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

FORM 10-Q

EXELON CORP - EXC

Filed: July 25, 2007 (period: June 30, 2007)

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

PART I.

PART II.

PART I.

PART II

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

FORM 10–Q

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

For the Quarterly Period Ended June 30, 2007

or

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

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

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

The number of shares outstanding of each registrant's common stock as of June 30, 2007 was:

Exelon Corporation Common Stock, without par value	674,171,814
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, $12.50 par value	127,016,519
PECO Energy Company Common Stock, without par value	170,478,507

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

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

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

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FILING FORMAT

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

FORWARD–LOOKING STATEMENTS

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

WHERE TO FIND MORE INFORMATION

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In millions, except per share data)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating revenues	$ 4,501	$ 3,697	$ 9,330	$ 7,559
Operating expenses				
Purchased power	1,118	571	2,363	1,096
Fuel	522	502	1,292	1,438
Operating and maintenance	1,062	881	2,120	1,906
Depreciation and amortization	369	371	738	735
Taxes other than income	199	170	395	364
Total operating expenses	3,270	2,495	6,908	5,539
Operating income	1,231	1,202	2,422	2,020
Other income and deductions				
Interest expense	(161)	(154)	(318)	(306)
Interest expense to affiliates, net	(53)	(68)	(109)	(139)
Equity in losses of unconsolidated affiliates and investments	(43)	(22)	(69)	(61)
Other, net	43	46	106	91
Total other income and deductions	(214)	(198)	(390)	(415)
Income from continuing operations before income taxes	1,017	1,004	2,032	1,605
Income taxes	314	363	648	564
Income from continuing operations	703	641	1,384	1,041
Discontinued operations				
Income (loss) from discontinued operations (net of taxes of $0 and $2 for the three and six months ended June 30, 2007, respectively)	(1)	—	4	—
Gain on disposal of discontinued operations (net of taxes of $0, $3, $2 and $(1) for the three and six months ended June 30, 2007 and 2006, respectively)	—	3	5	3
Income (loss) from discontinued operations, net	(1)	3	9	3
Net income	702	644	1,393	1,044
Other comprehensive income (loss), net of income taxes				
Pension and non–pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost ($2, $(4), $4 and $(10) related to pension and non–pension postretirement benefit plans for the three and six months ended June 30, 2007, respectively)	(2)	—	(6)	—
Actuarial loss reclassified to periodic benefit cost ($12, $1, $31 and $8 related to pension and non–pension postretirement benefit plans for the three and six months ended June 30, 2007, respectively)	13	—	39	—
Transition obligation reclassified to periodic benefit cost ($0, $0, $0 and $2 related to pension and non–pension postretirement benefit plans for the three and six months ended June 30, 2007, respectively)	—	—	2	—
Finalization of pension and non–pension postretirement benefit plans valuation	19	—	19	—
Change in unrealized gain (loss) on cash–flow hedges	210	140	(209)	232
Unrealized gain (loss) on marketable securities	29	(13)	38	15
Other comprehensive income (loss)	269	127	(117)	247
Comprehensive income	$ 971	$ 771	$ 1,276	$ 1,291
Average shares of common stock outstanding:				
Basic	675	670	674	669
Diluted	680	676	679	675
Earnings per average common share — basic:				
Income from continuing operations	$ 1.04	$ 0.96	$ 2.05	$ 1.56
Income from discontinued operations	—	—	0.02	—
Net income	$ 1.04	$ 0.96	$ 2.07	$ 1.56
Earnings per average common share — diluted:				
Income from continuing operations	$ 1.03	$ 0.95	$ 2.04	$ 1.55
Income from discontinued operations	—	—	0.01	—
Net income	$ 1.03	$ 0.95	$ 2.05	$ 1.55
Dividends per common share	$ 0.44	$ 0.40	$ 0.88	$ 0.80

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2007	2006
Cash flows from operating activities		
Net income	$ 1,393	$ 1,044
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	1,066	1,060
Deferred income taxes and amortization of investment tax credits	(128)	(81)
Net realized and unrealized mark–to–market transactions	120	(69)
Impairment of long–lived assets	—	117
Other non–cash operating activities	369	124
Changes in assets and liabilities:		
Accounts receivable	(304)	230
Inventories	69	11
Accounts payable, accrued expenses and other current liabilities	(122)	(406)
Counterparty collateral asset	(231)	178
Counterparty collateral liability	(264)	5
Income taxes	87	300
Restricted cash	(42)	—
Pension and non–pension postretirement benefit contributions	(40)	(30)
Other assets and liabilities	(347)	(295)
Net cash flows provided by operating activities	1,626	2,188
Cash flows from investing activities		
Capital expenditures	(1,284)	(1,156)
Proceeds from nuclear decommissioning trust fund sales	2,268	2,554
Investment in nuclear decommissioning trust funds	(2,402)	(2,706)
Proceeds from sale of investments	95	1
Change in restricted cash	2	1
Other investing activities	(46)	(54)
Net cash flows used in investing activities	(1,367)	(1,360)
Cash flows from financing activities		
Issuance of long–term debt	465	326
Retirement of long–term debt	(198)	(34)
Retirement of long–term debt to financing affiliates	(534)	(422)
Change in short–term debt	348	(106)
Dividends paid on common stock	(592)	(535)
Proceeds from employee stock plans	145	107
Purchase of treasury stock	(37)	(53)
Other financing activities	55	31
Net cash flows used in financing activities	(348)	(686)
(Decrease) Increase in cash and cash equivalents	(89)	142
Cash and cash equivalents at beginning of period	224	140
Cash and cash equivalents at end of period	$ 135	$ 282

