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Fuel Purchase Obligations

In addition to the energy commitments described above, Generation has commitments to purchase fuel supplies for nuclear and fossil generation and PECO has commitments to purchase natural gas and related transportation and storage capacity and services. As of December 31, 2006, these commitments were as follows:

		Expiration within			
	Total	2007	2008–2009	2010–2011	2012 and beyond
Generation	$4,516	$830	$ 1,317	$ 1,104	$ 1,265
PECO	506	217	146	65	78

Commercial Commitments

Exelon's commercial commitments as of December 31, 2006, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2007	2008–2009	2010–2011	2012 and beyond
Letters of credit (non–debt)[a]	$ 171	$ 169	$ 2	$ —	$ —
Letters of credit (long–term debt)—interest coverage[b]	15	15	—	—	—
Surety bonds[c]	236	96	57	—	83
Performance guarantees[d]	296	—	—	—	296
Energy marketing contract guarantees[e]	223	206	3	—	14
Nuclear insurance premiums[f]	1,710	—	—	—	1,710
Lease guarantees[g]	9	—	—	—	9
Midwest Generation Capacity Reservation Agreement guarantee[h]	22	4	8	8	2
Exelon New England guarantees[i]	14	1	2	2	9
Total commercial commitments	$ 2,696	$ 491	$ 72	$ 10	$ 2,123

(a) Letters of credit (non–debt)—Exelon and certain of its subsidiaries maintain non–debt letters of credit to provide credit support for certain transactions as requested by third parties. As of December 31, 2006, Exelon had $89 million of outstanding letters of credit (non–debt) issued under its $6.6 billion credit agreements. Guarantees of $17 million have been issued to provide support for certain letters of credit as required by third parties.
(b) Letters of credit (long–term debt) interest coverage—Reflects the interest coverage portion of letters of credit supporting floating–rate pollution control bonds. The principal amount of the floating–rate pollution control bonds of $520 million is reflected in long–term debt in Exelon's Consolidated Balance Sheet.
(c) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.
(d) Performance guarantees—Guarantees issued to ensure execution under specific contracts.
(e) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.
(f) Nuclear insurance premiums—Represent the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price–Anderson Act.
(g) Lease guarantees—Guarantees issued to ensure payments on building leases.

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(h) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with the City of Chicago (Chicago) entered into on February 20, 2003, Midwest Generation assumed from Chicago a Capacity Reservation Agreement that Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement. Under FIN 45, $2 million is included as a liability on Exelon's Consolidated Balance Sheets at December 31, 2006.

(i) Exelon New England guarantees—Mystic Development LLC (Mystic), a former affiliate of Exelon New England, has a long-term agreement through January 2020 with Distrigas of Massachusetts Corporation (Distrigas) for gas supply, primarily for the Boston Generating units. Under the agreement, gas purchase prices from Distrigas are indexed to the New England gas markets. Exelon New England has guaranteed Mystic's financial obligations to Distrigas under the long-term supply agreement. Exelon New England's guarantee to Distrigas remained in effect following the transfer of ownership interest in Boston Generating in May 2004. Under FIN 45, approximately $13 million and $1 million are included as a noncurrent liability and current liability, respectively, within the Consolidated Balance Sheets of Exelon as of December 31, 2006 related to this guarantee. The terms of the guarantee do not limit the potential future payments that Exelon New England could be required to make under the guarantee. Other guarantees associated with Exelon New England total less than $1 million.

Generation's commercial commitments as of December 31, 2006, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2007	2008–2009	2010–2011	2012 and beyond
Letters of credit (non-debt)[a]	$ 89	$ 87	$ 2	$ —	$ —
Letters of credit (long-term debt)—interest coverage[b]	15	15	—	—	—
Surety bonds[c]	2	—	2	—	—
Performance guarantees[d]	296	—	—	—	296
Energy marketing contract guarantees[e]	223	206	4	—	13
Nuclear insurance premiums[f]	1,710	—	—	—	1,710
Exelon New England guarantees[g]	14	1	2	2	9
Other	6	6	—	—	—
Total commercial commitments	$2,355	$315	$ 10	$ 2	$ 2,028

(a) Letters of credit (non-debt)—Non-debt letters of credit maintained to provide credit support for certain transactions as requested by third parties. Guarantees of $11 million have been issued to provide support for certain letters of credit as required by third parties.
(b) Letters of credit (long-term debt)—interest coverage—Reflects the interest coverage portion of letters of credit supporting floating-rate pollution control bonds. The principal amount of the floating-rate pollution control bonds of $520 million is reflected in long-term debt in Generation's Consolidated Balance Sheet.
(c) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.
(d) Performance guarantees—Guarantees issued to ensure execution under specific contracts.
(e) Energy marketing contract guarantees—Guarantees issued to ensure performance under energy commodity contracts.
(f) Nuclear insurance premiums—Represent the maximum amount that Generation would be required to pay for retrospective premiums in the event of nuclear disaster at any domestic site under the Secondary Financial Protection pool as required under the Price-Anderson Act.
(g) Exelon New England guarantees—Mystic Development LLC (Mystic), a former affiliate of Exelon New England, has a long-term agreement through January 2020 with Distrigas of Massachusetts Corporation (Distrigas) for gas supply, primarily for the Boston Generating units. Under the agreement, gas purchase prices from Distrigas are indexed to the New England gas markets. Exelon New England has guaranteed Mystic's financial obligations to Distrigas under the long-term supply agreement. Exelon New England's guarantee to Distrigas remained in effect following the transfer of ownership interest in Boston Generating in May 2004. Under FIN 45, approximately $13 million and $1 million are included as a noncurrent

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liability and current liability, respectively, within the Consolidated Balance Sheets of Generation as of December 31, 2006 related to this guarantee. The terms of the guarantee do not limit the potential future payments that Exelon New England could be required to make under the guarantee. Other guarantees associated with Exelon New England included in current liabilities total less than $1 million.

ComEd's commercial commitments as of December 31, 2006, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2007	2008–2009	2010–2011	2012 and beyond
Letters of credit (non–debt)[(a)]	$ 44	$44	$ —	$ —	$ —
Midwest Generation Capacity Reservation Agreement guarantee[(b)]	22	4	8	8	2
Surety bonds[(c)]	2	2	—	—	—
Other	6	6	—	—	—
Total commercial commitments	$ 74	$56	$ 8	$ 8	$ 2

(a) Letters of credit (non–debt)—ComEd maintains non–debt letters of credit to provide credit support for certain transactions as requested by third parties.
(b) Midwest Generation Capacity Reservation Agreement guarantee—In connection with ComEd's agreement with Chicago entered into on February 20, 2003, Midwest Generation assumed from Chicago a Capacity Reservation Agreement that Chicago had entered into with Calumet Energy Team, LLC. ComEd has agreed to reimburse Chicago for any nonperformance by Midwest Generation under the Capacity Reservation Agreement. Under FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN 45), $2 million is included as a liability on ComEd's Consolidated Balance Sheets at December 31, 2006.
(c) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

PECO's commercial commitments as of December 31, 2006, representing commitments potentially triggered by future events, were as follows:

		Expiration within			
	Total	2007	2008–2009	2010–2011	2012 and beyond
Letters of credit (non–debt)[(a)]	$ 31	$ 31	$ —	$ —	$ —
Surety bonds[(b)]	25	25	—	—	—
Other	2	2	—	—	—
Total commercial commitments	$ 58	$ 58	$ —	$ —	$ —

(a) Letters of credit (non–debt)—PECO maintains non–debt letters of credit to provide credit support for certain transactions as requested by third parties.
(b) Surety bonds—Guarantees issued related to contract and commercial agreements, excluding bid bonds.

