(b) Includes other-than-temporary impairments totaling $10 million on nuclear decommissioning trust funds for the former ComEd units.

(c) Includes the elimination of non-operating decommissioning-related activity for those units that are subject to regulatory accounting, including the elimination of decommissioning trust fund income and other-than-temporary impairments. See Notes 9 and 13 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10-K for additional information regarding the accounting for nuclear decommissioning.

(d) Receivable for the contractual recovery of unrealized income tax credits related to Exelon's investment in synthetic fuel-producing facilities. See Note 10 — Income Taxes for further information.

Supplemental Cash Flow Information

The following tables provide additional information regarding the components of other non-cash operating activities and other assets and liabilities within the Registrants' Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006:

	Six Months Ended June 30, 2007			
	Exelon	Generation	ComEd	PECO
Other non-cash operating activities:				
Pension and non-pension postretirement benefits costs	$ 157	$ 71	$ 51	$ 16
Equity in (earnings) losses of unconsolidated affiliates and investments	69	(1)	4	4
Provision for uncollectible accounts	44	—	24	20
Stock-based compensation costs	41	—	—	—
Net realized gains on nuclear decommissioning trust funds	(19)	(19)	—	—
Gain on sale of investments, net	(18)	(18)	—	—
Amortization of energy-related options	66	66	—	—
Non-cash accounts receivable activity	(25)	—	—	—
Spent nuclear fuel expense	24	24	—	—
Amortization of regulatory asset related debt costs	16	—	13	3
Other	14	7	15	4
Total other non-cash operating activities	$ 369	$ 130	$ 107	$ 47
Changes in other assets and liabilities:				
Under/over-recovered energy costs	$ (96)	$ —	$ (104)	$ 8
Other current assets	(198)	(91)(a)	—	(86)(b)
Other noncurrent assets and liabilities	(53)	(55)(a)	11	1
Total changes in other assets and liabilities	$ (347)	$ (146)	$ (93)	$ (77)

(a) Relates primarily to the purchase of energy-related options.

(b) Relates primarily to prepaid utility taxes.

Source: EXELON CORP, 10-Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Six Months Ended June 30, 2006			
	Exelon	Generation	ComEd	PECO
Other non–cash operating activities:				
Pension and non–pension postretirement benefits costs	$ 125	$ 57	$ 38	$ 15
Equity in losses of unconsolidated affiliates and investments	61	5	5	6
Provision for uncollectible accounts	42	—	11	31
Stock–based compensation costs	53	—	—	—
Amortization of energy–related options	39	39	—	—
Amortization of deferred revenue	(34)	(34)	—	—
Non–cash accounts receivable activity	(57)	—	—	—
Spent nuclear fuel expense	20	20		
Other decommissioning–related activities	(149)	(149)	—	—
Amortization of regulatory asset related debt costs	7	—	5	2
Other	17	6	13	7
Total other non–cash operating activities	$ 124	$ (56)	$ 72	$ 61
Changes in other assets and liabilities:				
Under/over–recovered energy costs	$ 61	$ —	$ —	$ 61
Other current assets	(197)	(70)(a)	(10)	(84)(b)
Other noncurrent assets and liabilities	(159)	(148)(a)	3	3
Total changes in other assets and liabilities	$ (295)	$ (218)	$ (7)	$ (20)

(a) Relates primarily to the purchase of energy–related options.
(b) Relates primarily to prepaid utility taxes.

Source: EXELON CORP, 10–Q, July 25, 2007

Supplemental Balance Sheet Information

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd and PECO as of June 30, 2007 and December 31, 2006:

	June 30, 2007		
	Exelon	ComEd	PECO
Regulatory assets			
Competitive transition charge	$ 2,688	$ —	$ 2,688
Pension and other postretirement benefits	1,352	—	36
Deferred income taxes	806	11	795
Debt costs	193	166	27
Severance	147	147	—
Conditional asset retirement obligations	112	98	14
MGP remediation costs	80	59	21
Rate case costs	6	6	—
Department of Energy facility decommissioning	3	—	3
Procurement case costs	4	4	—
Other	47	28	19
Noncurrent regulatory assets	5,438	519	3,603
Under–recovered energy costs current asset(a)	104	104	—
Total regulatory assets	$ 5,542	$ 623	$ 3,603