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 135	$ 224
Restricted cash and investments	98	58
Accounts receivable, net		
Customer	2,046	1,747
Other	423	462
Mark–to–market derivative assets	765	1,418
Inventories, net		
Fossil fuel	238	300
Materials and supplies	431	431
Other	823	352
Total current assets	4,959	4,992
Property, plant and equipment, net	23,431	22,775
Deferred debits and other assets		
Regulatory assets	5,438	5,808
Nuclear decommissioning trust funds	6,777	6,415
Investments	664	725
Investments in affiliates	73	85
Goodwill	2,641	2,694
Mark–to–market derivative assets	210	171
Other	1,112	654
Total deferred debits and other assets	16,915	16,552
Total assets	$ 45,305	$ 44,319

See the Combined Notes to Consolidated Financial Statements

EXELON CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short–term borrowings	$ 653	$ 305
Long–term debt due within one year	935	248
Long–term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust due within one year	510	581
Accounts payable	1,289	1,382
Mark–to–market derivative liabilities	649	1,015
Accrued expenses	814	1,180
Other	511	1,084
Total current liabilities	5,361	5,795
Long–term debt	8,477	8,896
Long–term debt to ComEd Transitional Funding Trust and PECO Energy Transition Trust	1,984	2,470
Long–term debt to other financing trusts	545	545
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	5,193	5,340
Asset retirement obligations	3,890	3,780
Pension obligations	725	747
Non–pension postretirement benefit obligations	1,808	1,817
Spent nuclear fuel obligation	974	950
Regulatory liabilities	3,240	3,025
Mark–to–market derivative liabilities	301	78
Other	1,549	782
Total deferred credits and other liabilities	17,680	16,519
Total liabilities	34,047	34,225
Commitments and contingencies		
Preferred securities of subsidiary	87	87
Shareholders' equity		
Common stock (No par value, 2,000 shares authorized, 674 and 670 shares outstanding at June 30, 2007 and December 31, 2006, respectively)	8,552	8,314
Treasury stock, at cost (13 and 13 shares held at June 30, 2007 and December 31, 2006, respectively)	(667)	(630)
Retained earnings	4,506	3,426
Accumulated other comprehensive loss, net	(1,220)	(1,103)
Total shareholders' equity	11,171	10,007
Total liabilities and shareholders' equity	$ 45,305	$ 44,319

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2006	683	$ 8,314	$ (630)	$ 3,426	$ (1,103)	$ 10,007
Net income	—	—	—	1,393	—	1,393
Long–term incentive plan activity	4	238	—	—	—	238
Common stock purchases	—	—	(37)	—	—	(37)
Common stock dividends declared	—	—	—	(300)	—	(300)
Adoption of Financial Accounting Standards Board Interpretation No. 48 (FIN 48)	—	—	—	(13)	—	(13)
Other comprehensive loss, net of income taxes of $(43)	—	—	—	—	(117)	(117)
Balance, June 30, 2007	687	$ 8,552	$ (667)	$ 4,506	$ (1,220)	$ 11,171

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating revenues				
Operating revenues	$ 1,813	$ 1,100	$ 3,655	$ 2,132
Operating revenues from affiliates	828	1,114	1,689	2,302
Total operating revenues	2,641	2,214	5,344	4,434
Operating expenses				
Purchased power	538	418	1,131	781
Fuel	436	425	907	1,036
Operating and maintenance	545	362	1,106	955
Operating and maintenance from affiliates	73	78	151	153
Depreciation and amortization	65	72	133	139
Taxes other than income	47	41	88	84
Total operating expenses	1,704	1,396	3,516	3,148
Operating income	937	818	1,828	1,286
Other income and deductions				
Interest expense	(31)	(40)	(66)	(81)
Interest expense to affiliates, net	—	—	—	(1)
Equity in (losses) earnings of investments	(1)	(1)	1	(5)
Other, net	22	14	54	20
Total other income and deductions	(10)	(27)	(11)	(67)
Income from continuing operations before income taxes	927	791	1,817	1,219
Income taxes	349	294	684	454
Income from continuing operations	578	497	1,133	765
Discontinued operations				
Gain on disposal of discontinued operations (net of taxes of $0, $2, $2 and $2 for the three and six months ended June 30, 2007 and 2006, respectively)	—	3	5	3
Income from discontinued operations, net	—	3	5	3
Net income	578	500	1,138	768
Other comprehensive income (loss), net of income taxes				
Pension and non–pension postretirement benefit plans:				
Prior service benefit reclassified to periodic benefit cost related to non–pension postretirement benefit plans	(1)	—	(1)	—
Finalization of year–end valuation	5	—	5	—
Change in unrealized gain (loss) on cash–flow hedges	208	141	(214)	232
Unrealized gain (loss) on marketable securities	28	(13)	37	15
Other comprehensive income (loss)	240	128	(173)	247
Comprehensive income	$ 818	$ 628	$ 965	$ 1,015