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Leases

Minimum future operating lease payments, including lease payments for vehicles, real estate, computers, rail cars and office equipment, as of December 31, 2006 were:

	Exelon	Generation	ComEd	PECO
2007	$ 58	$ 33	$ 19	$ 1
2008	57	32	20	1
2009	53	30	18	1
2010	49	28	15	1
2011	44	25	15	—
Remaining years	455	355	56	1
Total minimum future lease payments	$ 716(a)	$ 503(a)	$ 143	$ 5

(a) Excludes Generation's tolling agreements that are accounted for as contingent operating lease payments.

The Registrants' rental expense under operating leases were as follows:

	Exelon	Generation (a)	ComEd	PECO
2006	$ 752	$ 727	$ 18	$ 3
2005	836	798	16	4
2004	709	678	22	4

(a) Includes Generation's tolling agreements that are accounted for as operating leases and are reflected as net capacity purchases in the energy commitments table above. These agreements are considered contingent operating lease payments and are not included in the minimum future operating lease payments table above. Payments made under Generations tolling agreements totaled $698 million, $768 million and $645 million during 2006, 2005 and 2004, respectively.

For information regarding capital lease obligations, see Note 11–Debt and Credit Agreements.

Environmental Issues

General. 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 nine sites and of the 27 sites identified by PECO, the Pennsylvania Department of Environmental Protection has approved the cleanup of 12 sites. Of the remaining sites identified by ComEd and PECO, 20 and 10 sites, respectively, are currently under

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some degree of active study and/or remediation. ComEd and PECO anticipate that the majority of the remediation at these sites will continue through at least 2015 and 2012, 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 cooperate in remediation activities at 38 former MGP sites for which ComEd or Nicor, or both, may have responsibility. Under the interim agreement, costs are split evenly between ComEd and Nicor pending their final agreement on allocation of costs at each site, but either party may demand arbitration if the parties cannot agree on a final allocation of costs. For most of the sites, the interim agreement contemplates that neither party will pay less than 20%, nor more than 80% of the final costs for each site. ComEd's accrual for these environmental liabilities is based on ComEd's estimate of its 50% share of costs under the interim agreement with Nicor. On April 17, 2006, Nicor submitted a demand for arbitration of the cost allocation for 38 MGP sites. Through December 31, 2006, ComEd has incurred approximately $116 million associated with remediation of the sites in question. Although ComEd believes that the arbitration proceedings will not result in an allocation of costs materially different from ComEd's current estimate of its aggregate remediation costs for MGP sites, the outcome of the arbitration proceedings is not certain and could result in a material increase or decrease of ComEd's estimate of its share of the aggregate remediation costs.

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. Based on the final order received in ComEd's Rate Case, beginning in 2007, ComEd will also recover its MGP remediation costs from customers for which it established a regulatory asset (see ComEd Rate Case below). See Note 19—Supplemental Financial Information for further information regarding regulatory assets and liabilities.

As of December 31, 2006 and 2005, the Registrants had accrued the following amounts for environmental liabilities in Other Deferred Credits and Other Liabilities within their Consolidated Balance Sheets:

December 31, 2006	Total environmental investigation and remediation reserve	Portion of total related to MGP investigation and remediation (a)
Exelon	$ 119	$ 88
Generation	20	—
ComEd	58	49
PECO	41	39

December 31, 2005	Total environmental investigation and remediation reserve	Portion of total related to MGP investigation and remediation (a)
Exelon	$ 128	$ 89
Generation	27	—
ComEd	54	48
PECO	47	41

(a) Prior to the third quarter 2006, ComEd and PECO discounted their reserves for MGP investigation and remediation. The change from discounting to undiscounting was not deemed to be material for either ComEd or PECO.

During the first quarter of 2006, a court–approved settlement was completed between PECO and various PRPs with the remediation of a Superfund site commonly referred to as the Metal Bank or Cottman Avenue site. As a result of this settlement, PECO reversed a $4 million reserve it had previously recorded related to the site.

The Registrants cannot reasonably estimate whether they will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by the Registrants, environmental agencies or others, or whether such costs will be recoverable from third parties, including customers.

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 permits 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 its affected plants and meeting interim compliance deadlines.

On January 25, 2007, the U.S. Second Circuit Court of Appeals 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 opinion has created significant uncertainty about the specific nature, scope and timing of the final compliance requirements. It is not yet known whether the EPA, or any of the industry petitioners, will seek a review by the U.S. Supreme Court. The EPA has not issued guidance about the impact on current compliance deadlines, or set a schedule to undertake the revisions to the rule necessitated by the court opinion. 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 has 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.

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In a pre–draft permit dated May 13, 2005 and a draft permit issued on July 19, 2005, as part of the pending NPDES permit renewal process for Oyster Creek, 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. AmerGen has not made a determination regarding how it will demonstrate compliance with the Section 316(b) regulations and must evaluate the final regulations issued by the EPA as a result of the decision of the U.S. Second Circuit Court of Appeals, discussed above. In addition, the amount of the costs required to retrofit Oyster Creek may negatively impact Generation's decision to renew the operating license.

In June 2001, the NJDEP issued a renewed NDPES permit for Salem, which expired in July 2006, allowing for the continued operation of Salem with its existing cooling water system. NJDEP advised PSEG 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, is the best technology to meet the Section 316(b) requirements. PSEG continues to operate Salem under the approved June 2001, NDPES permit while the NDPES permit renewal application is being reviewed. If application of the final Section 316(b) regulations 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 December 31, 2006, 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. The plaintiffs primarily are seeking compensation for diminished property values. 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 assigned to the same District Court judge. Subsequently, seven plaintiffs withdrew from the cases, and 18 additional plaintiffs were added. 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. Generation has tendered its defense of these lawsuits to its insurance carrier, ANI, and ANI has agreed to defend the suits subject to a reservation of rights. Exelon, Generation and ComEd continue to believe that these lawsuits are without merit and will continue to vigorously defend them.

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. Generation is unable to determine the amount of the penalty that will be sought. 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. Given the allegations in the lawsuit regarding the number of violations alleged and their duration, the civil penalty that could be imposed may be material to Exelon's and Generation's financial position, results of operations and cash flows.

As of December 31, 2006 and 2005, Generation recorded a reserve of $3 million and $7 million (pre–tax), 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 notice and Attorney General civil enforcement matters discussed above with the Illinois EPA and the Attorneys General for Illinois and the Counties in which the plants are located. Generation expects these matters to be resolved during 2007.

In response to the detection of tritium in water samples taken at the aforementioned nuclear generating stations, in the first quarter of 2006, Generation launched an initiative across its nuclear fleet to systematically assess systems that handle tritium and take the necessary actions to minimize the risk of inadvertent discharge of tritium to the environment. On September 28, 2006, Generation announced the final results of the assessment, concluding that no active leaks had been identified at any of Generation's 11 nuclear plants and no detectable tritium had been identified beyond any of the plants' boundaries other than from permitted discharges, with the exception of Braidwood, as discussed above. The assessment further concluded that none of the tritium concentrations identified in the assessment pose a health or safety threat to the public or to Generation's employees or contractors. Generation management does not believe the costs of any additional work arising from the assessment would be material to Exelon's or Generation's financial position, results of operations or cash flows.

Generation recorded $16 million in operating and maintenance expenses and $11 million in capital expenditures during the year ended December 31, 2006, as compared to recording $8 million in operating and maintenance expenses during the year ended December 31, 2005, related to matters arising from groundwater issues at its Nuclear Stations.

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.