	June 30, 2007		
	Exelon	ComEd	PECO
Regulatory liabilities			
Nuclear decommissioning	$ 2,048	$ 1,856	$ 192
Removal costs	1,077	1,077	—
Deferred taxes	44	—	—
Refund of PURTA taxes(b)	71	—	71
Noncurrent regulatory liabilities	3,240	2,933	263
Over–recovered energy costs current liability(a)	14	—	14
Total regulatory liabilities	$ 3,254	$ 2,933	$ 277

(a) Starting in 2007, the ComEd costs represent electricity and transmission costs recoverable (refundable) under ComEd's ICC–approved rates. ComEd's deferred energy costs are earning (paying) a rate of return. See Note 5 — Regulatory Issues. The PECO costs represent gas supply related costs recoverable (refundable) under PECO's PAPUC–approved rates. PECO's deferred energy costs are earning (paying) a rate of return.

(b) See Note 13 — Commitments and Contingencies for additional information.

Source: EXELON CORP, 10–Q, July 25, 2007

	December 31, 2006		
	Exelon	ComEd	PECO
Regulatory assets			
Competitive transition charge	$ 2,982	$ —	$ 2,982
Pension and other postretirement benefits	1,419	—	39
Deferred income taxes	801	11	790
Debt costs	209	179	30
Severance	158	158	—
Conditional asset retirement obligations	109	95	14
MGP remediation costs	73	47	26
Rate case costs	7	7	—
Department of Energy facility decommissioning	6	—	6
Procurement case costs	5	5	—
Other	39	30	9
Total regulatory assets	$ 5,808	$ 532	$ 3,896

	December 31, 2006		
	Exelon	ComEd	PECO
Regulatory liabilities			
Nuclear decommissioning	$ 1,911	$ 1,760	$ 151
Removal costs	1,059	1,059	—
Deferred taxes	50	—	—
Other	5	5	—
Noncurrent regulatory liabilities	3,025	2,824	151
Over–recovered energy costs current liability(a)	6	—	6
Total regulatory liabilities	$ 3,031	$ 2,824	$ 157

(a) The PECO costs represent gas supply related costs recoverable (refundable) under PECO's PAPUC–approved rates. PECO's deferred energy costs are earning (paying) a rate of return.

The following tables provide information regarding accumulated depreciation and the allowance for uncollectible accounts as of June 30, 2007 and December 31, 2006:

	June 30, 2007			
	Exelon	Generation	ComEd	PECO
Property, plant and equipment:				
Accumulated depreciation	$ 7,442(a)	$ 3,456(a)	$ 1,542	$ 2,266
Accounts receivable:				
Allowance for uncollectible accounts	110	16	35	57

(a) Includes accumulated amortization of nuclear fuel of $1,089 million.

Source: EXELON CORP, 10–Q, July 25, 2007

	December 31, 2006			
	Exelon	Generation	ComEd	PECO
Property, plant and equipment:				
Accumulated depreciation	$ 7,250(a)	$ 3,414(a)	$ 1,445	$ 2,228
Accounts receivable:				
Allowance for uncollectible accounts	91	17	20	51

(a) Includes accumulated amortization of nuclear fuel of $1,078 million.

The following tables provide information regarding counterparty margin deposit accounts and option premiums as of June 30, 2007 and December 31, 2006:

	June 30, 2007		
	Exelon	Generation	ComEd
Other current assets:			
Counterparty collateral deposits paid	$ 257	$ 257	$ —
Option premiums	166	166	—
Other current liabilities:			
Counterparty collateral deposits received	9	6	3(a)

(a) ComEd has received counterparty collateral deposits from suppliers under its supplier forward contracts for the procurement of electricity.

	December 31, 2006
	Exelon and Generation
Other current assets:	
Counterparty collateral deposits paid	$ 26
Option premiums	179
Other current liabilities:	
Counterparty collateral deposits received	273

The following table provides information regarding dividends payable as of June 30, 2007 and December 31, 2006:

Exelon	June 30, 2007	December 31, 2006
Other current liabilities:		
Dividends payable	$ 1	$ 295

15. Segment Information (Exelon, Generation, ComEd and PECO)

Exelon has three reportable and operating segments: Generation, ComEd and PECO. Exelon evaluates the performance of its segments based on net income. Generation, ComEd and PECO each operate in a single business segment; as such, no separate segment information is provided for these Registrants.