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities		
Net income	$ 1,138	$ 768
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion, including nuclear fuel	460	464
Deferred income taxes and amortization of investment tax credits	(12)	81
Net realized and unrealized mark–to–market transactions	109	(37)
Other non–cash operating activities	130	(56)
Changes in assets and liabilities		
Accounts receivable	(244)	79
Receivables from and payables to affiliates, net	253	6
Inventories	3	10
Accounts payable, accrued expenses and other current liabilities	(85)	(237)
Counterparty collateral asset	(231)	178
Counterparty collateral liability	(267)	5
Income taxes	29	38
Pension and non–pension postretirement benefit contributions	(22)	(14)
Other assets and liabilities	(146)	(218)
Net cash flows provided by operating activities	1,115	1,067
Cash flows from investing activities		
Capital expenditures	(550)	(512)
Proceeds from nuclear decommissioning trust fund sales	2,268	2,554
Investment in nuclear decommissioning trust funds	(2,402)	(2,706)
Proceeds from sale of investments	95	—
Changes in Exelon intercompany money pool contributions	13	—
Change in restricted cash	1	1
Other investing activities	(9)	(3)
Net cash flows used in investing activities	(584)	(666)
Cash flows from financing activities		
Change in short–term debt	39	(2)
Changes in Exelon intercompany money pool borrowings	—	(92)
Distribution to member	(665)	(322)
Contribution from member	—	5
Other financing activities	1	—
Net cash flows used in financing activities	(625)	(411)
Decrease in cash and cash equivalents	(94)	(10)
Cash and cash equivalents at beginning of period	128	34
Cash and cash equivalents at end of period	$ 34	$ 24

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 34	$ 128
Restricted cash and investments	1	2
Accounts receivable, net		
Customer	802	575
Other	188	122
Mark–to–market derivative assets	749	1,408
Receivable from affiliates	214	437
Inventories, net		
Fossil fuel	123	127
Materials and supplies	344	335
Contributions to Exelon intercompany money pool	—	13
Prepayments and other current assets	504	286
Total current assets	2,959	3,433
Property, plant and equipment, net	7,720	7,514
Deferred debits and other assets		
Nuclear decommissioning trust funds	6,777	6,415
Investments	36	115
Mark–to–market derivative assets	210	171
Prepaid pension asset	978	996
Other	355	265
Total deferred debits and other assets	8,356	7,962
Total assets	$ 19,035	$ 18,909

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Short–term borrowings	$ 39	$ —
Long–term debt due within one year	12	12
Accounts payable	762	899
Mark–to–market derivative liabilities	628	1,003
Payables to affiliates	30	—
Accrued expenses	493	496
Deferred income taxes	31	142
Other	133	362
Total current liabilities	2,128	2,914
Long–term debt	1,778	1,778
Deferred credits and other liabilities		
Asset retirement obligations	3,709	3,602
Pension obligation	32	37
Non–pension postretirement benefit obligations	567	538
Spent nuclear fuel obligation	974	950
Deferred income taxes and unamortized investment tax credits	1,418	1,380
Payables to affiliates	2,048	1,911
Mark–to–market derivative liabilities	298	77
Other	343	238
Total deferred credits and other liabilities	9,389	8,733
Total liabilities	13,295	13,425
Commitments and contingencies		
Minority interest of consolidated subsidiary	1	1
Member's equity		
Membership interest	3,267	3,267
Undistributed earnings	2,229	1,800
Accumulated other comprehensive income, net	243	416
Total member's equity	5,739	5,483
Total liabilities and member's equity	$ 19,035	$ 18,909

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income	Total Member's Equity
Balance, December 31, 2006	$ 3,267	$ 1,800	$ 416	$ 5,483
Net income	—	1,138	—	1,138
Distribution to member	—	(665)	—	(665)
Adoption of FIN 48	—	(44)	—	(44)
Other comprehensive loss, net of income taxes of $(76)	—	—	(173)	(173)
Balance, June 30, 2007	$ 3,267	$ 2,229	$ 243	$ 5,739