On December 22, 2006, as a gesture of goodwill and corporate citizenship, Generation contributed $11.5 million into an escrow account to assist the Godley Public Water District with the installation of a new public drinking water system for the Village of Godley.

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.

Voluntary 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 climate–reducing activities. 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 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.

Air Quality Regulation. Pursuant to EPA regulations that will impose limits on certain future emissions by generation stations, the co–owners of the Keystone generating station formally approved on June 30, 2006 a capital plan to install SO_2 scrubbers at the station for which Exelon's share, based on its 20.99% ownership interest, would be approximately $150 million over the life of the control project.

Litigation and Regulatory Matters

Exelon, Generation and PECO

Reverse–Employment Discrimination Claim. On April 4, 2005, one employee of PECO and four employees of Generation commenced suit in the United States District Court for the Eastern District of Pennsylvania, alleging that they were subjected to a practice of reverse age and race discrimination, which denied promotional opportunities to older white male employees, purportedly in violation of various Federal antidiscrimination statutes and the Pennsylvania Human Relations Act. The plaintiffs filed the action individually and on behalf of a putative class that included all white males currently or previously employed with any Exelon companies in the United States who were at least 40 years old on April 4, 2003 and who either applied for or were eligible to apply for supervisory positions in March 2003 and thereafter, continuing to the present day, and were not selected for those positions. Exelon, PECO and Generation filed an answer denying all liability. Additionally, since the initial claim was filed, the plaintiffs' attorneys have identified two additional PECO employees and three additional Generation employees whom they are representing with similar claims, one of whom filed a separate reverse age and race discrimination lawsuit in the United States District Court for the Eastern District of Pennsylvania on July 28, 2006.

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On June 12, 2006, the five named plaintiffs filed an amended complaint and a motion seeking certification of a class comprising all white male employees of Exelon, its subsidiaries, affiliates and operating units. On behalf of the class, the plaintiffs sought to enjoin certain of Exelon's diversity efforts that they claim resulted in racially discriminatory hiring, promotion, retention, termination and compensation practices, but no monetary damages. On June 29, 2006, Exelon, PECO and Generation filed an answer to the amended complaint again denying all liability.

On September 14, 2006, the court denied the plaintiffs' request for class certification. In October 2006, PECO and Generation reached a settlement with all parties to this matter. The amount of the settlement was paid in December 2006 and did not have a material impact on Exelon's, PECO's or Generation's financial condition, results of operations or cash flows.

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 alleges 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.

On September 14, 2005, Exelon and PPL filed a proposed settlement of this matter with FERC. If the settlement was approved by FERC, Exelon would have received a total of $40 million, plus interest, over the next four years from two funding sources: (a) $33 million from PPL and (b) $7 million from PJM market participants. In an order issued March 21, 2006, FERC rejected the proposed settlement and set the matter for hearing, primarily because the proposed settlement would have required PJM market participants to bear $7 million of the $40 million settlement, plus interest. The order found that PPL should pay for energy received that was billed to other parties, but allows PPL and the market participants to question what portion of the settlement PJM might bear and what offsetting deductions might be made in reducing the payment.

On March 30, 2006, Exelon and PPL filed with FERC a second proposed settlement agreement, superceding the first, under which Exelon would receive a total of $40 million, plus interest, over the next five years through credits provided by PJM, which would be funded through a surcharge imposed by PJM through its tariff solely on PPL, with no amount being paid by other PJM participants.

On November 9, 2006, FERC issued an order accepting the second proposed settlement agreement, with modifications related to the characterization of the PJM charge to PPL as a transmission charge. On December 11, 2006, PPL and Exelon made a compliance filing accepting the modifications in FERC's order and altering both the settlement amount and the timing of payment. In this third settlement agreement, PPL agreed to directly pay Exelon approximately $42 million in a lump sum payment (comprised of $38 million of erroneous charges, plus interest of $4 million), which will not be characterized as a transmission charge. It is anticipated that approximately 75% and 25% of the proposed settlement amount will be received by Generation and PECO, respectively. FERC approval is required for this third settlement agreement to become effective. FERC established a comment period that ended January 11, 2007. FERC will issue an order either accepting, accepting with modifications, or rejecting the third settlement agreement sometime after the expiration of the comment period.

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Exelon expects this matter to be favorably resolved during 2007; however, pending FERC approval of the proposed settlement agreement, as well as resolution of any third–party interventions, Exelon, Generation and PECO have not recorded any receivables associated with this matter.

Real Estate Tax Appeals. PECO and Generation each have been challenging real estate taxes assessed on certain nuclear plants. PECO is involved in litigation in which it is contesting 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). Generation is involved in real estate tax appeals for 2000 through 2004 regarding the valuation of its Peach Bottom plant and is in the process of evaluating appraisals and preparing for negotiations. Generation was also previously involved in an appeal regarding the valuation of its LaSalle Nuclear plant. On March 9, 2006, the Illinois Circuit Court for LaSalle County approved the property tax settlement agreement agreed upon in late 2005 between all taxing bodies with jurisdiction over the plant and Generation. The settlement agreement resolved all pending litigation concerning assessments on the property and sets the assessments for the tax years 2005 through 2008. The ultimate outcome of such matters, however, remains uncertain and could result in unfavorable or favorable impacts to the consolidated financial statements of Exelon, PECO and Generation. PECO and Generation believe their reserve balances for exposures associated with real estate taxes as of December 31, 2006 and 2005 reflect the probable expected outcome of the litigation and appeals proceedings in accordance with SFAS No. 5.

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. During 2006, Generation performed a periodic update to this reserve, which did not result in a material adjustment.

At December 31, 2006 and 2005, Generation had reserved approximately $48 million in total for asbestos–related bodily injury claims. As of December 31, 2006, approximately $10 million of this amount relates to 131 open claims presented to Generation, while the remaining $38 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 plans to obtain annual 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.

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 have filed a joint claim for losses and damages with the Oil Spill Liability Trust Fund. In January 2007, Exelon submitted a revised damages calculation to the Oil Spill Liability Trust Fund identifying approximately $21 million in specific damages and losses. As this matter represents a contingent gain, Generation has not recorded any income and expects this matter to be resolved in 2007.

Exelon and ComEd

ComEd Rate Case. ComEd requested recovery of amounts as part of its August 2005 Rate Case, which have previously been recorded as expense. Specifically, ComEd requested the following (all amounts pre-tax):

- recovery of approximately $87 million related to losses on extinguishment of long-term debt as part of ComEd's 2004 Accelerated Liability Management Plan;
- recovery of $40 million of previously incurred MGP costs;
- recovery of $158 million of previously incurred severance costs; and
- recovery of $5 million of expenses previously incurred in the Procurement Case.

As discussed in Note 4—Regulatory Issues, ComEd received a final order from the ICC on July 26, 2006, which approved recovery of certain of these costs. Exelon and ComEd had anticipated recording a one-time benefit to reverse these prior charges and Exelon and ComEd did recognize a one-time benefit during the third quarter of 2006 of approximately $130 million (pre-tax) related to the losses on the extinguishment of long-term debt, MGP costs and Procurement Case costs where the recovery mechanism was specifically identified by the ICC final order. While ComEd believed the intent of the Rate Order was to allow ComEd recovery of the previously incurred severance costs through its administrative and general (A&G) expenses, ComEd requested clarification from the ICC on rehearing related to the amount of A&G expenses it should be allowed to recover. The ICC agreed to rehear ComEd's A&G costs, as well as several other items referred to in Note 4—Regulatory Issues. In its December 20, 2006 order on rehearing, the ICC confirmed ComEd's ability to recover the previously incurred severance costs, and ComEd recorded a regulatory asset of $158 million at that time.