Source: EXELON CORP, 10-Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Three Months Ended June 30, 2007 and 2006

Exelon's segment information for the three months ended June 30, 2007 and 2006 is as follows:

	Generation	ComEd	PECO	Other(a)	Intersegment Eliminations	Consolidated
Total revenues(b):						
2007	$ 2,641	$ 1,420	$ 1,269	$ 183	$ (1,012)	$ 4,501
2006	2,214	1,453	1,148	203	(1,321)	3,697
Intersegment revenues:						
2007	$ 828	$ —	$ 2	$ 183	$ (1,013)	$ —
2006	1,114	2	2	203	(1,321)	—
Income (loss) from continuing operations before income taxes:						
2007	$ 927	$ 47	$ 151	$ (108)	$ —	$ 1,017
2006	791	213	138	(138)	—	1,004
Income taxes:						
2007	$ 349	$ 18	$ 55	$ (108)	$ —	$ 314
2006	294	86	45	(62)	—	363
Income (loss) from continuing operations:						
2007	$ 578	$ 29	$ 96	$ —	$ —	$ 703
2006	497	127	93	(76)	—	641
Income (loss) from discontinued operations:						
2007	$ —	$ —	$ —	$ (1)	$ —	$ (1)
2006	3	—	—	—	—	3
Net income (loss):						
2007	$ 578	$ 29	$ 96	$ (1)	$ —	$ 702
2006	500	127	93	(76)	—	644

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities.

(b) For the three months ended June 30, 2007 and 2006, utility taxes of $60 million and $57 million, respectively, are included in revenues and expenses for ComEd. For the three months ended June 30, 2007 and 2006, utility taxes of $65 million and $58 million, respectively, are included in revenues and expenses for PECO.

Source: EXELON CORP, 10-Q, July 25, 2007

Six Months Ended June 30, 2007 and 2006

Exelon's segment information for the six months ended June 30, 2007 and 2006 is as follows:

	Generation	ComEd	PECO	Other(a)	Intersegment Eliminations	Consolidated
Total revenues(b):						
2007	$ 5,344	$ 2,911	$ 2,769	$ 377	$ (2,071)	$ 9,330
2006	4,434	2,880	2,554	410	(2,719)	7,559
Intersegment revenues:						
2007	$ 1,689	$ 2	$ 4	$ 377	$ (2,072)	$ —
2006	2,302	4	4	409	(2,719)	—
Income (loss) from continuing operations before income taxes:						
2007	$ 1,817	$ 54	$ 345	$ (184)	$ —	$ 2,032
2006	1,219	304	279	(197)	—	1,605
Income taxes:						
2007	$ 684	$ 21	$ 121	$ (178)	$ —	$ 648
2006	454	123	93	(106)	—	564
Income (loss) from continuing operations:						
2007	$ 1,133	$ 33	$ 224	$ (6)	$ —	$ 1,384
2006	765	181	186	(91)	—	1,041
Income from discontinued operations:						
2007	$ 5	$ —	$ —	$ 4	$ —	$ 9
2006	3	—	—	—	—	3
Net income (loss):						
2007	$ 1,138	$ 33	$ 224	$ (2)	$ —	$ 1,393
2006	768	181	186	(91)	—	1,044
Total assets:						
June 30, 2007	$ 19,035	$ 18,466	$ 9,933	$ 14,856	$ (16,985)	$ 45,305
December 31, 2006	18,909	17,774	9,773	14,295	(16,432)	44,319

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities.

(b) For the six months ended June 30, 2007 and 2006, utility taxes of $126 million and $119 million, respectively, are included in revenues and expenses for ComEd. For the six months ended June 30, 2007 and 2006, utility taxes of $128 million and $115 million, respectively, are included in revenues and expenses for PECO.

Source: EXELON CORP, 10-Q, July 25, 2007

16. Related–Party Transactions (Exelon, Generation, ComEd and PECO)

Exelon

The financial statements of Exelon include related–party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues from affiliates				
ComEd Transitional Funding Trust	$ 1	$ 1	$ 2	$ 2
PETT	1	2	3	4
Total operating revenues from affiliates	$ 2	$ 3	$ 5	$ 6
Fuel purchases from related parties				
Keystone Fuels, LLC	$ 12	$ 11	$ 21	$ 22
Conemaugh Fuels, LLC	9	11	21	22
Total fuel purchases from related parties	$ 21	$ 22	$ 42	$ 44
Interest expense to affiliates, net				
ComEd Transitional Funding Trust	$ 7	$ 12	$ 15	$ 26
ComEd Financing II	4	4	7	7
ComEd Financing III	3	3	6	6
PETT	36	46	75	95
PECO Trust III	1	1	3	3
PECO Trust IV	2	2	3	2
Total interest expense to affiliates, net	$ 53	$ 68	$ 109	$ 139
Equity in earnings (losses) of unconsolidated affiliates and investments				
ComEd Funding LLC	$ (2)	$ (3)	$ (4)	$ (5)
PETT	(2)	(2)	(4)	(6)
TEG and TEP	—	(2)	3	(4)
Investment in synthetic fuel–producing facilities	(39)	(16)	(63)	(46)
Other	—	1	(1)	—
Total equity in earnings (losses) of unconsolidated affiliates and investments	$ (43)	$ (22)	$ (69)	$ (61)