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating revenues				
Operating revenues	$ 1,419	$ 1,450	$ 2,907	$ 2,874
Operating revenues from affiliates	1	3	4	6
Total operating revenues	1,420	1,453	2,911	2,880
Operating expenses				
Purchased power	508	81	1,096	172
Purchased power from affiliate	330	685	710	1,456
Operating and maintenance	221	165	415	329
Operating and maintenance from affiliates	45	53	95	105
Depreciation and amortization	109	106	217	205
Taxes other than income	76	71	157	152
Total operating expenses	1,289	1,161	2,690	2,419
Operating income	131	292	221	461
Other income and deductions				
Interest expense	(73)	(58)	(141)	(114)
Interest expense to affiliates, net	(14)	(19)	(29)	(39)
Equity in losses of unconsolidated affiliates	(2)	(3)	(4)	(5)
Other, net	5	1	7	1
Total other income and deductions	(84)	(79)	(167)	(157)
Income before income taxes	47	213	54	304
Income taxes	18	86	21	123
Net income	29	127	33	181
Other comprehensive income, net of income taxes				
Change in unrealized gain on cash–flow hedges	1	—	4	—
Unrealized gain on marketable securities	1	—	1	—
Other comprehensive income	2	—	5	—
Comprehensive income	$ 31	$ 127	$ 38	$ 181

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities		
Net income	$ 33	$ 181
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	217	205
Deferred income taxes and amortization of investment tax credits	14	(25)
Net realized and unrealized mark–to–market and hedging transactions	—	7
Other non–cash operating activities	107	72
Changes in assets and liabilities:		
Accounts receivable	(38)	24
Inventories	10	(8)
Accounts payable, accrued expenses and other current liabilities	84	(3)
Receivables from and payables to affiliates, net	(129)	10
Income taxes	24	100
Change in restricted cash	(42)	—
Pension and non–pension postretirement benefit contributions	(3)	(4)
Other assets and liabilities	(93)	(7)
Net cash flows provided by operating activities	184	552
Cash flows from investing activities		
Capital expenditures	(559)	(465)
Change in restricted cash	(1)	(1)
Other investing activities	11	5
Net cash flows used in investing activities	(549)	(461)
Cash flows from financing activities		
Changes in short–term debt	415	(120)
Issuance of long–term debt	286	320
Retirement of long–term debt	(146)	(1)
Retirement of long–term debt to ComEd Transitional Funding Trust	(180)	(174)
Changes in Exelon intercompany money pool borrowings	—	(140)
Contributions from parent	—	23
Other financing activities	—	(3)
Net cash flows provided by (used in) financing activities	375	(95)
Increase (decrease) in cash and cash equivalents	10	(4)
Cash and cash equivalents at beginning of period	35	38
Cash and cash equivalents at end of period	$ 45	$ 34

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 45	$ 35
Restricted cash	43	—
Accounts receivable, net		
Customer	750	740
Other	110	62
Inventories, net	72	83
Deferred income taxes	27	29
Receivables from affiliates	—	18
Regulatory assets	104	—
Other	36	40
Total current assets	1,187	1,007
Property, plant and equipment, net	10,827	10,457
Deferred debits and other assets		
Regulatory assets	519	532
Investments	46	44
Investments in affiliates	12	20
Goodwill	2,641	2,694
Receivables from affiliates	1,873	1,774
Prepaid pension asset	895	914
Other	466	332
Total deferred debits and other assets	6,452	6,310
Total assets	$ 18,466	$ 17,774

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short–term borrowings	$ 475	$ 60
Long–term debt due within one year	418	147
Long–term debt to ComEd Transitional Funding Trust due within one year	273	308
Accounts payable	286	203
Accrued expenses	281	467
Payables to affiliates	96	219
Customer deposits	116	114
Other	80	82
Total current liabilities	2,025	1,600
Long–term debt	3,304	3,432
Long–term debt to ComEd Transitional Funding Trust	170	340
Long–term debt to other financing trusts	361	361
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,026	2,310
Asset retirement obligations	160	156
Non–pension postretirement benefit obligations	205	176
Regulatory liabilities	2,933	2,824
Other	947	277
Total deferred credits and other liabilities	6,271	5,743
Total liabilities	12,131	11,476
Commitments and contingencies		
Shareholders' equity		
Common stock	1,588	1,588
Other paid–in capital	4,906	4,906
Retained deficit	(161)	(193)
Accumulated other comprehensive income (loss), net	2	(3)
Total shareholders' equity	6,335	6,298
Total liabilities and shareholders' equity	$ 18,466	$ 17,774

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Common Stock	Other Paid–In Capital	Retained Deficit Unappropriated	Retained Earnings Appropriated	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 31, 2006	$ 1,588	$ 4,906	$ (1,632)	$ 1,439	$ (3)	$ 6,298
Net income	—	—	33	—	—	33
Appropriation of retained earnings for future dividends	—	—	(21)	21	—	—
Adoption of FIN 48	—	—	(1)	—	—	(1)
Other comprehensive income, net of income taxes of $3	—	—	—	—	5	5
Balance, June 30, 2007	$ 1,588	$ 4,906	$ (1,621)	$ 1,460	$ 2	$ 6,335