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 Federal District Court for the Northern District of Illinois. The complaint alleges that the Plan, which covers certain management employees of Exelon's subsidiaries, calculated lump sum distributions in a manner that does not comply with the Employee Retirement Income Security 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. However, the lawsuit is not expected to have a material financial impact on Exelon.

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 on behalf of the Savings Plan and participants, including alleged investment losses. Exelon cannot determine the outcome of the above-described claim but the impact to Exelon's results of operations could be material.

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

Under applicable law, Exelon may borrow or receive any extension of credit or indemnity from its subsidiaries. Under the terms of Exelon's intercompany money pool agreement, Exelon can lend to, but not borrow from the money pool. Additionally, under applicable Federal law, Generation, ComEd and PECO can pay dividends only from retained, undistributed or current earnings. Under Illinois law, ComEd may not pay any dividend on its stock unless, among other things, "[its] earnings and earned surplus are sufficient to declare and pay same after provision is made for reasonable and proper reserves," or unless it has specific authorization from the ICC. ComEd has also agreed in connection with financings arranged through ComEd Financing II and ComEd Financing III (the Financing Trusts) that it will not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debt securities issued to the Financing Trusts; (2) it defaults on its guarantee of the payment of distributions on the preferred trust securities of the Financing Trusts; or (3) an event of default occurs under the Indenture under which the subordinated debt securities are issued. PECO's Articles of Incorporation prohibit payment of any dividend on, or other distribution to the holders of, common stock if, after giving effect thereto, the capital of PECO represented by its common stock together with its retained earnings is, in the aggregate, less than the involuntary liquidating value of its then outstanding preferred stock. At

December 31, 2006, such capital was $2.8 billion and amounted to about 32 times the liquidating value of the outstanding preferred stock of $87 million. Additionally, PECO may not declare dividends on any shares of its capital stock in the event that: (1) it exercises its right to extend the interest payment periods on the subordinated debentures which were issued to PECO Energy Capital, L.P. (PEC L.P.) or PECO Trust IV; (2) it defaults on its guarantee of the payment of distributions on the Series D Preferred Securities of PEC L.P. or the preferred trust securities of PECO Trust IV; or (3) an event of default occurs under the Indenture under which the subordinated debentures are issued. At December 31, 2006 and 2005, Exelon had retained earnings of $3.4 billion and $3.2 billion, respectively, which included Generation undistributed earnings of $1.8 billion and $1.0 billion, ComEd retained deficit of $(193) million and $(81) million, PECO retained earnings of $584 million and $649 million, respectively. At December 31, 2006 and 2005, Exelon's common equity to total capitalization ratio was 43% and 39%, respectively. At December 31, 2006 and 2005, ComEd's retained deficits included unappropriated retained deficits of $(1.6) billion and $(1.2) billion, respectively, partially offset by $1.4 billion and $1.1 billion, respectively, of retained earnings appropriated for future dividends.

Jointly Owned Electric Utility Plant

On January 28, 2004, the NRC issued a letter requesting PSEG to conduct a review of its Salem facility, of which Generation owns 42.59%, to assess the workplace environment for raising and addressing safety issues. PSEG responded to the letter on February 28, 2004 and had independent assessments of the work environment at both facilities performed. Assessment results were provided to the NRC in May 2004. The assessments concluded that Salem was safe for continued operation, but also identified issues that need to be addressed. At an NRC public meeting on June 16, 2004, PSEG outlined its action plans to address these issues, which focus on safety conscious work environment, the corrective action program and work management. PSEG provided the NRC a report of its progress and the progress of its actions to resolve identified issues at public meetings in 2004 and 2005. On August 31, 2006, the NRC provided PSEG with a letter restoring normal oversight levels regarding safety–conscious work environment issues, based on substantial and sustainable improvements in this area.

AmerGen Contingency Payment

In connection with the purchase of Unit No. 1 of the TMI facility by AmerGen in 2000, AmerGen entered into an agreement with the seller whereby the seller would receive additional consideration based upon future purchase power prices through 2009. Under the terms of the agreement, approximately $11 million and $11 million had been accrued at December 31, 2006 and 2005, respectively. The amount accrued as of December 31, 2006 will be payable to the former owners of the TMI facility in the first quarter of 2007 and the amount accrued as of December 31, 2005 was paid in the first quarter of 2006. These payments represented contingent consideration for the original acquisition and have accordingly been reflected as an increase to the long–lived assets associated with the TMI facility, and are being depreciated over the remaining useful life of the facility.

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Income Taxes

Refund Claims. 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 PECO related to these agreements 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 Issue 93–7, "Uncertainties Related to Income Taxes in a Purchase Business Combination" (EITF 93–7). Exelon cannot predict the timing of the final resolution of these refund claims.

In 2006, the Joint Committee on Taxation (Joint Committee) completed its review and granted approval for PECO's income tax refund claims for investment tax credits. A majority of the investment tax credits claimed in the refund related to PECO's formerly owned generation property. The asset transfer agreement between PECO and Generation provides that PECO retains all current tax and interest benefits associated with the refund claims. Thus, as a result of the agreement, PECO recorded the current tax and interest benefits and Generation recorded the remaining unamortized investment tax credits and the related future deferred tax effects. As a result, the investment tax credit refund and associated interest of $19 million (after tax) have been recorded as a credit in Exelon's and PECO's Consolidated Statements of Operations in 2006. Exelon and Generation recorded unamortized investment tax credits and related tax impacts of $10 million (after tax) as a charge to their Consolidated Statements of Operations. The unamortized investment tax credit recorded at Exelon, PECO and Generation will be amortized over the remaining depreciable book lives of the transmission, distribution and generation property using the deferral method pursuant to APB No. 2, "Accounting for the 'Investment Credit'" and APB No. 4, "Accounting for the 'Investment Credit'." In addition, as a result of the approval of the refund claim, Exelon and PECO recorded a consulting expense of $3 million (after tax) in 2006. The net after–tax result of this settlement and consulting fees was $6 million, $16 million and $(10) million for Exelon, PECO and Generation, respectively.

In 2006, the IRS indicated to PECO that it agreed with a substantial portion of a research and development refund claim. This refund claim was subject to the approval of the Joint Committee. In 2006, the Joint Committee completed its review and granted approval of the research and development claim. A majority of the refund claim also related to PECO's formerly owned generation property. Consistent with the investment tax credit refund claims, pursuant to the asset transfer agreement between PECO and Generation, PECO recorded the current tax and interest benefits and Generation recorded the future deferred tax effects. As a result, a research and development credit and the associated interest refund of $20 million (after tax) have been recorded as a credit in Exelon's and PECO's Consolidated Statements of Operations in 2006. Exelon and Generation recorded the future deferred tax impact of $11 million as a charge to their Consolidated Statements of Operations. In addition, based on the IRS' indication of its agreement with a portion of the refund claim, PECO recorded an estimated tax consulting contingent fee of $2 million (after tax) during 2006. The net after–tax result of this settlement and consulting fees was $7 million, $18 million, and $(11) million for Exelon, PECO, and Generation respectively.

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Other Refund Claims. In 2001, ComEd and PECO filed requests with the IRS to change their tax method of accounting for certain capitalized overhead costs. To date, the IRS has not granted its consent to either ComEd or PECO to make that change and thus the requests remain pending. Thus far the IRS has sharply disagreed with the proposed method, despite that the fact that prior IRS guidance supports it. Recently the IRS informally indicated that it might issue settlement guidelines to bring resolution to the matter. ComEd and PECO are unable to estimate the ultimate outcome of any refund claims resulting from a settlement and will account for any amount received in the period the matter is settled with the IRS. ComEd and PECO have entered into an agreement with a tax consultant related to the filing of this tax accounting method change request. The fee for this agreement is contingent upon receiving consent 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. These potential tax benefits and associated fees could be material to the financial position, results of operations and cash flows of ComEd and PECO.

