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The Energy Policy Act of 2005 (Exelon, Generation, ComEd and PECO). The Energy Policy Act of 2005 (the Energy Policy Act), which was signed into law on August 8, 2005, implements several significant changes intended to improve electric reliability, promote investment in the transmission infrastructure, streamline electric regulation, improve wholesale competition, address problems identified in the western energy crisis and the Enron Corporation collapse, promote fuel diversity and cleaner fuel sources, and promote greater efficiency in electric generation, delivery and use.

The Energy Policy Act, through amendment of the Federal Power Act, also transferred to FERC certain additional authority. FERC was granted new authority to review the acquisition or merger of generating facilities, along with the responsibility to address more explicitly cross–subsidization issues in these situations. Additionally, FERC now has the authority to approve siting of electric transmission facilities located in national interest electric transmission corridors if states cannot or will not act in a timely manner to approve siting. The Energy Policy Act also required the creation of a self–regulating electric reliability organization with FERC oversight to enforce reliability rules. On July 20, 2006, pursuant to the Energy Policy Act, FERC certified the North American Electric Reliability Corporation (NERC) as the nation's Electric Reliability Organization. As a result, owners and operators of the bulk power transmission system, including Generation, ComEd and PECO, will be subject to mandatory reliability standards promulgated by NERC and enforced by FERC.

In addition, the Energy Policy Act extends the Price–Anderson Act to December 31, 2025. See Note 18—Commitments and Contingencies for further discussion of the Price–Anderson Act.

Additionally, the Energy Policy Act repealed PUHCA effective February 8, 2006. Since Exelon was a registered holding company under PUHCA, Exelon and its subsidiaries were subject to a number of restrictions. These restrictions involved financings, investments and affiliate transactions. Exelon had an order under PUHCA authorizing financing transactions within certain limits. Exelon also had an order under PUHCA authorizing development activities, the formation of new intermediate subsidiaries for internal corporate structuring, internal corporate reorganizations, and investments in certain non–U.S. energy–related subsidiaries. PUHCA also limited the businesses in which Exelon could engage in and the investments that Exelon could make, and required that Exelon's utility subsidiaries constituted a single system that could be operated in an efficient, coordinated manner. With the repeal of PUHCA, Exelon is no longer subject to those restrictions. However, Section 203 of the Federal Power Act, as amended by the Energy Policy Act and regulations thereunder, governs intercompany system financings and cash management arrangements, certain corporate internal reorganizations, and certain holding company acquisitions of public utility and holding company securities. FERC obtained additional jurisdiction for the review of affiliate transactions, and FERC's financing jurisdiction resumes to the extent that it was preempted by PUHCA. With the repeal of PUHCA, the SEC's financing jurisdiction under PUHCA for ComEd's and PECO's short–term financings and Generation's financings reverted to FERC. Exelon's financings are not subject to FERC jurisdiction.

In February 2006, ComEd and PECO received orders from FERC approving their requests for short–term financing authority with FERC in the amounts of $2.5 billion and $1.5 billion, respectively, effective February 8, 2006 through December 31, 2007.

Generation currently has blanket financing authority that it received from FERC with its market–based rate authority in November 2000 and that became effective again with the repeal of PUHCA. As reported previously, the pendency of FERC's review of Generation's market–based rate authority established the possibility that the 2000 blanket financing authority could have been revoked retrospectively. See "Market-Based Rates Matters" above for further information. Consequently, Generation continued its reliance on its SEC financing authority that was available under the grandfathering provision of PUHCA 2005. The FERC proceeding was terminated on April 3, 2006, thereby removing any uncertainty over Generation's market-based rate and blanket financing authority, and Generation subsequently informed FERC that Generation is continuing its reliance for financing authority on the 2000 blanket financing authority. Accordingly, Generation is no longer availing itself of the SEC financing authority under the grandfathering provision of PUHCA 2005 and is no longer subject to the conditions thereunder.

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To the extent that the SEC's jurisdiction under PUHCA preempted certain aspects of state regulation of Exelon, the repeal of PUHCA will permit the states in which Exelon and its subsidiaries operate to adopt additional regulations if they so choose, absent any preemption by FERC.

License Renewals (Exelon and Generation). In December 2004, the NRC issued an order that will permit the Oyster Creek Generating Station (Oyster Creek) to operate beyond its license expiration in April 2009 if the NRC has not completed reviewing the application for renewal. In July 2005, Generation applied for license renewal for Oyster Creek on a timeline consistent and integrated with the other planned license renewal filings for the Generation nuclear fleet. The NRC has already approved 20-year renewals of the operating licenses for Generation's Peach Bottom, Dresden and Quad Cities generating stations. The licenses for Peach Bottom Unit 2, Peach Bottom Unit 3, Dresden Unit 2, Dresden Unit 3, Quad Cities Unit 1 and Quad Cities Unit 2 were renewed to 2033, 2034, 2029, 2031, 2032 and 2032, respectively. Depreciation provisions are based on the estimated useful lives of the stations, which assumes the renewal of the licenses for all nuclear generating stations. As a result, these license renewals had no impact on the Consolidated Statements of Operations.

5. Accounts Receivable (Exelon, Generation, ComEd and PECO)

Customer accounts receivable at December 31, 2006 and 2005 included estimated unbilled revenues, representing an estimate for the unbilled amount of energy or services provided to customers, and allowance for uncollectible accounts as follows:

2006	Exelon	Generation	ComEd	PECO
Unbilled revenues	$1,077	$ 538	$ 296	$243
Allowance for uncollectible accounts	91	17	20	51

2005	Exelon	Generation	ComEd	PECO
Unbilled revenues	$1,020	$ 524	$ 321	$175
Allowance for uncollectible accounts	77	15	20	39

PECO is party to an agreement with a financial institution under which it can sell or finance with limited recourse an undivided interest, adjusted daily, in up to $225 million of designated accounts receivable through November 2010. At December 31, 2006, PECO had sold a $225 million interest in accounts receivable, consisting of a $208 million interest in accounts receivable, which PECO accounted for as a sale under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a Replacement of FASB Statement No. 125," (SFAS

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No. 140) and a $17 million interest in special-agreement accounts receivable which was accounted for as a long-term note payable (see Note 11—Debt and Credit Agreements). At December 31, 2005, PECO had sold a $225 million interest in accounts receivable, consisting of a $195 million interest in accounts receivable which PECO accounted for as a sale under SFAS No. 140 and a $30 million interest in special-agreement accounts receivable which was accounted for as a long-term note payable. PECO retains the servicing responsibility for these receivables. The agreement requires PECO to maintain the $225 million interest, which, if not met, requires cash, which would otherwise be received by PECO under this program, to be held in escrow until the requirement is met. At December 31, 2006 and 2005, PECO met this requirement and was not required to make any cash deposits.

Beginning in 2007, this agreement will be subject to the provisions of SFAS No. 156, "Accounting for Servicing of Financial Assets, amendment of FASB Statement No. 140," which is not expected to have a material impact to PECO.

6. Property, Plant and Equipment (Exelon, Generation, ComEd and PECO)

The following tables present a summary of property, plant and equipment by asset category as of December 31, 2006 and 2005:

December 31, 2006	Exelon	Generation	ComEd	PECO
Asset Category				
Electric—transmission and distribution	$16,385	$ —	$11,632	$4,753
Electric—generation	8,154	8,154	—	—
Gas—transmission and distribution	1,537	—	—	1,537
Common	499	—	—	499
Nuclear fuel	2,205	2,205	—	—
Construction work in progress	861	509	256	77
Other property, plant and equipment (a)	384	60	14	13
Total property, plant and equipment	30,025	10,928	11,902	6,879
Less accumulated depreciation (b)	7,250	3,414	1,445	2,228
Property, plant and equipment, net	$22,775	$ 7,514	$10,457	$4,651

(a) For Exelon, also includes corporate operations, shared service entities, including Exelon Business Services Company (BSC), Enterprises and investments in synthetic fuel-producing facilities. For Generation, includes buildings under capital lease with a net carrying value of $37 million at December 31, 2006. The original cost basis of the buildings was $53 million and total accumulated amortization was $16 million at December 31, 2006. For ComEd and PECO, represents non-utility property.

(b) For Generation, includes accumulated amortization of nuclear fuel of $1,078 million at December 31, 2006.