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating revenues				
Operating revenues	$ 1,266	$ 1,144	$ 2,762	$ 2,546
Operating revenues from affiliates	3	4	7	8
Total operating revenues	1,269	1,148	2,769	2,554
Operating expenses				
Purchased power	72	72	136	142
Purchased power from affiliate	497	429	977	845
Fuel	86	76	385	402
Operating and maintenance	119	109	238	225
Operating and maintenance from affiliates	27	32	56	64
Depreciation and amortization	185	172	370	343
Taxes other than income	71	53	142	117
Total operating expenses	1,057	943	2,304	2,138
Operating income	212	205	465	416
Other income and deductions				
Interest expense	(24)	(18)	(44)	(35)
Interest expense to affiliates, net	(40)	(49)	(82)	(101)
Equity in losses of unconsolidated affiliates	(2)	(2)	(4)	(6)
Other, net	5	2	10	5
Total other income and deductions	(61)	(67)	(120)	(137)
Income before income taxes	151	138	345	279
Income taxes	55	45	121	93
Net income	96	93	224	186
Preferred stock dividends	1	1	2	2
Net income on common stock	$ 95	$ 92	$ 222	$ 184
Comprehensive income, net of income taxes				
Net income	$ 96	$ 93	$ 224	$ 186
Other comprehensive loss, net of income taxes				
Change in net unrealized loss on cash-flow hedges	—	(1)	—	(1)
Other comprehensive loss	—	(1)	—	(1)
Comprehensive income	$ 96	$ 92	$ 224	$ 185

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash flows from operating activities		
Net income	$ 224	$ 186
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	370	343
Deferred income taxes and amortization of investment tax credits	(117)	(138)
Other non–cash operating activities	47	61
Changes in assets and liabilities:		
Accounts receivable	(60)	73
Inventories	55	9
Accounts payable, accrued expenses and other current liabilities	(46)	(123)
Receivables from and payables to affiliates, net	(32)	27
Income taxes	114	142
Pension and non–pension postretirement benefit contributions	(11)	(10)
Other assets and liabilities	(77)	(20)
Net cash flows provided by operating activities	467	550
Cash flows from investing activities		
Capital expenditures	(161)	(164)
Changes in Exelon intercompany money pool contributions	—	8
Change in restricted cash	3	(1)
Other investing activities	(2)	—
Net cash flows used in investing activities	(160)	(157)
Cash flows from financing activities		
Issuance of long–term debt	179	6
Retirement of long–term debt to PECO Energy Transition Trust	(354)	(248)
Change in short–term debt	27	7
Changes in Exelon intercompany money pool borrowings	(45)	—
Dividends paid on common and preferred stock	(278)	(253)
Contributions from parent	165	83
Net cash flows used in financing activities	(306)	(405)
Increase (decrease) in cash and cash equivalents	1	(12)
Cash and cash equivalents at beginning of period	29	37
Cash and cash equivalents at end of period	$ 30	$ 25

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 30	$ 29
Restricted cash	1	4
Accounts receivable, net		
Customer	480	426
Other	69	79
Inventories, net		
Gas	116	173
Materials and supplies	15	13
Deferred income taxes	32	25
Prepaid utility taxes	89	—
Other	13	13
Total current assets	845	762
Property, plant and equipment, net	4,735	4,651
Deferred debits and other assets		
Regulatory assets	3,603	3,896
Investments	24	21
Investments in affiliates	61	64
Receivable from affiliate	192	151
Other	473	228
Total deferred debits and other assets	4,353	4,360
Total assets	$ 9,933	$ 9,773

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	June 30, 2007	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short–term borrowings	$ 122	$ 95
Borrowings from Exelon intercompany money pool	—	45
Long–term debt due within one year	450	—
Long–term debt to PECO Energy Transition Trust due within one year	236	273
Accounts payable	169	175
Accrued expenses	160	121
Payables to affiliates	171	203
Customer deposits	58	50
Other	25	16
Total current liabilities	1,391	978
Long–term debt	1,200	1,469
Long–term debt to PECO Energy Transition Trust	1,814	2,131
Long–term debt to other financing trusts	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,682	2,601
Asset retirement obligations	22	21
Non–pension postretirement benefit obligations	287	283
Regulatory liabilities	263	151
Other	147	146
Total deferred credits and other liabilities	3,401	3,202
Total liabilities	7,990	7,964
Commitments and contingencies		
Shareholders' equity		
Common stock	2,223	2,223
Preferred stock	87	87
Receivable from parent	(925)	(1,090)
Retained earnings	553	584
Accumulated other comprehensive income, net	5	5
Total shareholders' equity	1,943	1,809
Total liabilities and shareholders' equity	$ 9,933	$ 9,773

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Common Stock	Preferred Stock	Receivable from Parent	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2006	$ 2,223	$ 87	$ (1,090)	$ 584	$ 5	$ 1,809
Net income	—	—	—	224	—	224
Common stock dividends	—	—	—	(276)	—	(276)
Preferred stock dividends	—	—	—	(2)	—	(2)
Repayment of receivable from parent	—	—	165	—	—	165
Adoption of FIN 48	—	—	—	23	—	23
Balance, June 30, 2007	$ 2,223	$ 87	$ (925)	$ 553	$ 5	$ 1,943

See the Combined Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

The accompanying consolidated financial statements as of June 30, 2007 and 2006 and for the three and six months then ended are unaudited but, in the opinion of the management of each of Exelon, Generation, ComEd and PECO (collectively, Registrants), include all adjustments that are considered necessary for a fair presentation of its respective financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2006 Consolidated Balance Sheets were taken from audited financial statements. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for Quarterly Reports on Form 10–Q. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These notes should be read in conjunction with the Notes to Consolidated Financial Statements of Exelon, Generation, ComEd and PECO included in ITEM 8 of their 2006 Annual Report on Form 10–K.