In addition, ComEd and PECO have filed several tax refund claims with Federal and state taxing authorities. ComEd and PECO are unable to estimate the ultimate outcome of these refund claims and will account for any amount received in the period the matters are settled with the Federal and state taxing authorities. To the extent ComEd is successful on any of its refund claims a portion of the tax and interest benefit will be recorded to goodwill under the provisions of EITF 93-7.

Other. ComEd 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. See Note 12—Income Taxes for further information.

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

Supplemental Income Statement Information

The following tables provide additional information about the Registrants' Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004.

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Operating revenues [(a)]				
Wholesale	$ 3,627	$ 8,224	$ 112	$ 32
Retail electric and gas	11,318	813(b)	5,590	4,920
Other	710	106	399	216
Total operating revenues	$15,655	$ 9,143	$6,101	$5,168

(a) Includes operating revenues from affiliates.
(b) Generation's retail electric and gas operating revenues consist solely of Exelon Energy Company, LLC.

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For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Operating revenues [a]				
Wholesale	$ 3,381	$ 8,087	$ 112	$ 29
Retail electric and gas	11,305	857(b)	5,776	4,680
Other	671	102	376	201
Total operating revenues	$15,357	$ 9,046	$6,264	$4,910

(a) Includes operating revenues from affiliates.
(b) Generation's retail electric and gas operating revenues consist solely of Exelon Energy Company, LLC.

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Operating revenues [a]				
Wholesale	$ 3,275	$ 6,979	$ 101	$ 34
Retail electric and gas	10,290	684(b)	5,360	4,256
Other	568	40	342	197
Total operating revenues	$14,133	$ 7,703	$5,803	$4,487

(a) Includes operating revenues from affiliates.
(b) Generation's retail electric and gas operating revenues consist solely of Exelon Energy Company, LLC.

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Depreciation, amortization and accretion				
Property, plant and equipment [a]	$ 854	$ 279	$ 380	$155
Regulatory assets	605	—	50	555
Nuclear fuel [b]	411	411	—	—
Asset retirement obligation accretion [c]	235	234	1	—
Amortization of intangible assets	27	—	—	—
Total depreciation, amortization and accretion	$2,132	$ 924	$ 431	$710

(a) Includes amortization of capitalized software costs.
(b) Included in fuel expense on the Registrants' Consolidated Statements of Operations.
(c) Included in operating and maintenance expense on the Registrants' Consolidated Statements of Operations.

For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Depreciation, amortization and accretion				
Property, plant and equipment [a]	$ 816	$ 254	$ 368	$157
Regulatory assets	454	—	45	409
Nuclear fuel [b]	385	385	—	—
Asset retirement obligation accretion [c]	243	243	—	—
Amortization of intangible assets	69	4	—	—
Total depreciation, amortization and accretion	$1,967	$ 886	$ 413	$566

(a) Includes amortization of capitalized software costs.
(b) Included in fuel expense on the Registrants' Consolidated Statements of Operations.
(c) Included in operating and maintenance expense on the Registrants' Consolidated Statements of Operations.

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For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Depreciation, amortization and accretion				
Property, plant and equipment (a)	$ 835	$ 294	$ 366	$144
Regulatory assets	418	—	44	374
Nuclear fuel (b)	380	381	—	—
Asset retirement obligation accretion (c)	210	210	—	—
Amortization of intangible assets	90	38	—	—
Total depreciation, amortization and accretion	$1,933	$ 923	$ 410	$518

(a) Includes amortization of capitalized software costs.
(b) Included in fuel expense on the Registrants' Consolidated Statements of Operations.
(c) Included in operating and maintenance expense on the Registrants' Consolidated Statements of Operations.

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Taxes other than income				
Utility (a)	$ 484	$ —	$ 241	$244
Real estate	154	112	30	12
Payroll	106	57	21	9
Other (b)	27	16	11	(3)
Total taxes other than income	$ 771	$ 185	$ 303	$262

(a) Municipal and state utility taxes are also recorded in revenues on the Registrants' Consolidated Statements of Operations.
(b) PECO reflects a reduction in tax accruals of $12 million related to sales and use tax and state franchise tax adjustments.

For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Taxes other than income				
Utility (a)	$ 477	$ —	$ 247	$230
Real estate	121	88	29	4
Payroll	103	54	21	9
Other (b)	27	28	6	(12)
Total taxes other than income	$ 728	$ 170	$ 303	$231

(a) Municipal and state utility taxes are also recorded in revenues on the Registrants' Consolidated Statements of Operations.
(b) PECO reflects a $17 million reduction in 2005 of prior year capital stock tax accruals as a result of a favorable decision from the Pennsylvania Board of Finance and Revenue.

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Taxes other than income				
Utility (a)	$ 439	$ —	$ 234	$205
Real estate	146	107	29	10
Payroll	95	48	21	10
Other	30	11	7	11
Total taxes other than income	$ 710	$ 166	$ 291	$236

(a) Municipal and state utility taxes are also recorded in revenues on the Registrants' Consolidated Statements of Operations.

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For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Income (loss) in equity method investments				
Financing trusts of ComEd and PECO[a]	$ (19)	$ —	$ (10)	$ (9)
TEG and TEP[b]	(7)	(7)	—	—
Synthetic fuel-producing facilities	(83)	—	—	—
NuStart Energy Development, LLC	(2)	(2)	—	—
Total income (loss) in equity method investments	$ (111)	$ (9)	$ (10)	$ (9)

(a) Financing trusts were deconsolidated as of December 31, 2003.
(b) Includes losses incurred after acquisition of a 49.5% interests in TEG and TEP in October 2004. On February 9, 2007, Generation sold its ownership interests in TEG and TEP. See Note 2—Acquisitions and Dispositions for additional information.

For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Income (loss) in equity method investments				
Financing trusts of ComEd and PECO[a]	$ (30)	$ —	$ (14)	$ (16)
TEG and TEP[b]	(1)	(1)	—	—
Synthetic fuel-producing facilities	(104)	—	—	—
Communications joint ventures and other investments	1	—	—	—
Total income (loss) in equity method investments	$ (134)	$ (1)	$ (14)	$ (16)

(a) Financing trusts were deconsolidated as of December 31, 2003.
(b) Includes losses incurred after acquisition of a 49.5% interests in TEG and TEP in October 2004. On February 9, 2007, Generation sold its ownership interests in TEG and TEP. See Note 2—Acquisitions and Dispositions for additional information.

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Income (loss) in equity method investments				
Financing trusts of ComEd and PECO[a]	$ (44)	$ —	$ (19)	$ (25)
Sithe[b]	(11)	(11)	—	—
TEG and TEP[d]	(3)	(3)	—	—
Synthetic fuel-producing facilities[c]	(84)	—	—	—
Affordable housing projects	(9)	—	—	—
Communications joint ventures and other investments	(3)	—	—	—
Total income (loss) in equity method investments	$ (154)	$ (14)	$ (19)	$ (25)

(a) Financing trusts were deconsolidated as of December 31, 2003.
(b) Includes losses incurred prior to Sithe's consolidation as of March 31, 2004 and losses from Sithe's investments in TEG and TEP prior to their sale in October 2004. See Note 3—Acquisitions and Dispositions for additional information.
(c) Prior to the sale of investments on October 15, 2004 and November 12, 2004.
(d) Includes losses incurred after acquisition of a 49.5% interests in TEG and TEP in October 2004. On February 9, 2007, Generation sold its ownership interests in TEG and TEP. See Note 2—Acquisitions and Dispositions for additional information.