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December 31, 2005	Exelon	Generation	ComEd	PECO
Asset Category				
Electric—transmission and distribution	$15,463	$ —	$10,882	$4,581
Electric—generation	8,083	8,083	—	—
Gas—transmission and distribution	1,483	—	—	1,483
Common	476	—	—	476
Nuclear fuel	3,148	3,148	—	—
Construction work in progress	840	494	253	88
Other property, plant and equipment (a)	360	54	24	15
Total property, plant and equipment	29,853	11,779	11,159	6,643
Less accumulated depreciation (b)	7,872	4,315	1,253	2,172
Property, plant and equipment, net	$21,981	$ 7,464	$ 9,906	$4,471

(a) For Exelon, also includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities. For Generation, includes buildings under capital lease with a net carrying value of $40 million at December 31, 2005. The original cost basis of the buildings was $53 million and total accumulated amortization was $13 million at December 31, 2005. For ComEd and PECO, represents non-utility property.
(b) For Generation, includes accumulated amortization of nuclear fuel of $2,103 million at December 31, 2005.

As of December 31, 2006 and 2005, Exelon had recorded the following accumulated depreciation for regulated and unregulated property, plant and equipment:

	December 31, 2006		December 31, 2005	
	Regulated	Unregulated	Regulated	Unregulated
Accumulated depreciation	$3,673	$ 3,577(a)	$3,425	$ 4,447(a)

(a) Includes accumulated amortization of nuclear fuel in the reactor core of $1,078 million and $2,103 million as of December 31, 2006 and 2005, respectively.

License Renewals. Generation's depreciation provisions are based on the estimated useful lives of the stations, which assumes the renewal of the licenses for all nuclear generating stations. As a result, the receipt of license renewals has no impact on the Consolidated Statements of Operations. See Note 4—Regulatory Issues for further information on license renewals.

Depreciation Rate Study. In August 2005, PECO filed a depreciation rate study with the PAPUC for both its electric and gas assets, which resulted in the implementation of new depreciation rates effective March 2006. The impact of the new rates was not material.

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7. Jointly Owned Electric Utility Plant (Exelon, Generation and PECO)

Exelon's, Generation's and PECO's undivided ownership interests in jointly owned electric plant at December 31, 2006 and 2005 were as follows:

	Nuclear generation			Fossil fuel generation			
	Quad Cities	Peach Bottom	Salem(a)	Keystone	Conemaugh	Wyman	Transmission/ Other
Operator	Generation	Generation	PSEG Nuclear	Reliant	Reliant	FP&L	(b),(c)
Ownership interest	75.00%	50.00%	42.59%	20.99%	20.72%	5.89%	(b),(c)
Exelon's share at December 31, 2006:							
Plant	$ 431	$ 461	$ 189	$ 182	$ 218	$ 2	$ 62
Accumulated depreciation	70	246	60	111	143	1	29
Construction work in progress	34	21	123	13	2	—	—
Exelon's share at December 31, 2005:							
Plant	$ 363	$ 449	$ 181	$ 171	$ 217	$ 2	$ 62
Accumulated depreciation	67	241	42	107	138	1	28
Construction work in progress	51	22	78	5	1	—	—

(a) Generation also owns a proportionate share in the fossil fuel combustion turbine at Salem, which is fully depreciated. The gross book value was $3 million at December 31, 2006 and 2005.
(b) PECO has a 22.00% ownership interest in 127 miles of 500,000 voltage lines located in Pennsylvania and a 42.55% ownership interest in 131 miles of 500,000 voltage lines located in Delaware and New Jersey.
(c) Generation has a 44.24% ownership interest in Merrill Creek Reservoir located in New Jersey with a book value of $1 million at December 31, 2006 and 2005.

Exelon's, Generation's and PECO's undivided ownership interests are financed with their funds and all operations are accounted for as if such participating interests were wholly owned facilities. Exelon's, Generation's and PECO's share of direct expenses of the jointly owned plants are included in the corresponding operating expenses on Exelon's, Generation's and PECO's Consolidated Statements of Operations.

8. Intangible Assets

Goodwill (Exelon and ComEd)

Pursuant to SFAS No. 142, goodwill is not amortized, but is subject to an assessment for impairment at least annually, or more frequently, if events or circumstances indicate that goodwill might be impaired. The impairment assessment is performed using a two–step, fair–value based test. The first step compares the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step requires unrecognized intangible assets to be valued and then compares the carrying amount of the goodwill to the estimated fair value of the goodwill. If the fair value of goodwill is less than the carrying amount, an impairment loss is reported as a reduction to goodwill and a charge to operating expense.

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Exelon assesses goodwill impairment at its ComEd operating segment; accordingly, any goodwill impairment charge at ComEd will affect Exelon's results of operations as the goodwill impairment test for Exelon considers the cash flows of only ComEd. In the assessment to estimate the fair value of ComEd, Exelon and ComEd used a probability–weighted, discounted cash flow model with multiple scenarios. The determination of the fair value was dependent on many sensitive, interrelated and uncertain variables including changing interest rates, utility sector market performance, capital structure, market prices for power, post–2006 rate regulatory structures, operating and capital expenditure requirements and other factors. Additionally, ComEd's estimate of its fair value was compared to a fair value estimate determined by a third–party valuation firm. Changes from the assumptions used in the impairment review could possibly result in a future impairment loss of ComEd's goodwill, which could be material.

The changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2005 were as follows:

Balance as of January 1, 2005	$ 4,705
Resolution of certain tax matters	(23)
Impairment	(1,207)
Balance as of January 1, 2006	3,475
Resolution of certain tax matters	(5)
Impairment	(776)
Balance as of December 31, 2006	$ 2,694

2006 Interim Goodwill Impairment Assessment. Exelon and ComEd perform the annual goodwill impairment assessment in the fourth quarter of each year. However, due to the significant negative impact of the ICC's July 2006 order in ComEd's Rate Case to the cash flows and value of ComEd, an interim impairment assessment was completed during the third quarter of 2006. Based on the results of ComEd's interim goodwill impairment analysis, which was determined using the same model and assumptions discussed above, Exelon and ComEd recorded an impairment charge of $776 million associated with the write–off of the goodwill during the third quarter of 2006. See Note 4—Regulatory Issues for further information regarding the Rate Case and the Procurement Case.

2006 Annual Goodwill Impairment Assessment. The annual goodwill impairment assessment was performed as of November 1, 2006. The first step of the annual impairment analysis, comparing the fair value of ComEd to its carrying value, including goodwill, indicated no additional impairment of goodwill.

2005 Annual Goodwill Impairment Assessment. The annual goodwill impairment assessment was performed as of November 1, 2005. The first step of the annual impairment analysis, comparing the fair

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value of ComEd to its carrying value, including goodwill, indicated an impairment of goodwill existed. The second step of the analysis indicated ComEd's goodwill was impaired by $1.2 billion. This impairment was primarily driven by the fair value of ComEd's below market PPA with Generation, the end of ComEd's regulatory transition period at December 31, 2006 and the elimination of related transition revenues, developments in the regulatory and political environment as of November 1, 2005, anticipated increases in capital expenditures in future years and decreases in market valuations of comparable companies that are used to estimate the fair value of ComEd.

Other Intangible Assets (Exelon)

Exelon's other intangible assets, included in deferred debits and other assets, consisted of the following as of December 31, 2005:

	Gross	Accumulated Amortization	Net
Synthetic fuel investments[(a)]	$264	$ (121)	$143
Intangible pension asset[(b)]	34	—	34
Total intangible assets	$298	$ (121)	$177

(a) See Note 12—Income Taxes for a description of Exelon's right to acquire tax credits through investments in synthetic fuel-producing facilities. In the second quarter of 2006, Exelon recorded an impairment charge of $115 million (before income taxes) associated with the full write-off of the intangible asset related to its investment in synthetic fuel-producing facilities.

(b) See Note 14—Retirement Benefits for a description of the impact to Exelon's Consolidated Balance Sheet as a result of adopting SFAS No. 158, including the elimination of the intangible pension asset in 2006.

For the year ended December 31, 2006, Exelon's amortization expense related to intangible assets was $28 million. For the year ended December 31, 2005, the intangible pension asset decreased by $137 million as a result of an annual actuarial valuation associated with Exelon's pension plans. For the year ended December 31, 2005, Exelon's amortization expense related to intangible assets was $68 million, of which $4 million has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement. For the year ended December 31, 2004, Exelon's amortization expense related to intangible assets was $90 million, of which $32 million has been reflected as a reduction in revenues related to the energy purchase agreement and the tolling agreement.

Generation sold Sithe on January 31, 2005, which resulted in the elimination of the intangible assets related to Sithe's energy purchase agreement and tolling agreement from Exelon's Consolidated Balance Sheets. See Note 2—Acquisitions and Dispositions for further information regarding this sale.