2. Discontinued Operations (Exelon and Generation)

As discussed in Note 4 — Acquisitions and Dispositions, on January 31, 2005, subsidiaries of Generation completed a series of transactions that resulted in Generation's sale of its investment in Sithe Energies, Inc. (Sithe). In addition, during 2003 and 2004, Exelon sold or wound down substantially all components of Exelon Enterprises Company, LLC (Enterprises). As a result, the results of operations and any gain or loss on the sale of these entities are presented as discontinued operations for the three and six months ended June 30, 2007 and 2006 within Exelon's (for Sithe and Enterprises) and Generation's (for Sithe) Consolidated Statements of Operations and Comprehensive Income.

For the three and six months ended June 30, 2007, Exelon's Consolidated Statements of Operations and Comprehensive Income included $1 million of loss and $4 million of income, respectively, from discontinued operations related to Enterprises. There was no significant activity related to the discontinued operations for Enterprises during the three and six months ended June 30, 2006.

For the six months ended June 30, 2007, Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income included $5 million (after–tax) gain on disposal of discontinued operations related primarily to Sithe, resulting from a settlement agreement between a subsidiary of Sithe, the Pennsylvania Attorney General's Office and the Pennsylvania Department of Revenue regarding a previously disputed tax position asserted for the 2000 tax year. There was no significant activity related to the discontinued operations for Sithe during the three months ended June 30, 2007. For the three and six months ended June 30, 2006, Exelon's and Generation's Consolidated Statements of Income and Comprehensive Income included $3 million of income (after–tax) from discontinued operations related to Sithe, which represented an adjustment to the gain on sale as a result of the expiration of certain tax indemnifications and the collection of a receivable arising from the sale of Sithe that had been fully reserved. See Note 4 — Acquisitions and Dispositions for additional information regarding Generation's sale of its investment in Sithe.

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

FIN 48

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." FIN 48 applies to all income tax positions taken on previously filed tax returns or expected to be taken on a future tax return. FIN 48 prescribes a benefit recognition model with a two–step approach, a more–likely–than–not recognition criterion and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded.

Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold for purposes of applying FIN 48. Therefore, if it can be established that the only uncertainty is when an item is taken on a tax return, such positions have satisfied the recognition step for purposes of FIN 48 and uncertainty related to timing should be assessed as part of measurement. FIN 48 also requires that the amount of interest expense and income to be recognized related to uncertain tax positions be computed by applying the applicable statutory rate of interest to the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken in a tax return.

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

FIN 48 prescribes that a company shall recognize the benefit of a tax position when it is effectively settled. The FASB issued FASB Staff Position (FSP) FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48", in May 2007 to provide guidance on how companies should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Registrants contemplated the provisions of FSP FIN 48-1 upon the initial adoption of FIN 48.

SFAS No. 157

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

SFAS No. 159

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

FSP FIN 39-1

In April 2007, the FASB issued FSP FIN 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). This pronouncement amends FIN 39, "Offsetting of Amounts Related to Certain Contracts", to permit companies to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. FSP FIN 39-1 will be effective for the Registrants as of January 1, 2008. The effects of applying this pronouncement shall be recognized as a change in accounting principle through retrospective application for all financial statements presented unless it is impracticable to do so. The Registrants are currently assessing whether to elect the accounting policies prescribed by FSP FIN 39-1 which, if elected, would not impact net income.

4. Acquisitions and Dispositions (Exelon and Generation)

Sithe (Exelon and Generation)

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

In connection with the sale, Exelon recorded liabilities related to certain indemnifications provided to Dynegy and other guarantees directly resulting from the transaction. These indemnifications and guarantees are being accounted for under the provisions of FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others". The remaining exposures covered by these indemnities are anticipated to expire in 2007 and beyond. As of June 30, 2007, Exelon's accrued liabilities related to these indemnifications and guarantees were $43 million. The estimated maximum possible exposure to Exelon related to the guarantees provided as part of the sales transaction to Dynegy was approximately $175 million at June 30, 2007.

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

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

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

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

The legislatively mandated transition and rate freeze period in Illinois ended at the close of 2006. Associated with the end of this rate freeze, ComEd has been engaged in various regulatory proceedings to establish rates for the post–2006 period, which are more fully described below. In view of the rate increases following the expiration of the rate freeze, various Illinois legislative attempts, as more fully described below, have been made to roll back and freeze ComEd's rates for an additional period or to control the rate at which the rate increases are phased in or impose a tax on the ownership or operation of electric generating facilities. ComEd and Generation have been engaged in discussions with Illinois legislative leaders and others to address concerns about higher electric bills in Illinois without a rate roll–back and rate freeze, a generation tax or other similar legislation. Those discussions successfully concluded on July 24, 2007, when ComEd, Generation, and other utilities and generators in Illinois reached an oral agreement with representatives of the Illinois state government and submitted a confirming letter to the Speaker of the Illinois House of Representatives, the President of the Illinois Senate, the minority leaders of the Illinois House and Senate, and the Attorney General of the State of Illinois, more fully described below.