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For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Other, net				
Investment income	$ 8	$ —	$ 2	$ 6
Regulatory recovery of prior loss on extinguishment of long–term debt [(a)]	87	—	87	—
Gain on disposition of assets, net	3	—	1	1
Decommissioning–related activities				
Decommissioning trust fund income [(b)]	150	150	—	—
Decommissioning trust fund income—AmerGen [(b)]	39	39	—	—
Other–than–temporary impairment of decommissioning trust funds [(d)]	(32)	(32)	—	—
Contractual offset to non–operating decommissioning–related activities [(c)]	(122)	(122)	—	—
Impairment of investments and other assets	(2)	—	(2)	—
Net direct financing lease income	23	—	—	—
AFUDC, equity	3	—	3	—
Recovery of tax credits related to Exelon's investments in synthetic fuel–producing facilities	73	—	—	—
Interest income associated with investment tax credit and research and development credit refunds [(e)]	21	—	—	21
Other	15	6	5	2
Total other, net	$ 266	$ 41	$ 96	$ 30

(a) See Note 4—Regulatory Issues for further discussion of the loss on extinguishment of long–term debt. Recovery of these costs was granted in the July 26, 2006 ICC rate order.
(b) Includes investment income and net realized gains.
(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 for certain nuclear units. See Note 13—Asset Retirement Obligations and Note 9—Fair Value of Financial Assets and Liabilities for more information regarding the regulatory accounting applied for certain nuclear units.
(d) Includes other–than–temporary impairments for 2006 totaling $29 million, $1 million and $2 million on nuclear decommissioning trust funds for the former ComEd units, the former PECO units and AmerGen units, respectively.
(e) See Note 18—Commitments and Contingencies for additional information.

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For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Other, net				
Investment income	$ 9	$ —	$ 3	$ 6
Gain on disposition of assets, net	12	—	6	6
Loss on settlement of cash-flow interest-rate swaps	—	—	(15)	—
Decommissioning-related activities				
Decommissioning trust fund income [a]	135	135	—	—
Decommissioning trust fund income—AmerGen [a]	77	77	—	—
Other-than-temporary impairment of decommissioning trust funds [c]	(22)	(22)	—	—
Contractual offset to non-operating decommissioning-related activities [b]	(115)	(115)	—	—
Net direct financing lease income	22	—	—	—
AFUDC, equity	7	—	5	2
Other	9	20	5	(1)
Total other, net	$ 134	$ 95	$ 4	$ 13

(a) Includes investment income and net realized gains.
(b) 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 for certain nuclear units. See Note 13—Asset Retirement Obligations and Note 9—Fair Value of Financial Assets and Liabilities for more information regarding the regulatory accounting applied for certain nuclear units.
(c) Includes other-than-temporary impairments for 2005 totaling $20 million and $2 million on nuclear decommissioning trust funds for the former ComEd units and AmerGen units, respectively.

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Other, net				
Investment income	$ 7	$ —	$ 3	$ 8
Net loss on early extinguishment of debt	(130)	—	(130)	—
Gain on disposition of assets, net [a]	111	85	3	9
Decommissioning-related activities				
Decommissioning trust fund income [b]	194	194	—	—
Decommissioning trust fund income—AmerGen [b]	43	43	—	—
Other-than-temporary impairment of decommissioning trust funds [d]	(268)	(268)	—	—
Contractual offset to non-operating decommissioning-related activities [c]	66	66	—	—
Impairment of investments and other assets	(14)	—	—	—
Net direct financing lease income	21	—	—	—
AFUDC, equity	4	—	3	1
Other	26	10	5	—
Total other, net	$ 60	$ 130	$ (116)	$ 18

(a) Generation includes $85 million gain on sale of Boston Generating. See Note 2—Acquisitions and Dispositions for additional information.

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(b) Includes investment income and net realized gains.

(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 for certain nuclear units. See Note 13—Asset Retirement Obligations and Note 9—Fair Value of Financial Assets and Liabilities for more information regarding the regulatory accounting applied for certain nuclear units.

(d) Includes other-than-temporary impairments for 2004 totaling $255 million, $5 million and $8 million on nuclear decommissioning trust funds for the former ComEd units, the former PECO units and the AmerGen units, respectively.

Supplemental Cash Flow Information

As a result of adopting FIN 47 as of December 31, 2005, Exelon, Generation, ComEd and PECO recorded an ARC, which was capitalized as an increase to the carrying amount of long-lived assets associated with liabilities recorded for conditional AROs. Of the total ARC, $29 million, $22 million, $5 million and $2 million resulted in a non-cash investing activity for Exelon, Generation, ComEd and PECO, respectively, as of December 31, 2005. See Note 13—Asset Retirement Obligations for additional information on the adoption of FIN 47. In addition to this non-cash activity, the following table provides additional information about the Registrants' Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004.

For the Year Ended December 31, 2006	Exelon	Generation	ComEd	PECO
Cash paid during the year				
Interest (net of amount capitalized)	$ 664	$ 93	$ 249	$261
Income taxes (net of refunds)	1,044	633	344	383
Impairment charges				
Impairment of goodwill	$ 776	$ —	$ 776	$—
Impairment of intangible assets	115	—	—	—
Other	3	—	—	—
Total impairment charges	$ 894	$ —	$ 776	$—
Other non-cash operating activities				
Pension and non-pension postretirement benefits costs	$ 258	$ 114	$ 72	$ 30
Provision for uncollectible accounts	94	2	33	58
Equity in losses of unconsolidated affiliates	111	9	10	9
Other decommissioning-related activities	(131)	(131)	—	—
Amortization of energy related options	107	107	—	—
Amortization of deferred revenue	(86)	(86)	—	—
Spent nuclear fuel interest expense	44	44	—	—
Non-cash accounts receivable activity	(63)	—	—	—
Write-off Merger-related capitalized costs [(a)]	46	—	—	—
2006 ICC rate orders [(b)]	(288)	—	(288)	—
Other	105	(6)	39	12
Total other non-cash operating activities	$ 197	$ 53	$ (134)	$109

(a) Represents the Merger-related capitalized costs paid prior to 2006.
(b) See Note 4—Regulatory Issues.

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Changes in other assets and liabilities				
Other current assets	$ (35)	$ (59)[a]	$(6)	$47[b]
Other noncurrent assets and liabilities	(201)	(220)[c]	5	2
Total change in other assets and liabilities	$(236)	$(279)	$(1)	$49

(a) Relates primarily to the purchase of energy-related options and prepaid assets.
(b) Relates primarily to deferred/over-recovered energy costs.
(c) Relates primarily to the purchase of long-term fuel options.