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9. Fair Value of Financial Assets and Liabilities (Exelon, Generation, ComEd and PECO)

Derivative Financial Assets and Liabilities

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

The fair values of the Registrants' interest-rate swaps are determined using quoted exchange prices, external dealer prices and available market pricing curves. At December 31, 2005, Exelon had $240 million of notional amounts of interest-rate swaps outstanding, which were held by ComEd and were settled on January 17, 2006 for a cash payment of approximately $1 million. At December 31, 2006, the Registrants did not have any cash-flow hedges outstanding.

Fair-Value Hedges. The Registrants may utilize fixed-to-floating interest-rate swaps from time to time as a means to achieve their targeted level of variable-rate debt as a percent of total debt. At December 31, 2006 and 2005, Exelon had $50 million and $240 million, respectively, of notional amounts of fair-value hedges outstanding. At December 31, 2005, ComEd had $240 million of notional amounts of fair-value hedges outstanding. Fixed-to-floating interest-rate swaps are designated as fair-value hedges, as defined in SFAS No. 133, and, as such, changes in the fair value of the swaps are recorded in earnings; however, as long as the hedge remains effective and the underlying liability remains outstanding, changes in the fair value of the swaps are offset by changes in the fair value of the hedged liabilities. Any change in the fair value of the hedge as a result of ineffectiveness is recorded immediately in earnings. During 2006 and 2005, no amounts relating to fair-value hedges were recorded in earnings as a result of ineffectiveness.

At December 31, 2006, the fair value associated with interest-rate swaps were as follows:

	Notional Amount	Exelon Pays	Counterparty Pays	Fair Value 12/31/06	Fair Value 12/31/05
Fair-Value Hedges					
Exelon	$ 50	3 Month LIBOR-.1419%	4.90%	$ (0.4)	$ —

Cash-Flow Hedges. The Registrants may utilize interest-rate derivatives to lock in interest-rate levels in anticipation of future financings. Forward-starting interest-rate swaps are designated as cash-flow hedges, as defined in SFAS No. 133 and, as such, changes in the fair value of the swaps are recorded in accumulated other comprehensive income (OCI). Any change in the fair value of the hedge as a result of ineffectiveness is recorded immediately in earnings. At December 31, 2006 and 2005, the Registrants did not have any notional amounts of cash-flow hedges outstanding. During 2005, Exelon settled interest-rate swaps in the aggregate notional amount of $1.8 billion, of which $325 million was the result of a ComEd forecasted transaction no longer being probable, and recorded pre-tax losses of $54 million, of which $15 million was included in other, net within Exelon's and ComEd's Consolidated Statements of Operations. Exelon is recording the remaining $39 million as additional interest expense over the remaining life of the related debt.

Energy–Related Derivatives (Exelon, Generation and ComEd)

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

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

ComEd has derivatives related to one wholesale contract and certain other contracts to manage the market price exposures to several wholesale contracts that extend into 2007, which is beyond the expiration of ComEd's PPA with Generation. ComEd's wholesale contract, which previously qualified for the normal sale exception pursuant to SFAS No. 133, has been recorded at fair value beginning in the first quarter of 2006 since the exception is no longer applicable. Additionally, the supplier forward contracts that ComEd has entered into as part of the initial ComEd procurement auction (See Note 4—Regulatory Issues) are deemed to be derivatives that qualify for the normal purchase exception to SFAS No. 133. ComEd does not enter into derivatives for speculative or trading purposes.

PECO's PPA with Generation and its gas supply agreements are deemed to be derivatives that qualify for the normal purchase exception to SFAS No. 133. PECO does not enter into derivatives for speculative or trading purposes.

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

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

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

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At December 31, 2005, Exelon and Generation had net liabilities of $517 million and $540 million, respectively on their Consolidated Balance Sheets for the fair value of energy derivatives, which included the energy derivatives discussed below. The following tables provide a summary of the fair value balances recorded by Exelon and Generation as of December 31, 2005:

December 31, 2005	Generation					Exelon
Derivatives	Cash–Flow Hedges	Other Derivatives	Proprietary Trading	Subtotal	Other (a)	Energy–Related Derivatives (b)
Current assets	$ 563	$ 327	$ 26	$ 916	$ —	$ 916
Noncurrent assets	153	9	124	286	85	371
Total mark–to–market energy contract assets	$ 716	$ 336	$ 150	$ 1,202	$ 85	$ 1,287
Current liabilities	$ (948)	$ (316)	$ (18)	$ (1,282)	$ —	$ (1,282)
Noncurrent liabilities	(289)	(48)	(123)	(460)	(62)	(522)
Total mark–to–market energy contract liabilities	$ (1,237)	$ (364)	$ (141)	$ (1,742)	$ (62)	$ (1,804)
Total mark–to–market energy contract net assets (liabilities)	$ (521)	$ (28)	$ 9	$ (540)	$ 23	$ (517)

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

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

Cash–Flow Hedges (Generation and ComEd). The tables below provide details of effective cash–flow hedges under SFAS No. 133 included on Exelon's, Generation's and ComEd's Consolidated Balance Sheets as of December 31, 2006. The data in the tables is indicative of the magnitude of SFAS No. 133 hedges Generation and ComEd have in place; however, since under SFAS No. 133 not all derivatives are recorded in OCI, the tables do not provide an all–encompassing picture of Generation's and ComEd's derivatives. The tables also include a rollforward of accumulated OCI related to cash–flow hedges for the years ended December 31, 2006 and 2005, providing information about the changes in the fair value of hedges and the reclassification from OCI into earnings.

	Total Cash–Flow Hedge OCI Activity, Net of Income Tax		
December 31, 2006	Generation	ComEd	Exelon
Accumulated OCI derivative loss at January 1, 2006	$(314)	$ —	$ (314)
Changes in fair value	476	(4)	472
Reclassifications from OCI to net income	88	—	88
Accumulated OCI derivative gain (loss) at December 31, 2006	$ 250	$ (4)	$ 246

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December 31, 2005	Total Cash–Flow Hedge OCI Activity, Net of Income Tax
	Exelon and Generation
Accumulated OCI derivative loss at January 1, 2005	$ (137)
Changes in fair value	(533)
Reclassifications from OCI to net income	356
Accumulated OCI derivative loss at December 31, 2005	$ (314)

At December 31, 2006, Generation and ComEd had net unrealized pre–tax gains (losses) of $415 million and $(6) million, respectively, of cash–flow hedges recorded in accumulated OCI. Based on market prices at December 31, 2006, approximately $341 million and $(6) million of these deferred net pre–tax unrealized gains (losses) on derivative instruments in accumulated OCI are expected to be reclassified to earnings during the next twelve months by Generation and ComEd, respectively. However, the actual amount reclassified to earnings could vary due to future changes in market prices. Amounts recorded in accumulated OCI related to changes in energy commodity cash–flow hedges are reclassified into earnings when the forecasted purchase or sale of the energy commodity occurs. The majority of Generation's cash–flow hedges are expected to settle within the next two years. ComEd's cash flow hedge expires on May 31, 2007.

Generation's cash–flow hedge activity impact to pre–tax earnings based on the reclassification adjustment from accumulated OCI to earnings was a $146 million pre–tax loss, a $583 million pre–tax loss and a $475 million pre–tax loss for the years ended December 31, 2006, 2005 and 2004, respectively.

Other Derivatives (Exelon, Generation and ComEd)

Exelon, Generation and ComEd enter into certain contracts that are derivatives, but do not qualify for hedge accounting under SFAS No. 133 or are not designated as cash–flow hedges. These contracts are entered into to economically hedge and limit the market price risk associated with energy commodity prices. Changes in the fair value of these derivative contracts are recognized in current earnings. For 2006, 2005 and 2004, Exelon, Generation and ComEd recognized the following net unrealized mark–to–market gains (losses), realized mark–to–market gains (losses) and total mark–to–market gains (losses) (before income taxes) relating to mark–to–market activity of certain non–trading purchase power and sale contracts pursuant to SFAS No. 133. Generation's, ComEd's and Exelon's other mark–to–market activity on non–trading purchase power and sale contracts are reported in fuel and purchased power, revenue and operating and maintenance expense, respectively.