Source: EXELON CORP, 10–Q, July 25, 2007

	June 30, 2007	December 31, 2006
Receivables from affiliates (current)		
ComEd Transitional Funding Trust	$ —	$ 17
Investments in affiliates		
ComEd Funding LLC	$ (4)	$ 4
ComEd Financing II	10	10
ComEd Financing III	6	6
PETT	51	54
PECO Energy Capital Corporation	4	4
PECO Trust IV	6	6
Other	—	1
Total investments in affiliates	$ 73	$ 85
Receivable from affiliates (noncurrent)		
ComEd Transitional Funding Trust	$ 15	$ 14
Payables to affiliates (current)		
ComEd Financing II	$ 6	$ 6
ComEd Financing III	4	4
PECO Trust III	1	1
Total payables to affiliates (current)	$ 11	$ 11
Long-term debt to ComEd Transitional Funding Trust, PETT and other financing trusts (including due within one year)		
ComEd Transitional Funding Trust	$ 444	$ 648
ComEd Financing II	155	155
ComEd Financing III	206	206
PETT	2,050	2,403
PECO Trust III	81	81
PECO Trust IV	103	103
Total long-term debt due to financing trusts	$ 3,039	$ 3,596

Source: EXELON CORP, 10-Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Generation

The financial statements of Generation include related-party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues from affiliates				
ComEd(a)	$ 330	$ 685	$ 710	$ 1,456
PECO(b)	497	429	978	845
BSC(c)	1	—	1	1
Total operating revenues from affiliates	$ 828	$ 1,114	$ 1,689	$ 2,302
Fuel purchases from related parties				
Keystone Fuels, LLC	$ 12	$ 11	$ 21	$ 22
Conemaugh Fuels, LLC	9	11	21	22
Total fuel purchases from related parties	$ 21	$ 22	$ 42	$ 44
Operating and maintenance from affiliates				
ComEd(d)	$ —	$ 2	$ 1	$ 3
PECO(d)	2	2	4	4
BSC(c)	71	74	146	146
Total operating and maintenance from affiliates	$ 73	$ 78	$ 151	$ 153
Interest expense to affiliates, net				
Exelon intercompany money pool(e)	$ —	$ —	$ —	$ 1
Equity in earnings (losses) of investments				
TEG and TEP	—	(2)	3	(4)
NuStart Energy Development, LLC	(1)	1	(2)	(1)
Total equity in earnings (losses) of investments	$ (1)	$ (1)	$ 1	$ (5)
Cash distribution paid to member	$ 370	$ 157	$ 665	$ 322

Source: EXELON CORP, 10-Q, July 25, 2007

	June 30, 2007	December 31, 2006
Receivables from affiliates (current)		
Exelon(f)	$ —	$ 85
ComEd(a)	68	197
PECO(b)	146	153
BSC(c)	—	2
Total receivables from affiliates (current)	$ 214	$ 437
Contributions to Exelon intercompany money pool(e)	$ —	$ 13
Payables to affiliates (current)		
Exelon(f)	$ 5	$ —
BSC(c)	25	—
Total payables to affiliates (current)	$ 30	$ —
Payables to affiliates (noncurrent)		
ComEd decommissioning(g)	$ 1,856	$ 1,760
PECO decommissioning(g)	192	151
Total payables to affiliates (noncurrent)	$ 2,048	$ 1,911

(a) Effective January 1, 2007, Generation has a supplier forward agreement with ComEd to provide up to 35% of ComEd's electricity supply requirements. Prior to 2007, Generation had a PPA with ComEd, which expired December 31, 2006. As a result of the expiration of the PPA with ComEd and the results of the Illinois procurement auctions, Generation is selling more power through bilateral agreements. See Note 13 — Commitments and Contingencies for further detail.

(b) Generation has a PPA with PECO, as amended, to provide the full energy requirements of PECO through 2010.