Non-cash investing and financing activities				
Change in asset retirement cost	$ 393	$ 393	$ —	$ —
Declaration of dividend not paid as of December 31, 2006	295	—	—	—
Purchase accounting adjustments	25	25	—	—
Resolution of certain tax matters and PECO/Unicom merger severance adjustment	5	—	5	—
Non-cash contribution from member	—	27	—	—

For the Year Ended December 31, 2005	Exelon	Generation	ComEd	PECO
Cash paid during the year				
Interest (net of amount capitalized)	$ 798	$ 121	$ 272	$281
Income taxes (net of refunds)	378	242	278	430
Other non-cash operating activities				
Pension and non-pension postretirement benefits costs	$ 222	$ 97	$ 63	$ 30
Provision for uncollectible accounts	77	—	24	45
Equity in losses of unconsolidated affiliates	134	1	14	16
Gains on sales of investments and wholly owned subsidiaries	(22)	(24)	—	—
Net realized gains on nuclear decommissioning trust funds	(49)	(49)	—	—
Other decommissioning-related activities	(15)	(15)	—	—
Amortization of energy related options	40	40	—	—
Other	36	(28)	39	4
Total other non-cash operating activities	$ 423	$ 22	$ 140	$ 95
Changes in other assets and liabilities				
Other current assets	$ (168)	$ (148)[a]	$ (10)	$ (18)[b]
Other noncurrent assets and liabilities	(211)	(165)[c]	(15)	20
Total change in other assets and liabilities	$ (379)	$ (313)	$ (25)	$ 2

(a) Relates primarily to the purchase of energy-related options and prepaid assets.
(b) Relates primarily to deferred energy costs.
(c) Relates primarily to tolling agreement deferred revenue.

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Non-cash investing and financing activities				
Change in asset retirement cost	$ 251	$ 251	$ —	$ —
Consolidation of the voluntary employee beneficiary association trust	34	—	—	—
Resolution of certain tax matters and PECO/Unicom merger severance adjustment	23	—	23	—
Purchase accounting adjustments	11	11	—	—
Sale of asset	4	4	—	—
Non-cash contribution from member	—	16	—	—

Impairment charges

For the year ended December 31, 2005, the impairment charges amount of $1.2 billion in Exelon's and ComEd's Consolidated Statements of Cash Flows relates to the impairment of goodwill.

For the Year Ended December 31, 2004	Exelon	Generation	ComEd	PECO
Cash paid during the year				
Interest (net of amount capitalized)	$ 888	$ 163	$ 357	$298
Income taxes (net of refunds)	205	20	356	394
Other non-cash operating activities				
Pension and non-pension postretirement benefits costs	$ 310	$ 128	$ 97	$ 37
Provision for uncollectible accounts	87	2	37	47
Equity in losses of unconsolidated affiliates	153	14	19	25
Gains on sales of investments and wholly owned subsidiaries	(162)	(91)	—	—
Net realized gains on nuclear decommissioning trust funds	(72)	(72)	—	—
Other decommissioning-related activities	169	169	—	—
Other	(24)	(47)	95	9
Total other non-cash operating activities	$ 461	$ 103	$ 248	$118
Changes in other assets and liabilities				
Other current assets	$ 46	$ 22(a)	$ 7	$ 18(b)
Other noncurrent assets and liabilities	119	62(c)	(34)	(5)
Total change in other assets and liabilities	$ 165	$ 84	$ (27)	$ 13

(a) Relates primarily to the purchase of energy-related options and prepaid assets.
(b) Relates primarily to deferred energy costs.
(c) Relates primarily to tolling agreement deferred revenue.

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Non-cash investing and financing activities				
Change in asset retirement cost	$ 829	$ 829	$ —	$ —
Resolution of certain tax matters and PECO/Unicom merger severance adjustment	14	—	14	—
Purchase accounting adjustments	36	22	—	—
Disposition of Boston Generating (a)	102	102	—	—
Note cancelled in conjunction with the acquisition of Sithe International from Sithe	92	92	—	—
Consolidation of Sithe pursuant to FIN 46-R	85	85	—	—
Non-cash issuance of common stock	26	—	—	—
Issuance of note payable to acquire synthetic fuel interests	22	—	—	—
Capital lease obligations	1	1	—	—
Non-cash distribution to member	—	4	—	—

(a) See Note 2—Acquisitions and Dispositions for additional information regarding the disposition of Boston Generating.

Impairment charges

For the year ended December 31, 2004, $10 million of the $11 million impairment charges amount in Exelon's Consolidated Statements of Cash Flows relates to the impairment of investments held by Exelon.

Supplemental Balance Sheet Information

The following tables provide additional information about assets and liabilities of the Registrants' as of December 31, 2006 and 2005.

December 31, 2006	Exelon	Generation	ComEd	PECO
Investments				
Equity method investments:				
Direct financing leases (a)	$ 529	$ —	$ —	$ —
Financing trusts (b)	84	—	20	64
TEG and TEP (d)	81	81	—	—
Keystone (e)	8	8	—	—
Conemaugh	7	7	—	—
NuStart Energy Development, LLC	1	1	—	—
Total equity method investments	710	97	20	64
Other investments:				
Employee benefit trusts and investments (c)	97	15	44	21
Other	3	3	—	—
Total investments	$ 810	$ 115	$ 64	$ 85

(a) Includes investments in financing trusts which were not consolidated within the financial statements of Exelon at December 31, 2006 pursuant to the provisions of FIN 46-R. See Note 1—Significant Accounting Policies for further discussion of the effects of FIN 46-R.
(b) Generation acquired 49.5% interests in two facilities in Mexico on October 13, 2004, and on February 9, 2007, Generation sold its ownership interests in TEG and TEP. See Note 2—Acquisitions and Dispositions for additional information.
(c) The Registrants' investments in these marketable securities are recorded at fair market value.
(d) Keystone Fuels, LLC (Keystone)
(e) Conemaugh Fuels, LLC (Conemaugh)

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December 31, 2005	Exelon	Generation	ComEd	PECO
Investments				
Equity method investments:				
Direct financing leases	$ 507	$ —	$ —	$ —
Financing trusts[(a)]	107	—	34	73
TEG and TEP[(b)]	90	90	—	—
Keystone	7	7	—	—
Conemaugh	6	6	—	—
Energy services and other ventures	4	2	—	2
Total equity method investments	721	105	34	75
Other investments:				
Employee benefit trusts and investments[(c)]	92	15	41	20
Total investments	$ 813	$ 120	$ 75	$ 95

(a) Includes investments in financing trusts which were not consolidated within the financial statements of Exelon at December 31, 2006 pursuant to the provisions of FIN 46-R. See Note 1—Significant Accounting Policies for further discussion of the effects of FIN 46-R.
(b) Generation acquired 49.5% interests in two facilities in Mexico on October 13, 2004, and on February 9, 2007, Generation sold its ownership interests in TEG and TEP. See Note 2—Acquisitions and Dispositions for additional information.
(c) The Registrants' investments in these marketable securities are recorded at fair market value.

Like-Kind Exchange Transaction (Exelon). Prior to the PECO/Unicom Merger, UII, LLC (formerly Unicom Investments, Inc.) (UII), a wholly owned subsidiary of Exelon, entered into a like-kind exchange transaction pursuant to which approximately $1.6 billion was invested in passive generating station leases with two separate entities unrelated to Exelon. The generating stations were leased back to such entities as part of the transaction. For financial accounting purposes, the investments are accounted for as direct financing lease investments. UII holds the leasehold interests in the generating stations in several separate bankruptcy remote, special purpose companies it directly or indirectly wholly owns. Under the terms of the lease agreements, UII received a prepayment of $1.2 billion in the fourth quarter of 2000, which reduced the investment in the leases. The remaining payments are payable at the end of the thirty-year leases and there are no minimum scheduled lease payments to be received over the next five years. The components of the net investment in the direct financing leases were as follows:

	December 31, 2006	December 31, 2005
Total minimum lease payments	$ 1,492	$ 1,492
Less: unearned income	963	985
Net investment in direct financing leases	$ 529	$ 507

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The following table provides additional information about liabilities of the Registrants' at December 31, 2006 and 2005.

December 31, 2006	Exelon	Generation	ComEd	PECO
Accrued expenses				
Compensation-related accruals [(a)]	$ 419	$ 222	$ 82	$ 27
Taxes accrued	365	206	120	63
Interest accrued	307	17	254	23
Severance accrued	34	10	6	2
Other accrued expenses	55	41	5	6
Total accrued expenses	$1,180	$ 496	$ 467	$121

(a) Primarily includes accrued payroll, bonuses and other incentives, vacation and benefits.