For the Year Ended December 31, 2006	Generation	ComEd (a)	Other (b)	Exelon
Unrealized mark–to–market gains (losses)	$ 29	$ (8)	$ (15)	$ 6
Realized mark–to–market gains	74	3	—	77
Total net mark–to–market gains (losses)	$ 103	$ (5)	$ (15)	$ 83

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

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For the Year Ended December 31, 2005	Generation	Other (a)	Exelon
Unrealized mark–to–market gains	$ 86	$ 24	$ 110
Realized mark–to–market losses	(98)	—	(98)
Total net mark–to–market gains (losses)	$ (12)	$ 24	$ 12

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

For the Year Ended December 31, 2004	Exelon and Generation
Unrealized mark–to–market gains	$ 181
Realized mark–to–market losses	(183)
Total net mark–to–market losses	$ (2)

Proprietary Trading Activities (Generation). Proprietary trading includes all contracts entered into purely to profit from market price changes as opposed to hedging an exposure and is subject to limits established by Exelon's Risk Management Committee. These contracts are recognized on the Consolidated Balance Sheets at fair value and changes in the fair value of these derivative financial instruments are recognized in earnings. The proprietary trading activities, which included trading volumes of 31,692 GWhs, 26,924 GWhs and 24,001 GWhs for 2006, 2005 and 2004, respectively, are a complement to Generation's energy marketing portfolio but represent a very small portion of Generation's overall energy marketing activities. For 2006, 2005 and 2004, Exelon and Generation recognized the following net unrealized mark–to–market gains, realized mark–to–market (losses) and total mark–to–market gains (before income taxes) relating to mark–to–market activity on derivative instruments entered into for trading purposes. Gains and losses associated with financial trading are reported as revenue in Exelon's and Generation's Consolidated Statements of Operations.

	For the Year Ended December 31,		
	2006	2005	2004
Unrealized mark–to–market gains	$ 14	$ 18	$ 3
Realized mark–to–market losses	(10)	(3)	(3)
Total net mark–to–market gains	$ 4	$ 15	$—

Credit Risk Associated with Derivative Instruments. The Registrants would be exposed to credit–related losses in the event of non–performance by counterparties that enter into derivative instruments. The credit exposure of derivatives contracts is represented by the fair value of contracts at the reporting date. For energy–related derivative instruments, Generation attempts to enter into enabling agreements that allow for payment netting with its counterparties, which reduces Generation's exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty. Typically, each enabling agreement is for a specific commodity and so, with respect to each individual counterparty, netting is limited to transactions involving that specific commodity product, except where master netting agreements exist with a counterparty that allows for cross product netting. In addition to payment netting language in the

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enabling agreement, the credit department establishes credit limits and letter of credit requirements for each counterparty, which are defined in the derivatives contracts. Counterparty credit limits are based on an internal credit review that considers a variety of factors, including the results of a scoring model, leverage, liquidity, profitability, credit ratings and risk management capabilities. To the extent that a counterparty's credit limit and letter of credit thresholds are exceeded, the counterparty is required to post collateral with Generation as specified in each enabling agreement. Generation's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis.

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

The notional amount of derivatives does not represent amounts that are exchanged by the parties and, thus, is not a measure of the Registrants' exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on the other terms of the derivatives, which relate to interest rates and the volatility of these rates. Exelon's and Generation's credit exposure, net of collateral, as of December 31, 2006 and 2005 were $791 million and $547 million, respectively.

Non-Derivative Financial Assets and Liabilities

Fair Value. As of December 31, 2006 and 2005, the Registrants' carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are representative of fair value because of the short-term nature of these instruments. Fair values for long-term debt and preferred securities of subsidiaries are determined by an external valuation model which is based on conventional discounted cash flow methodology and utilizes assumptions of current market pricing curves.

Exelon

The carrying amounts and fair values of Exelon's financial liabilities as of December 31, 2006 and 2005 were as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$9,144	$9,122	$8,166	$8,231
Long-term debt to ComEd Transitional Funding Trust and PETT (including amounts due within one year)	3,051	3,149	3,963	4,132
Long-term debt to other financing trusts	545	517	545	539
Preferred securities of subsidiaries	87	73	87	70

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Generation

The carrying amounts and fair values of Generation's financial liabilities as of December 31, 2006 and 2005 were as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 1,790	$ 1,821	$ 1,800	$ 1,856

ComEd

The carrying amounts and fair values of ComEd's financial liabilities as of December 31, 2006 and 2005 were as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including amounts due within one year)	$ 3,579	$ 3,592	$ 2,828	$ 2,887
Long-term debt to ComEd				
Transitional Funding Trust (including amounts due within one year)	648	652	987	1,003
Long-term debt to other financing trusts	361	338	361	353

PECO

The carrying amounts and fair values of PECO's financial liabilities as of December 31, 2006 and 2005 were as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 1,469	$ 1,464	$ 1,183	$ 1,180
Long-term debt to PETT (including amounts due within one year)	2,404	2,496	2,975	3,129
Long-term debt to other financing trusts	184	179	184	186

Credit Risk. Financial instruments that potentially subject the Registrants to concentrations of credit risk consist principally of cash equivalents and customer accounts receivable. The Registrants place their cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to customer accounts receivable are limited due to the Registrants' large number of customers and, in the case of ComEd's and PECO's energy delivery businesses, their dispersion across many industries.

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Nuclear Decommissioning Trust Fund Investments (Exelon and Generation)

Investments as of December 31, 2006 and 2005. Exelon and Generation classify investments in trust accounts for decommissioning nuclear plants as available-for-sale and estimate their fair value based on quoted market prices for the securities held in decommissioning trust funds. These investments are held to fund Generation's decommissioning obligation for its nuclear plants. Decommissioning expenditures are expected to occur primarily after the plants are retired. See Note 13—Asset Retirement Obligations for further information regarding the decommissioning of Generation's nuclear plants.

The following tables show the fair values, gross unrealized gains and losses and amortized cost bases of the securities held in these trust accounts as of December 31, 2006 and 2005:

	December 31, 2006			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash and cash equivalents	$ 36	$ —	$ —	$ 36
U.S. Treasury obligations and direct obligations of U.S. government agencies	990	36	—	1,026
Federal agency mortgage-backed securities	767	6	—	773
Commercial mortgage-backed securities	82	1	—	83
Corporate bonds	306	7	—	313
Other debt securities	137	—	—	137
Marketable equity securities	2,810	1,237	—	4,047
Total available-for-sale securities	$5,128	$ 1,287	$ —	$ 6,415

	December 31, 2005			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash and cash equivalents	$ 80	$ —	$ —	$ 80
U.S. Treasury obligations and direct obligations of U.S. government agencies	958	37	(3)	992
Federal agency mortgage-backed securities	684	3	(6)	681
Commercial mortgage-backed securities	53	1	(1)	53
Corporate bonds	303	10	(4)	309
Other debt securities	58	—	(1)	57
Marketable equity securities	2,762	683	(32)	3,413
Total available-for-sale securities	$4,898	$ 734	$ (47)	$ 5,585

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The available–for–sale debt securities have contractual maturities as follows:

	December 31, 2006 Estimated Fair Value
Debt securities:	
Maturities within 1 year	$ 10
Maturities after 1 year through 5 years	398
Maturities after 5 years through 10 years	401
Maturities after 10 years	1,523
Total debt securities	$ 2,332

Impairment Evaluation in 2006 and 2005. Beginning in 2006, and in connection with the issuance of FSP 115–1, Generation considers all nuclear decommissioning trust fund investments in an unrealized loss position to be other–than–temporarily impaired. As a result of certain NRC restrictions, Generation is unable to demonstrate its ability and intent to hold the nuclear decommissioning trust fund investments through a recovery period and accordingly recognizes any unrealized holding losses immediately.

During the year ended December 31, 2006, Generation recorded impairment charges totaling $29 million, $1 million and $2 million associated with the decommissioning trust funds of the former ComEd units, the former PECO units and the AmerGen units, respectively. During the year ended December 31, 2005, Generation recorded impairment charges totaling $20 million and $2 million associated with the decommissioning trust funds of the former ComEd and the AmerGen units, respectively. Recognition of the impairment charges associated with the former ComEd and former PECO plants had no significant impact on net income for Exelon's or Generation's results of operations or financial position. See Note 13 for further discussion on the impacts to the Statements of Operations and the Balance Sheets for the former ComEd and former PECO units.

Prior to 2006, Exelon and Generation evaluated, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, as well as their intent and ability to hold the investment to determine whether an investment was considered other–then–temporarily impaired. Exelon and Generation also considered specific adverse conditions related to the financial health of and business outlook for the investee. Once a decline in fair value was determined to be other–than–temporary, an impairment charge was recorded and a new cost basis was established.