(c) Generation receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology and supply management services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized. Some third–party reimbursements due to Generation are recovered through BSC.

(d) Generation requires electricity for its own use at its generating stations. Generation purchases electricity and distribution and transmission services from PECO. Starting in 2007, Generation purchases only distribution and transmission services from ComEd for the delivery of electricity to its generating stations. In 2006, Generation purchased both electricity and distribution and transmission services from ComEd. Generation's PPA with ComEd expired December 31, 2006. See Note 13 — Commitments and Contingencies for further detail regarding the PPAs.

(e) Generation participates in Exelon's intercompany money pool. Generation earns interest on its contributions to the money pool, and pays interest on its borrowings from the money pool at a market rate of interest.

(f) In order to facilitate payment processing, Exelon processes certain invoice payments on behalf of Generation. In addition, Generation has a receivable from Exelon for the allocation of certain tax benefits related to a capital loss carryback.

(g) Generation has long–term payables to ComEd and PECO as a result of the nuclear decommissioning contractual construct whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO, such amounts are due back to ComEd and PECO, as applicable, for payment to the customers. See Note 11 — Asset Retirement Obligations for additional information.

Source: EXELON CORP, 10–Q, July 25, 2007

ComEd

The financial statements of ComEd include related–party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues from affiliates				
Generation(a)	$ —	$ 2	$ 1	$ 3
ComEd Transitional Funding Trust	1	1	2	2
Other	—	—	1	1
Total operating revenues from affiliates	$ 1	$ 3	$ 4	$ 6
Purchased power from affiliate				
Generation(b)	$ 330	$ 685	$ 710	$ 1,456
Operation and maintenance from affiliates				
BSC(c)	$ 45	$ 53	$ 95	$ 105
Interest expense to affiliates, net				
ComEd Transitional Funding Trust(e)	$ 7	$ 12	$ 16	$ 26
ComEd Financing II	4	4	7	7
ComEd Financing III	3	3	6	6
Total interest expense to affiliates, net	$ 14	$ 19	$ 29	$ 39
Equity in losses of unconsolidated affiliates				
ComEd Funding LLC	$ 2	$ 3	$ 4	$ 5
Capitalized costs				
BSC(c)	$ 16	$ 19	$ 33	$ 36
Cash contributions received from parent	$ —	$ —	$ —	$ 23

Source: EXELON CORP, 10–Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	June 30, 2007	December 31, 2006
Receivables from affiliates (current)		
ComEd Transitional Funding Trust	$ —	$ 17
Other	—	1
Total receivables from affiliates (current)	$ —	$ 18
Investments in affiliates		
ComEd Funding LLC	$ (4)	$ 4
ComEd Financing II	10	10
ComEd Financing III	6	6
Total investments in affiliates	$ 12	$ 20
Receivable from affiliates (noncurrent)		
Generation(d)	$ 1,856	$ 1,760
ComEd Transitional Funding Trust	15	14
Other	2	—
Total receivable from affiliates (noncurrent)	$ 1,873	$ 1,774
Payables to affiliates (current)		
Generation(b)	$ 68	$ 197
BSC(c)	18	10
ComEd Financing II	6	6
ComEd Financing III	4	4
Other	—	2
Total payables to affiliates (current)	$ 96	$ 219
Long–term debt to ComEd Transitional Funding Trust and other financing trusts (including due within one year)		
ComEd Transitional Funding Trust(e)	$ 443	$ 648
ComEd Financing II	155	155
ComEd Financing III	206	206
Total long–term debt due to financing trusts	$ 804	$ 1,009

(a) Starting in 2007, ComEd is delivering electricity to Generation for Generation's own use at its generation stations. In 2006, ComEd delivered and provided electricity to Generation.

(b) ComEd's full–requirements PPA, as amended, with Generation expired December 31, 2006. Starting January 2007, ComEd began procuring electricity from Generation under the supplier forward contract resulting from the reverse–auction procurement process. See Note 5 — Regulatory issues for more information.

(c) ComEd receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology, supply management services, planning and engineering of delivery systems, management of construction, maintenance and operations of the transmission and delivery systems and management of other support services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.

Source: EXELON CORP, 10–Q, July 25, 2007

(d) ComEd has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct, whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to ComEd for payment to ComEd's customers.