December 31, 2005	Exelon	Generation	ComEd	PECO
Accrued expenses				
Compensation-related accruals [(a)]	$ 377	$ 188	$ 85	$ 26
Taxes accrued	256	147	106	42
Interest accrued	258	15	209	20
Severance accrued	22	7	8	1
Other accrued expenses	92	58	9	3
Total accrued expenses	$1,005	$ 415	$ 417	$ 92

(a) Primarily includes accrued payroll, bonuses and other incentives, vacation and benefits.

The following table provides information regarding counterparty margin deposit accounts as of December 31, 2006 and 2005.

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

December 31, 2005	Exelon	Generation
Other current assets		
Counterparty collateral deposits paid	$ 285	$ 285
Other current liabilities		
Counterparty collateral deposits received	101	101

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The following table provides additional information about accumulated other comprehensive income (loss) recorded (after tax) within Exelon's Consolidated Balance Sheets as of December 31, 2006 and 2005.

December 31, 2006	Exelon	Generation	ComEd	PECO
Accumulated other comprehensive income (loss)				
Minimum pension liability	$ (224)	$ —	$ —	$ —
Adjustment to initially apply SFAS No. 158	(1,302)	(1)	—	—
Net unrealized gain (loss) on cash-flow hedges	222	247	(4)	5
Unrealized gain on marketable securities	169	167	1	—
State income tax rate alignment	(2)	—	—	—
Total accumulated other comprehensive income (loss)	$ (1,137)	$ 413	$ (3)	$ 5

December 31, 2005	Exelon	Generation	ComEd	PECO
Accumulated other comprehensive income (loss)				
Minimum pension liability	$ (1,362)	$ —	$ —	$ —
Net unrealized gain (loss) on cash-flow hedges	(337)	(318)	—	7
Unrealized gain (loss) on marketable securities	75	76	(1)	—
Total accumulated other comprehensive income (loss)	$ (1,624)	$ (242)	$ (1)	$ 7

The following tables provide information about the regulatory assets and liabilities of Exelon, ComEd and PECO as of December 31, 2006 and 2005.

December 31, 2006	Exelon	ComEd	PECO
Regulatory assets			
Competitive transition charge	$2,982	$ —	$2,982
Pension and other postretirement benefits	1,380	—	—
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
Non-pension postretirement benefits	39	—	39
Rate case costs	7	7	—
DOE facility decommissioning	6	—	6
Procurement case costs	5	5	—
Other	39	30	9
Total regulatory assets	$5,808	$ 532	$3,896

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December 31, 2006	Exelon	ComEd	PECO
Regulatory liabilities			
Nuclear decommissioning	$1,911	$1,760	$ 151
Removal costs	1,059	1,059	—
Other	5	5	—
Noncurrent regulatory liabilities	2,975	2,824	151
Over-recovered energy costs current liability	6	—	6
Total regulatory liabilities	$2,981	$2,824	$ 157

December 31, 2005	Exelon	ComEd	PECO
Regulatory assets			
Competitive transition charge	$3,532	$ —	$3,532
Deferred income taxes	789	8	781
Debt costs	142	107	35
Conditional asset retirement obligations	104	91	13
Non-pension postretirement benefits	45	—	45
Recoverable transition costs	43	43	—
MGP remediation costs	26	—	26
DOE facility decommissioning	13	—	13
Other	40	31	9
Noncurrent regulatory assets	4,734	280	4,454
Deferred energy costs current asset	39	—	39
Total regulatory assets	$4,773	$ 280	$4,493

December 31, 2005	Exelon	ComEd	PECO
Regulatory liabilities			
Nuclear decommissioning	$1,503	$1,435	$ 68
Removal costs	1,015	1,015	—
Total regulatory liabilities	$2,518	$2,450	$ 68

CTCs. These charges represent PECO's stranded costs that the PAPUC determined would be recoverable through regulated rates. These costs are related to the deregulation of the generation portion of the electric utility business in Pennsylvania. The CTCs include intangible transition property sold to PETT, an unconsolidated subsidiary of PECO, in connection with the securitization of PECO's stranded cost recovery. These charges are being amortized through December 31, 2010 with a return on the unamortized balance of 10.75%.

Pension and other postretirement benefits. This amount represents regulatory assets related to the recognition of the underfunded status of Exelon's defined benefit postretirement plans as a liability on its balance sheet in accordance with SFAS No. 158. The regulatory asset is amortized in proportion to the recognition of prior service costs (gains), transition obligations and actuarial losses attributable to ComEd's pension plan and ComEd's and PECO's other postretirement benefit plans determined by the cost recognition provisions of SFAS No. 87 and SFAS No. 106. Exelon believes it is probable that these items will be recovered through rates by ComEd and PECO in future periods. See Note 14—Retirement Benefits for further detail.

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Deferred income taxes. These costs represent the difference between the method by which the regulator allows for the recovery of income taxes and how income taxes would be recorded by unregulated entities. Regulatory assets and liabilities associated with deferred income taxes, recorded in compliance with SFAS No. 71 and SFAS No. 109, include the deferred tax effects associated principally with liberalized depreciation accounted for in accordance with the rate-making policies of the ICC and PAPUC, as well as the revenue impacts thereon, and assume continued recovery of these costs in future rates. See Note 12—Income Taxes for further information.

Debt Costs. The reacquired debt costs represent premiums paid for the early extinguishment and refinancing of long-term debt, which is amortized over the life of the new debt issued to finance the debt redemption. Interest-rate swap settlements are deferred and amortized over the period that the related debt is outstanding. Recovery of early debt retirement costs, which will be amortized over the life of the related retired debt, was granted to ComEd in the July 26, 2006 ICC rate order. See Note 4—Regulatory Issues.

Severance costs. These costs represent previously incurred severance costs that ComEd was granted recovery of in the December 20, 2006 ICC rehearing order. Recovery is over 7.5 years. See Note 4—Regulatory Issues.

Conditional asset retirement obligations. These costs represent future removal costs associated with retirement obligations which will be collected over the remaining lives of the underlying assets. See Note 13—Asset Retirement Obligations for further information.

MGP remediation costs. Recovery of these items was granted to ComEd in the July 26, 2006 ICC rate order. See Note 4—Regulatory Issues. For PECO, these costs represent estimated MGP-related environmental remediation costs at PECO which are recoverable through regulated gas rates. The period of recovery will depend on the timing of the actual expenditures.

Non-pension postretirement benefits. These costs at PECO are the result of transitioning to SFAS No. 106 in 1993, which are recoverable in rates through 2012.

Rate case costs. Recovery of these items was granted to ComEd in the July 26, 2006 ICC rate order. Recovery is over three years. See Note 4—Regulatory Issues.

DOE facility decommissioning. These costs represent PECO's share of recoverable decommissioning and decontamination costs of the DOE nuclear fuel enrichment facilities established by the National Energy Policy Act of 1992.

Procurement case costs. Recovery of these items was granted to ComEd in the July 26, 2006 ICC rate order. Recovery is over three years. See Note 4—Regulatory Issues.

Nuclear decommissioning. These amounts represent future nuclear decommissioning costs that exceed (regulatory asset) or are less than (regulatory liability) the associated decommissioning trust fund assets. Exelon believes the trust fund assets, including prospective earnings thereon and any future collections from customers, will equal the associated future decommissioning costs at the time of decommissioning. See Note 13—Asset Retirement Obligations for further information.