Unrealized Gains and Losses. At December 31, 2006, Exelon and Generation had gross unrealized gains of $1,287 million related to the nuclear decommissioning trust fund investments. At December 31, 2005, Exelon and Generation had gross unrealized gains of $734 million and gross unrealized losses of $47 million related to the nuclear decommissioning trust fund investments. Unrealized gains of $1,287 million and net unrealized gains of $687 million were included in regulatory liabilities or accumulated other comprehensive income in Exelon's Consolidated Balance Sheets and in noncurrent payables to affiliates or accumulated other comprehensive income in Generation's Consolidated Balance Sheets at December 31, 2006 and 2005, respectively.

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As of December 31, 2006, there were no available–for–sale securities held in nuclear decommissioning trust funds in an unrealized loss position.

The following table provides information regarding available–for–sale securities held in nuclear decommissioning trust funds in an unrealized loss position that were not considered other–than–temporarily impaired. The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2005.

	December 31, 2005					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury obligations and direct obligations of U.S. government agencies	$ 170	$ (3)	$ 24	$ (1)	$ 194	$ (4)
Federal agency mortgage–backed securities	387	(4)	28	(1)	415	(5)
Commercial mortgage–backed securities	15	—	7	(1)	22	(1)
Corporate bonds	119	(3)	20	(1)	139	(4)
Other debt securities	17	—	22	(1)	39	(1)
Marketable equity securities	345	(23)	69	(9)	414	(32)
Total	$1,053	$ (33)	$170	$ (14)	$1,223	$ (47)

Sale of Nuclear Decommissioning Trust Fund Investments. Proceeds from the sale of decommissioning trust fund investments and gross realized gains and losses on those sales for the years ended December 31, 2006, 2005 and 2004 were as follows:

	For the Years Ended December 31,		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
For the year ended December 31, 2006	$4,793	$ 58	$ (60)
For the year ended December 31, 2005	5,274	130	(81)
For the year ended December 31, 2004	2,320	115	(43)

Amounts reclassified from Exelon's regulatory liabilities or accumulated other comprehensive income to earnings was determined base on either the high–cost or average cost basis, and totaled a net loss of $2 million, a net gain of $49 million and a net gain of $72 million for the years ended December 31, 2006, 2005 and 2004, respectively. Amounts reclassified from Generation's noncurrent payables to affiliates or accumulated other comprehensive income to earnings was determined base on either the high–cost or average cost basis, and totaled a net loss of $2 million, a net gain of $49 million and a net gain of $72 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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The amounts of net unrealized holding gains that were included in Exelon's regulatory liabilities or accumulated other comprehensive income during the period totaled $567 million, $132 million, and $293 million for the years ended December 31, 2006, 2005 and 2004, respectively. The amounts of net unrealized holding gains that were included in Generation's noncurrent payables to affiliates or accumulated other comprehensive income during the period totaled $567 million, $132 million, and $293 million for the years ended December 31, 2006, 2005 and 2004, respectively.

10. Severance Accounting (Exelon, Generation, ComEd and PECO)

The Registrants provide severance and health and welfare benefits to terminated employees pursuant to pre-existing severance plans primarily based upon each individual employee's years of service and compensation level. The Registrants account for their ongoing severance plans in accordance with SFAS No. 112 and SFAS No. 88 and accrue amounts associated with severance benefits that are considered probable and that can be reasonably estimated.

Following the termination of the proposed Merger, Exelon evaluated its organizational structure and resource needs on a standalone basis (see Note 2—Acquisitions and Dispositions for further information on the Merger termination). As a result of that evaluation, management concluded that certain positions will be eliminated. Therefore, Exelon recorded $29 million of severance charges in 2006.

During 2006, ComEd recorded a regulatory asset associated with previously incurred severance costs that ComEd was granted recovery of in the December 20, 2006 ICC order. See Note 4—Regulatory Issues and Note 18—Commitments and Contingencies.

The following tables present total salary continuance severance costs (benefits), recorded as an operating and maintenance expense, during 2006, 2005 and 2004:

Salary Continuance Severance	Exelon	Generation	ComEd	PECO	Other [(a)]
Expense recorded—2006	$ 21	$ 6 [(b)]	$ —	$ 2	$ 13 [(c)]
Expense (income) recorded—2005	(14) [(d) (e)]	(4) [(d) (e)]	(9) [(d)]	1	(2) [(d)]
Expense recorded—2004	32	2	10	3	17

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities.
(b) Does not include $2 million of severance related to stock-based compensation.
(c) Does not include $4 million of severance related to stock-based compensation and $3 million of severance related to SFAS 88.
(d) Represents a reduction in previously recorded severance reserves.
(e) Excludes severance charges of $5 million related to Salem, of which Generation owns 42.59% and which is operated by PSEG Nuclear, LLC (PSEG Nuclear).

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The following table provides a roll forward of the salary continuance severance obligations from January 1, 2005 through December 31, 2006:

Salary Continuance Obligations	Exelon	Generation	ComEd	PECO	Other (a)
Balance at January 1, 2005	$ 69	$ 16	$ 28	$ 7	$ 18
Severance charges recorded/(reduction in obligation estimate)	(14)(b)	(4)(b)	(9)	1	(2)
Cash payments	(33)	(5)	(11)	(7)	(10)
Balance at January 1, 2006	$ 22	$ 7	$ 8	$ 1	$ 6
Severance charges recorded	21	6	—	2	13
Cash payments	(9)	(3)	(2)	(1)	(3)
Balance at December 31, 2006	$ 34	$ 10	$ 6	$ 2	$ 16

(a) Other includes corporate operations, shared service entities, including BSC, Enterprises and investments in synthetic fuel-producing facilities.
(b) Excludes severance charges of $5 million related to Salem, of which Generation owns 42.59% and which is operated by PSEG Nuclear.

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

Short-Term Debt

The following tables present the short-term debt activity for Exelon, Generation, ComEd and PECO during 2006, 2005 and 2004:

Exelon

	2006	2005	2004
Average borrowings	$ 856	$ 935	$ 149
Maximum borrowings outstanding	1,459	2,416	622
Average interest rates, computed on a daily basis	5.02%	3.49%	1.37%
Average interest rates, at December 31	5.42%	4.59%	2.43%

Generation

	2006	2005	2004
Average borrowings	$ 214	$ 26	$ 72
Maximum borrowings outstanding	667	317	326
Average interest rates, computed on a daily basis	4.99%	4.12%	1.14%
Average interest rates, at December 31	—	4.67%	—

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ComEd

	2006	2005	2004
Average borrowings	$ 213	$ 36	$ 7
Maximum borrowings outstanding	669	497	180
Average interest rates, computed on a daily basis	5.06%	4.13%	2.11%
Average interest rates, at December 31	5.43%	4.50%	—

PECO

	2006	2005	2004
Average borrowings	$ 133	$ 30	$ 23
Maximum borrowings outstanding	442	257	207
Average interest rates, computed on a daily basis	4.97%	3.44%	1.08%
Average interest rates, computed at December 31	5.41%	4.58%	—

On March 7, 2005, Exelon entered into a $2 billion term loan agreement. The loan proceeds were used to fund discretionary contributions of $2 billion to Exelon's pension plans. On April 1, 2005, Exelon entered into a $500 million term loan agreement to reduce this $2 billion term loan. During the second quarter of 2005, $200 million of this $500 million term loan, as well as the remaining $1.5 billion balance on the $2 billion term loan described above, were repaid with the net proceeds received from the issuance of the $1.7 billion long–term senior notes presented in the table below. The $300 million outstanding balance under the $500 million term loan agreement bears interest at a variable rate determined, at Exelon's option, by either the Base Rate or the Eurodollar Rate (as defined in the term loan agreement). On November 30, 2005, the term loan agreement was amended and restated to extend the agreement from December 1, 2005 to September 16, 2006. On July 31, 2006, Exelon amended its $300 million term loan agreement to extend the maturity date to the earlier of December 31, 2006 or two business days after the effective date of Exelon's new credit facilities. On October 30, 2006, Exelon terminated its $300 million term loan agreement.

Credit Agreements

On July 16, 2004, Exelon, Generation, ComEd and PECO entered into a $1 billion unsecured revolving credit facility maturing on July 16, 2009 and a $500 million unsecured revolving credit facility which matured on October 31, 2006.

On February 10 through 16, 2006, Generation entered into separate additional credit facilities with aggregate bank commitments of $950 million. On September 19, 2006, Generation entered into three separate 364–day revolving credit facilities with aggregate commitments of $1 billion.