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

PECO

The financial statements of PECO include related-party transactions as presented in the tables below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues from affiliates				
Generation(a)	$ 2	$ 2	$ 4	$ 4
PETT(b)	1	2	3	4
Total operating revenues from affiliates	$ 3	$ 4	$ 7	$ 8
Purchased power from affiliate				
Generation(c)	$ 497	$ 429	$ 977	$ 845
Operating and maintenance from affiliates				
BSC(d)	$ 27	$ 32	$ 55	$ 63
Generation	—	—	1	—
Other	—	—	—	1
Total operating and maintenance from affiliates	$ 27	$ 32	$ 56	$ 64
Interest expense to affiliates, net				
PETT	$ 36	$ 46	$ 75	$ 95
PECO Trust III	1	1	3	3
PECO Trust IV	2	2	3	3
Other	1	—	1	—
Total interest expense to affiliates, net	$ 40	$ 49	$ 82	$ 101
Equity in losses of unconsolidated affiliates				
PETT	$ 2	$ 2	$ 4	$ 6
Capitalized costs				
BSC(d)	$ 6	$ 12	$ 14	$ 29
Cash dividends paid to parent	$ 121	$ 135	$ 276	$ 251
Cash contributions received from parent	$ 100	$ 35	$ 165	$ 83

Source: EXELON CORP, 10-Q, July 25, 2007

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	June 30, 2007	December 31, 2006
Investments in affiliates		
PETT	$ 51	$ 54
PECO Energy Capital Corporation	4	4
PECO Trust IV	6	6
Total investments in affiliates	$ 61	$ 64
Receivable from affiliate (noncurrent)		
Generation decommissioning(e)	$ 192	$ 151
Borrowings from Exelon intercompany money pool(f)	$ —	$ 45
Payables to affiliates (current)		
Generation(c)	$ 146	$ 153
BSC(d)	23	48
Exelon	1	1
PECO Trust III	1	1
Total payables to affiliates (current)	$ 171	$ 203
Long-term debt to PETT and other financing trusts (including due within one year)		
PETT	$ 2,050	$ 2,404
PECO Trust III	81	81
PECO Trust IV	103	103
Total long-term debt to financing trusts	$ 2,234	$ 2,588
Shareholders' equity — receivable from parent(g)	$ 925	$ 1,090

(a) PECO provides energy to Generation for Generation's own use primarily at its generation stations.

(b) PECO receives a monthly service fee from PETT based on a percentage of the outstanding balance of all series of transition bonds.

(c) PECO has entered into a PPA with Generation. See Note 18 of the Combined Notes to Consolidated Financial Statements within Exelon's 2006 Annual Report on Form 10-K for more information regarding the PPA.

(d) PECO receives a variety of corporate support services from BSC, including legal, human resources, financial, information technology, supply management services, planning and engineering of delivery systems, management of construction, maintenance and operations of the transmission and delivery systems and management of other support services. All services are provided at cost, including applicable overhead. A portion of such services is capitalized.

(e) PECO has a long-term receivable from Generation as a result of the nuclear decommissioning contractual construct, whereby, to the extent the assets associated with decommissioning are greater than the applicable ARO at the end of decommissioning, such amounts are due back to PECO for payment to PECO's customers.

(f) PECO participates in Exelon's intercompany money pool. PECO earns interest on its contributions to the money pool and pays interest on its borrowings from the money pool at a market rate of interest.

(g) PECO has a non-interest bearing receivable from Exelon related to the 2001 corporate restructuring. The receivable is expected to be settled over the years 2007 through 2010.

Source: EXELON CORP, 10-Q, July 25, 2007

17. Subsequent Events (Exelon and ComEd)

On July 24, 2007, following extensive discussions with legislative leaders in Illinois, ComEd, Generation, and other utilities and generators in Illinois reached an oral agreement (the Settlement) with various representatives from the State of Illinois concluding discussions of measures to address concerns about higher electric bills in Illinois without rate freeze, generation tax or other legislation that Exelon believes would be harmful to consumers of electricity, electric utilities, generators of electricity and the State of Illinois. The Settlement was recorded in a confirming letter to the Speaker of the Illinois House of Representatives, the President of the Illinois Senate, the minority leaders of the Illinois House and Senate, and the Attorney General of the State of Illinois from ComEd, Generation, and other utilities and generators in Illinois. The Settlement will be effective only upon enactment of Proposed Legislation, which was drafted as part of the Settlement and attached as an exhibit to the Letter. See Note 5 — Regulatory Issues for more information.

Source: EXELON CORP, 10-Q, July 25, 2007