On February 22, 2006, ComEd entered into a $1 billion senior secured three–year revolving credit agreement. The credit agreement is secured by First Mortgage Bonds of ComEd in the principal amount of approximately $1 billion. First Mortgage Bonds are a first mortgage lien on ComEd's utility assets other than expressly excepted property. Additionally, on February 22, 2006, ComEd was

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removed as a party to the July 16, 2004 credit facilities. During 2006, ComEd borrowed and fully repaid $240 million under its credit agreement.

On October 26, 2006, Exelon, Generation and PECO entered into new unsecured credit facilities of $1 billion, $5 billion and $600 million, respectively. The facilities are for a term of five years and are comprised of three separate facilities with separate borrowers designated by Registrant. The new credit facilities replaced the $1 billion and $500 million Exelon syndicated facilities, the $1.95 billion in Generation bilateral credit facilities and Exelon's $300 million term loan.

The Registrants may use the credit facilities for general corporate purposes, including meeting short–term funding requirements and the issuance of letters of credit. The obligation of each lender to make any credit extension to a Registrant under its credit facilities is subject to various conditions including, among other things, that no event of default has occurred for the Registrant or would result from such credit extension. A bankruptcy filing by ComEd would constitute an event of default under ComEd's credit facilities; however, bankruptcy or another event of default by ComEd would not constitute an event of default for Exelon, Generation or PECO.

At December 31, 2006, the Registrants had the following aggregate bank commitments and available capacity under the credit agreements and the indicated amounts of outstanding commercial paper:

Borrower	Aggregate Bank Commitment [(a)]	Available Capacity [(b)]	Outstanding Commercial Paper
Exelon Corporate	$ 1,000	$ 993	$ 150
Generation	5,000	4,920	—
ComEd	1,000	956	60
PECO	600	598	95

(a) Represents the total bank commitments to the borrower under credit agreements to which the borrower is a party.
(b) Available capacity represents the unused bank commitments under the borrower's credit agreements net of outstanding letters of credit. The amount of commercial paper outstanding does not reduce the available capacity under the credit agreements.

Interest rates on advances under the credit facilities are based on either prime or the London Interbank Offered Rate (LIBOR) plus an adder based on the credit rating of the borrower as well as the total outstanding amounts under the agreement at the time of borrowing. In the cases of Exelon, PECO and Generation, the maximum LIBOR adder is 65 basis points; and in the case of ComEd, it is 200 basis points.

Each credit agreement requires the affected borrower to maintain a minimum cash from operations to interest expense ratio for the twelve–month period ended on the last day of any quarter. The ratios exclude revenues and interest expenses attributable to securitization debt, certain changes in working capital, distributions on preferred securities of subsidiaries and, in the case of Exelon and Generation, revenues from Sithe and interest on the debt of its project subsidiaries. The following table summarizes the minimum thresholds reflected in the credit agreements for the year ended December 31, 2006:

	Exelon	Generation	ComEd	PECO
Credit agreement threshold	2.50 to 1	3.00 to 1	2.25 to 1	2.00 to 1

At December 31, 2006, the Registrants were in compliance with the foregoing thresholds.

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The ComEd credit agreement is secured by first mortgage bonds and imposes a restriction on future mortgage bond issuances by ComEd. It requires ComEd to maintain at least $1.75 billion of issuance availability (ignoring any interest coverage test) in the form of "property additions" or "bondable bond retirements" (previously issued, but now retired, bonds), most of which are required to be maintained in the form of "bondable bond retirements." In general, a dollar of bonds can be issued under ComEd's Mortgage on the basis of $1.50 of property additions, subject to an interest coverage test, or $1 of bondable bond retirements, which may or may not be subject to an interest coverage test. As of December 31, 2006, ComEd was in compliance with this requirement.

Long-Term Debt

The following tables present the outstanding long-term debt at Exelon, Generation, ComEd and PECO as of December 31, 2006 and 2005:

Exelon

	Rates	Maturity Date	December 31, 2006	December 31, 2005
Long-term debt (a) (b)				
First Mortgage Bonds (a) (b):				
Fixed rates	3.50%–8.375%	2008–2036	$4,261	$3,201
Floating rates (c)	3.50%–3.85%	2012–2020	497	497
Notes payable and other (c)	4.45%–8.00%	2007–2035	3,867	3,928
Pollution control notes:				
Floating rates	3.52%–3.97%	2016–2034	520	520
Notes payable—accounts receivable agreement	5.28%	2010	17	30
Sinking fund debentures	3.875%–4.75%	2008–2011	8	10
Total long-term debt			9,170	8,186
Unamortized debt discount and premium, net			(25)	(25)
Unamortized settled fair-value hedge, net			(1)	6
Fair-value hedge carrying value adjustment, net			—	(1)
Long-term debt due within one year			(248)	(407)
Long-term debt			$8,896	$7,759
Long-term debt to financing trusts (d)				
Payable to ComEd Transitional Funding Trust	5.63%–5.74%	2007–2008	$ 648	$ 988
Payable to PETT	6.13%–7.65%	2007–2010	2,403	2,975
Subordinated debentures to ComEd Financing II	8.50%	2027	155	155
Subordinated debentures to ComEd Financing III	6.35%	2033	206	206
Subordinated debentures to PECO Trust III	7.38%	2028	81	81
Subordinated debentures to PECO Trust IV	5.75%	2033	103	103
Total long-term debt to financing trusts			3,596	4,508
Long-term debt to financing trusts due within one year			(581)	(507)
Long-term debt to financing trusts			$3,015	$4,001

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(a) ComEd's utility assets other than expressly excepted property and substantially all of PECO's assets are subject to the liens of their respective mortgage indentures.
(b) Includes first mortgage bonds issued under the ComEd and PECO mortgage indentures securing pollution control bonds and notes.
(c) Includes capital lease obligations of $44 and $46 million at December 31, 2006 and 2005, respectively. Lease payments of $2 million, $2 million, $2 million, $2 million, $2 million and $34 million will be made in 2007, 2008, 2009, 2010, 2011 and thereafter, respectively.
(d) Effective July 1, 2003, PECO Trust IV, a financing subsidiary created in May 2003, was deconsolidated from the financial statements in conjunction with the adoption of FIN 46. Effective December 31, 2003, ComEd Financing II, ComEd Financing III, ComEd Transitional Funding Trust, PECO Trust III, and PETT were deconsolidated from the financial statements in conjunction with the adoption of FIN 46–R. Amounts owed to these financing trusts are recorded as debt to financing trusts within Exelon's Consolidated Balance Sheets.

Generation

	Rates	Maturity Date	December 31, 2006	December 31, 2005
Long–term debt				
Senior unsecured notes	5.35%–6.95%	2011–2014	$1,200	$1,200
Pollution control notes, floating rates	3.52%–3.97%	2016–2034	520	520
Notes payable and other[(a)]	6.33%–7.83%	2007–2020	73	85
Total long–term debt			1,793	1,805
Unamortized debt discount and premium, net			(3)	(5)
Long–term debt due within one year			(12)	(12)
Long–term debt			$1,778	$1,788

(a) Includes Generation's capital lease obligations of $44 million and $46 million at December 31, 2006 and 2005, respectively. Generation will make lease payments of $2 million, $2 million, $2 million, $2 million, $2 million and $34 million in 2007, 2008, 2009, 2010, 2011 and thereafter, respectively.

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ComEd

	Rates	Maturity Date	December 31, 2006	December 31, 2005
Long-term debt				
First Mortgage Bonds[(a) (b)]:				
Fixed rates	3.70%–8.375%	2008–2036	$2,961	$2,201
Floating rates	3.60%–3.85%	2013–2020	343	343
Notes payable				
Fixed rates	6.95%–7.625%	2007–2018	285	285
Sinking fund debentures	3.875%–4.75%	2008–2011	8	10
Total long-term debt			3,597	2,839
Unamortized debt discount and premium, net			(17)	(16)
Unamortized settled fair-value hedge, net			(1)	6
Fair-value hedge carrying value adjustment, net			—	(1)
Long-term debt due within one year			(147)	(328)
Long-term debt			$3,432	$2,500
Long-term debt to financing trusts[(c)]				
Subordinated debentures to ComEd Financing II	8.50%	2027	155	155
Subordinated debentures to ComEd Financing III	6.35%	2033	206	206
Payable to ComEd Transitional Funding Trust	5.63%–5.74%	2007–2008	648	987
Total long-term debt to financing trusts			1,009	1,348
Long-term debt to financing trusts due within one year			(308)	(307)
Long-term debt to financing trusts			$ 701	$1,041

(a) ComEd's utility assets other than expressly excepted property are subject to the lien of its mortgage indenture.
(b) Includes first mortgage bonds issued under the ComEd mortgage indentures securing pollution control bonds and notes.
(c) Effective December 31, 2003, ComEd Financing II, ComEd Financing III, and ComEd Transitional Funding Trust were deconsolidated from the financial statements in conjunction with the adoption of FIN 46-R. Amounts owed to these financing trusts are recorded as debt to financing trusts within ComEd's Consolidated Balance Sheets.

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PECO

	Rates	Maturity Date	December 31, 2006	December 31, 2005
Long-term debt				
First Mortgage Bonds [(a) (b)]:				
Fixed rates	3.50%–5.95%	2008–2036	$ 1,300	$ 1,000
Floating rates	3.50%–3.70%	2012	154	154
Notes payable—accounts receivable agreement	5.28%	2010	17	30
Total long-term debt			1,471	1,184
Unamortized debt discount and premium, net			(2)	(1)
Long-term debt			$ 1,469	$ 1,183
Long-term debt to financing trusts [(c)]				
PETT Series 1999-A	6.13%	2007–2008	$ 848	$ 1,419
PETT Series 2000-A	7.63%–7.65%	2008–2009	750	750
PETT Series 2001	6.52%	2010	806	806
Subordinated debentures to PECO Trust III	7.38%	2028	81	81
Subordinated debentures to PECO Trust IV	5.75%	2033	103	103
Total long-term debt to financing trusts			2,588	3,159
Long-term debt to financing trusts due within one year			(273)	(199)
Long-term debt to financing trusts			$ 2,315	$ 2,960

(a) Substantially all of PECO's assets are subject to the lien of its mortgage indenture.
(b) Includes first mortgage bonds issued under the PECO mortgage indenture securing pollution control bonds and notes.
(c) Effective July 1, 2003, PECO Trust IV, a financing subsidiary created in May 2003, was deconsolidated from the financial statements in conjunction with the adoption of FIN 46. Effective December 31, 2003, PECO Trust III and PETT were deconsolidated from the financial statements in conjunction with the adoption of FIN 46-R. Amounts owed to these financing trusts are recorded as debt to financing trusts within the Consolidated Balance Sheets.

Long-term debt maturities at Exelon, Generation, ComEd and PECO in the periods 2007 through 2011 and thereafter are as follows:

Year	Exelon	Generation	ComEd	PECO
2007	$ 248	$ 12	$ 147	$ —
2008	898	12	417	450
2009	28	11	17	—
2010	632	2	213	17
2011	1,799	702	347	250
Thereafter	5,565	1,054	2,456	754
Total	$ 9,170	$ 1,793	$ 3,597	$ 1,471

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Long–term debt to financing trusts maturities at Exelon, ComEd and PECO in the periods 2007 through 2011 and thereafter are as follows:

Year	Exelon	ComEd	PECO
2007	$ 581	$ 308	$ 273
2008	964	340	625
2009	700	—	700
2010	806	—	806
2011	—	—	—
Thereafter	545	361	184
Total	$3,596	$1,009	$2,588

Issuances of Long–Term Debt. The following long–term debt was issued at Exelon, ComEd and PECO during 2006:

Company	Type	Interest Rate	Maturity	Amount(a)
ComEd	First Mortgage Bonds	5.90%	March 15, 2036	$ 325
ComEd	First Mortgage Bonds	5.95%	August 15, 2016	300
ComEd	First Mortgage Bonds	5.95%	August 15, 2016	115
ComEd	First Mortgage Bonds	5.40%	December 15, 2011	345
PECO	First Mortgage Bonds	5.95%	October 1, 2036	300

(a) Excludes unamortized bond discounts and premiums.

Debt Retirements and Redemptions. The following debt was retired, through tender, open market purchases, optional redemption or payment at maturity, during 2006:

Company	Type	Interest Rate	Maturity	Amount
Exelon	Notes payable for investments in synthetic fuel–producing facilities	6.00% to 8.00%	January 2008	$ 50
Generation	Note payable	6.33%	August 8, 2009	10
ComEd	Pollution Control Revenue Bonds	4.40%	December 1, 2006	199
ComEd	First Mortgage Bonds	8.25%	October 1, 2006	95
ComEd	First Mortgage Bonds	8.375%	October 15, 2006	31
ComEd	Sinking fund	3.875%–4.75%	2008–2011	2
ComEd	ComEd Transitional Funding Trust	5.63%	June 25, 2007	339
PECO	PETT	6.05%	March 1, 2007	522
PECO	PETT	6.13%	September 1, 2008	49
PECO	Notes payable, accounts receivable agreement	5.28%	November 12, 2010	13
Other				2

See Note 5—Accounts Receivable for information regarding PECO's accounts receivable agreement.

See Note 9—Fair Value of Financial Assets and Liabilities for additional information regarding interest–rate swaps.

See Note 15—Preferred Securities for additional information regarding preferred stock.

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12. Income Taxes (Exelon, Generation, ComEd and PECO)

Income tax expense (benefit) from continuing operations is comprised of the following components:

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 935	$ 571	$ 282	$ 356
Deferred	112	157	83	(156)
Investment tax credit amortization	(13)	(8)	(3)	(2)
State				
Current	200	122	60	44
Deferred	(28)	24	23	(62)
Total income tax expense	$1,206	$ 866	$ 445	$ 180

For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 376	$ 315	$ 112	$312
Deferred	411	270	187	(53)
Investment tax credit amortization	(13)	(8)	(3)	(2)
State				
Current	86	69	25	17
Deferred	84	63	42	(27)
Total income tax expense	$ 944	$ 709	$ 363	$247
Included in cumulative effect of changes in accounting principles:				
Deferred				
Federal	$ (22)	$ (16)	$ (5)	$ (2)
State	(5)	(3)	(1)	—
Total income tax benefit	$ (27)	$ (19)	$ (6)	$ (2)

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Included in operations:				
Federal				
Current	$ 406	$ 230	$ 231	$311
Deferred	260	114	147	(59)
Investment tax credit amortization	(13)	(8)	(3)	(2)
State				
Current	86	19	73	36
Deferred	(26)	46	9	(37)
Total income tax expense	$ 713	$ 401	$ 457	$249
Included in cumulative effect of changes in accounting principles:				
Deferred				
Federal	$ 12	$ 17	$ —	$—
State	5	5	—	—
Total income tax expense benefit	$ 17	$ 22	$ —	$—

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The effective income tax rate from continuing operations varies from the U.S. Federal statutory rate principally due to the following:

For the Year Ended December 31, 2006	Exelon (b)(c)	Generation	ComEd (c)	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	4.0	4.2	16.2	(1.9)
Nondeductible goodwill impairment charge	9.7	—	81.6	—
Synthetic fuel–producing facilities credit	(3.6)	—	—	—
Qualified nuclear decommissioning trust fund income	0.5	0.6	—	—
Manufacturer's deduction	(0.7)	(0.9)	—	—
Tax exempt income	(0.4)	(0.5)	—	—
Nontaxable postretirement benefits	(0.4)	(0.2)	(0.8)	(0.2)
Amortization of investment tax credit	(0.4)	(0.2)	(0.9)	(0.4)
Investment tax credit charge (refund) [a]	(0.1)	0.4	—	(2.1)
Research and development credit charge (refund) [a]	(0.1)	0.4	—	(2.1)
Amortization of regulatory asset	0.2	—	1.9	—
Plant basis differences	0.3	—	—	0.6
Other	(0.9)	(0.6)	0.6	0.1
Effective income tax rate	43.1%	38.2%	133.6%	29.0%

For the Year Ended December 31, 2005	Exelon (b)(c)	Generation	ComEd (c)	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	5.8	4.7	(13.6)	(0.9)
Nondeductible goodwill impairment charge	22.3	—	(135.0)	—
Synthetic fuel–producing facilities credit	(12.6)	—	—	—
Qualified nuclear decommissioning trust fund income	0.8	0.9	—	—
Manufacturer's deduction	(0.8)	(0.8)	—	—
Tax exempt income	(0.6)	(0.6)	—	—
Nontaxable postretirement benefits	(0.6)	(0.3)	1.0	(0.3)
Amortization of investment tax credit	(0.5)	(0.2)	1.0	(0.3)
Amortization of regulatory asset	0.3	—	(2.1)	—
Plant basis differences	—	—	(0.4)	(1.1)
Other	0.7	0.3	(1.9)	(0.2)
Effective income tax rate	49.8%	39.0%	(116.0)%	32.2%

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For the Year Ended December 31, 2004	Exelon (b)(c)	Generation	ComEd (c)	PECO
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
State income taxes, net of Federal income tax benefit	1.6	4.0	4.8	(0.1)
Synthetic fuel-producing facilities credit	(8.4)	—	—	—
Qualified nuclear decommissioning trust fund income	(0.3)	(0.7)	—	—
Tax exempt income	(0.4)	(0.9)	—	—
Nontaxable postretirement benefits	(0.3)	(0.3)	(0.2)	—
Amortization of investment tax credit	(0.4)	(0.5)	(0.3)	(0.4)
Low income housing credit	(0.4)	—	—	—
Amortization of regulatory asset	0.3	—	0.6	—
Plant basis differences	0.4	—	—	0.6
Other	0.6	1.5	0.4	0.3
Effective income tax rate	27.7%	38.1%	40.3%	35.4%

(a) See Note 18—Commitments and Contingencies for additional information.
(b) Change between 2005 and 2004 reflects ownership of all synthetic fuel-producing facilities for the full year in 2005 compared to five months in 2004. Change between 2005 and 2006 reflects a four month plant shutdown and a 38% credit phase-out.
(c) Change in effective income tax rate between 2006 and 2005 and between 2005 and 2004 is primarily due to the goodwill impairment charge of $776 million and $1.2 billion in 2006 and 2005, respectively.

The tax effects of temporary differences, which give rise to significant portions the deferred tax assets and liabilities, as of December 31, 2006 and 2005 are presented below:

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Plant basis differences	$(4,368)	$ (856)	$(1,937)	$(1,407)
Stranded cost recovery	(1,236)	—	—	(1,237)
Unrealized gains on derivative financial instruments	(196)	(199)	(5)	(4)
Deferred pension and postretirement obligations	408	(203)	(265)	24
Emission allowances	(23)	(23)	—	—
Decommissioning and decontamination obligations	(38)	(36)	—	(3)
Deferred debt refinancing costs	(78)	—	(65)	(13)
Excess of tax value over book value of impaired assets (a)	65	—	—	—
Goodwill	6	—	—	—
Other, net	230	(4)	31	79
Deferred income tax liabilities (net)	$(5,230)	$ (1,321)	$(2,241)	$(2,561)
Unamortized investment tax credits	(259)	(204)	(40)	(15)
Total deferred income tax liabilities (net) and unamortized investment tax credits	$(5,489)	$ (1,525)	$(2,281)	$(2,576)

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For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Plant basis differences	$(4,291)	$ (861)	$(1,891)	$(1,361)
Stranded cost recovery	(1,465)	—	—	(1,465)
Unrealized losses (gains) on derivative financial instruments	195	194	—	(6)
Deferred pension and postretirement obligations	396	(177)	(281)	21
Emission allowances	—	(40)	—	—
Deferred debt refinancing costs	(49)	—	(34)	(15)
Excess of tax value over book value of impaired assets [(a)]	41	—	—	—
Decommissioning and decontamination obligations	105	105	—	(5)
Goodwill	6	—	—	—
Other, net	326	151	72	57
Deferred income tax liabilities (net)	$(4,736)	$ (628)	$(2,134)	$(2,774)
Unamortized investment tax credits	(262)	(202)	(43)	(17)
Total deferred income tax liabilities (net) and unamortized investment tax credits	$(4,998)	$ (830)	$(2,177)	$(2,791)

(a) In 2006, includes write–downs of certain Enterprises investments and the impairment of the intangible asset related to the synthetic fuel–producing facilities and, in 2005, includes the write–downs of certain Enterprises investments.

In accordance with regulatory treatment of certain temporary differences, Exelon, ComEd and PECO have recorded net regulatory assets associated with deferred income taxes, pursuant to SFAS No. 71 and SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109) as presented below:

	For the Year Ended December 31,	
	2006 (a)	2005 (a)
ComEd	$ 11	$ 8
PECO	790	781
Exelon	$ 801	$ 789

(a) See Note 19—Supplemental Financial Information for further discussion of Exelon, ComEd and PECO's regulatory assets associated with deferred income taxes.

ComEd and PECO have certain tax returns that are under review at the audit or appeals level of the Internal Revenue Service (IRS), and certain state authorities. These reviews by governmental taxing authorities are not expected to have an adverse impact on the financial condition or results of operations of Exelon, ComEd or PECO.

At December 31, 2006 and 2005, Exelon had recorded valuation allowances of $37 million and $37 million, respectively, and Generation had recorded valuation allowances of approximately $33 million and $34 million, respectively, with respect to deferred taxes associated with separate company state taxes.

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As of December 31, 2006, Exelon and Generation had net capital loss carryforwards for income tax purposes of approximately $96 million, which will expire after 2011. As of December 31, 2006, the Mexican net operating loss carryforwards of Generation's subsidiaries are $59 million, which will expire beginning in 2011.

Generation, ComEd, and PECO received allocated tax benefits from Exelon under the Tax Sharing Agreement. The allocations as of December 31, 2006 and 2005 are presented below:

	For the Year Ended December 31,	
	2006	2005
Generation	$ 47	$ 16
ComEd	21	27
PECO	30	15

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 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. On April 11, 2006, the IRS published the 2005 oil Reference Price and it did not exceed the beginning of the phase-out range. Consequently, there was no phase-out of tax credits for calendar year 2005.

The following table (in dollars) provides the estimated phase-out range for 2006 and the annual average New York Mercantile Exchange, Inc. index (NYMEX) prices per barrel based on actual prices for the year ended December 31, 2006.

	Estimated 2006
Beginning of Phase-Out Range [a]	$ 60
End of Phase-Out Range [a]	76
Annual Average NYMEX	66

(a) The estimated 2006 phase-out range is based upon the actual 2005 phase-out range. The actual 2005 phase-out range was determined using the inflation adjustment factor published by the IRS in April 2006. The actual 2005 phase-out range was increased by 2% (Exelon's estimate of inflation) to arrive at the estimated 2006 phase-out range.

Exelon and the operators of the synthetic fuel-producing facilities in which Exelon has interests idled the facilities in May 2006. The decision to suspend synthetic fuel production was primarily driven by the level and volatility of oil prices. In addition, the proposed Federal legislation that would have provided certainty that tax credits would exist for 2006 production was not included in the Tax Increase Prevention and Reconciliation Act of 2005. As a result of the suspension of production at the synthetic fuel-producing facilities and the level of oil prices, during the second quarter of 2006, Exelon recorded an impairment charge of $115 million ($69 million after tax) in operating and maintenance expense in Exelon's Consolidated Statement of Operations to write off the net carrying value of the intangible asset related to Exelon's investments in synthetic fuel–producing facilities. The net carrying value of the intangible assets associated with the synthetic fuel–producing facilities was $143 million at December 31, 2005. See Note 8—Intangible Assets for additional information. Due to the reduction in oil prices during the third quarter of 2006, the operators resumed production at the synthetic fuel–producing facilities in September 2006 and produced at full capacity through the remainder of 2006.

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 its counterparties related to phased–out tax credits. At December 31, 2006, Exelon had receivables on its Consolidated Balance Sheet from the counterparties totaling $73 million associated with the portion of the payments previously made to the counterparties related to tax credits that are anticipated to be phased out for 2006. As of December 31, 2006, Exelon has estimated the 2006 phase–out to be 38%, which has reduced Exelon's earned after–tax credits of $164 million to $101 million for the year ended December 31, 2006. The estimated 2006 phase–out range is based upon the actual 2005 phase–out range. The actual 2005 phase–out range was determined using the inflation adjustment factor published by the IRS in April 2006. The actual 2005 phase–out range was increased by 2% (Exelon's estimate of inflation) to arrive at the estimated 2006 phase–out range.

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 counterparties has security interests in these derivatives. Including the related mark–to–market gains and losses on these derivatives, interests in synthetic fuel–producing facilities reduced Exelon's net income by $24 million and increased Exelon's net income by $81 million and $70 million during the years ended December 31, 2006, 2005 and 2004, 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 due to the volatility of oil prices.

Net income or net losses from interests in synthetic fuel–producing facilities are reflected in the Consolidated Statements of Operations within income taxes, operating and maintenance expense, depreciation and amortization expense, interest expense, equity in losses of unconsolidated affiliates 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 $108 million and $158 million at December 31, 2006 and 2005, 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.