Rate Freeze, Generation Tax and Other Proposed Legislation (Exelon, Generation and ComEd). The increases in ComEd's 2007 rates reflect the pass–through of ComEd's costs of procuring electricity for customers, significant capital investment that ComEd has made in distribution assets, and changes in ComEd's operating costs.

ComEd estimates that its average residential customer is experiencing an annual increase of approximately 24% in its electric bills; however, some customer increases have been larger. Customers of certain other Illinois utilities have experienced much more significant increases in their bills.

Since March 2007, various bills have been proposed by the Illinois House of Representatives and Senate in an attempt to address the higher electric bills experienced in the state of Illinois since the expiration of the rate freeze at the end of 2006. The significant components of the proposed legislation would have required the following:

- A rollback of electricity rates to rates in effect in 2006, effective for at least one year. Furthermore, ComEd would have been required to provide refunds, with interest, of charges collected from residential customers in excess of those rolled–back rates since January 1, 2007.
- A limit to rate increases for all bundled service customers for at least one year, and until 2010 in other versions of the legislation.
- A tax of $70,000 for each megawatt of nameplate capacity on certain electric generating facilities located in Illinois including those owned by Generation.
- Establishment of a generation tax and a fund from the proceeds of the generation tax to be used to reimburse ComEd and other Illinois utilities for rate refunds and also to refund ComEd and other Illinois utilities for differences between 2007 and 2006 rates prior to July 1, 2008.
- ComEd would be required to supply all residential and small commercial and industrial customers who have central air conditioning with direct load control devices. ComEd would not be allowed to recover the cost of these devices through rates, but only from the generation tax fund.
- Beginning in 2009, no electric utility, including ComEd, could have been owned by a company, such as Exelon, which also participates, as Exelon does through Generation, in power generation or marketing.
- Require electric utilities, including ComEd, to remove themselves from participation in regional transmission organizations, including PJM Interconnection, LLC (PJM).

On April 23, 2007, ComEd announced the implementation of a new $64 million rate relief package to be provided to ComEd customers most affected by electricity rate increases. Inclusive of ComEd's funding of its Customers' Affordable Reliable Energy (CARE) initiative, ComEd anticipates that its customer rate relief programs will provide benefits to its customers of approximately $44 million in 2007 and approximately $10 million in additional funds per year during 2008 and 2009. During the six months ended June 30, 2007, ComEd recorded a reduction in operating revenues of $19 million and a charge to operating and maintenance expense of $8 million associated with the 2007 portion of this announced program. During the six months ended June 30, 2007, ComEd has credited approximately $18 million to its customers.

On July 24, 2007, following extensive discussions with legislative leaders in Illinois, ComEd, Generation, and other utilities and generators in Illinois reached an oral agreement (the Settlement) with various representatives from the State of Illinois concluding discussions of measures to address concerns about higher electric bills in Illinois without rate freeze, generation tax or other legislation that Exelon believes would be harmful to consumers of electricity, electric utilities, generators of electricity and the State of Illinois. The Settlement was recorded in a confirming letter (the Letter) to the Speaker of the Illinois House of Representatives, the President of the Illinois Senate, the minority leaders of the Illinois House and Senate, and the Attorney General of the State of Illinois (the Attorney General) from ComEd, Generation, and other utilities and generators in Illinois.

The Settlement will be effective only upon enactment of proposed legislation (Proposed Legislation), which was drafted as part of the Settlement and attached as an exhibit to the Letter. If it becomes effective, the Settlement and the Proposed Legislation would provide for the following, among other things:

- Illinois electric utilities, their affiliates, and generators of electricity in Illinois would make voluntary contributions of approximately $1 billion over a period of four years to programs that would provide rate relief to Illinois electricity customers and funding for the new Illinois Power Agency to be created by the Proposed Legislation. Exelon has committed to contributing approximately $800 million to rate relief programs over four years and funding for the Illinois Power Agency, in addition to approximately $11 million of rate relief credits provided by ComEd prior to June 14, 2007 under rate relief programs previously announced. ComEd would continue executing upon its $64 million rate relief package announced April 23, 2007, as described above. Generation would contribute an aggregate of up to $747 million, of which $435 million would be available to reimburse ComEd for rate relief programs for ComEd customers, and $307.5 million would be available for rate relief programs for customers of other Illinois utilities, and $4.5 million would be available for funding operations of the Illinois Power Agency. Of the $800 million to be contributed to rate relief by Generation and ComEd, $459 million will be contributed in 2007, $222 million will be contributed in 2008, $105 million will be contributed in 2009, and $14 million will be contributed in 2010.
- In the event that the Illinois General Assembly passes legislation prior to August 1, 2011 that freezes or reduces electric rates or imposes a generation tax on any party to the Settlement, the contributors to the rate relief funds would be allowed to terminate their funding commitments and may recover any undisbursed funds set aside for rate relief.
- The existing contracts resulting from the procurement auction in 2006 will be honored. As those contracts expire, procurement will be made pursuant to a horizontal, sealed bid procurement process to establish long–term market–based contracts.
- To fulfill a requirement of the Settlement, ComEd and Generation have entered into a five–year financial swap arrangement, the effect of which will cause ComEd to pay fixed prices and cause Generation to pay a market price for a portion of ComEd's load. The financial terms cover energy costs only, not capacity or ancillary services. The contract has been fully executed but is not effective until the Proposed Legislation contemplated by the Settlement is effective.
    - The contract is designed to dovetail with ComEd's remaining auction contracts for energy, increasing in volume as the contracts expire.
    - The contract volumes will be 1,000 MW for the period from June 2008 through May 2009, 2,000 MW for the period from June 2009 through May 2010, and 3,000 MW in each of the periods June 2010 through May 2011, June 2011 through May 2012, and June 2012 through May 2013.
    - This arrangement will be deemed prudent and ComEd will receive full cost recovery in rates.
- A new state agency, known as the Illinois Power Agency (the Agency), would be created and authorized to design annual five–year electricity supply portfolio plans for electric utilities and administer a competitive procurement process for utilities to procure the electricity supply resources identified in the supply portfolio plans. The Agency, under certain conditions, would also be authorized to construct generation and co–generation facilities that use indigenous coal or renewable resources, or both, to supply electricity at cost to municipal electric systems and rural electric cooperatives. The Agency's operations will be funded from fees

and bond proceeds and the interest on $25 million of the $1 billion customer rate relief package to be contributed to the Illinois Power Agency Trust Fund.

- The ability of utilities to engage in divestiture and other restructuring transactions without prior Illinois Commerce Commission (ICC) approval would be extended until all classes of tariffed service are declared competitive.
- The Proposed Legislation would also declare that the 400 kw and above customer classes of ComEd are competitive and would establish an expedited procedure for finding customer classes with demands of 100 kw or greater but less than 400 kw are competitive.
- Until at least June 30, 2022, the state would not prohibit an electric utility from maintaining its membership in a Federal Energy Regulatory Commission (FERC) approved regional transmission organization chosen by the utility.
- ComEd would be required to provide tariffed service to condominium associations at rates that do not exceed rates offered to residential customers.
- Utilities would be prohibited from terminating electric service to a residential electric space heat customer due to nonpayment before September 1, 2007 or between December 1 of any year and March 1 of the following year.
- Electric utilities would be required to use cost–effective energy efficiency and demand response resources to meet defined incremental annual program energy and demand savings goals. These goals generally call for reductions in delivered energy from the prior year for energy efficiency programs and for reductions in peak demand from the prior year for eligible customers. The goals would be subject to rate impact caps each year. Utilities would be allowed recovery of costs for energy efficiency and demand response programs, subject to approval by the ICC. Failure to comply with the energy efficiency and demand response requirements in the Proposed Legislation would result in ComEd being subject to penalties and other charges.
- The procurement plans developed by the Illinois Power Agency and implemented by electric utilities must include cost–effective renewable energy resources in amounts that equal or exceed 2% of the total electricity that each electric utility supplies to its eligible retail customers by June 1, 2008, increasing to 10% by June 1, 2015, with a goal of 25% by June 1, 2025. Utilities would be allowed to pass–through any costs or savings from the procurement of these renewable resources.

In connection with the Settlement, ComEd, Generation, the Illinois Attorney General, and other Illinois utilities have entered into a release and settlement agreement releasing and dismissing with prejudice all litigation, claims and regulatory proceedings and appeals relating to or arising out of the procurement of power, including ICC and FERC proceedings relating to the procurement of power. The release and settlement agreement is contingent on the enactment of the Proposed Legislation.

In connection with the Settlement, Generation, ComEd and the Illinois Attorney General have entered into a Rate Relief Funding Agreement dated July 24, 2007, pursuant to which ComEd has contractually committed itself to the rate relief contemplated by the Settlement and Generation has contractually committed itself to reimburse ComEd for up to $435 million of costs incurred by ComEd in connection with the rate relief contemplated by the Settlement. In addition, Generation, the Illinois utilities owned by Ameren Corporation (Ameren), and the Illinois Attorney General have entered into a separate Rate Relief Funding Agreement dated July 24, 2007, pursuant to which the Ameren Utilities have contractually committed themselves to the rate relief contemplated by the Settlement and Generation has contractually committed itself to reimburse the Ameren Utilities for up to $307.5 million of costs incurred by the Ameren Utilities in connection with the rate relief contemplated by the

Settlement. These funding commitments become effective only upon the enactment into law of the Proposed Legislation and will terminate if the Illinois General Assembly passes legislation prior to August 1, 2011 that freezes or reduces electric rates or imposes a generation tax on any party to the Settlement.

To become law in Illinois, legislation must be passed by the House and Senate and signed by the Governor of Illinois. There is no guarantee that the Proposed Legislation will be passed by the House and Senate and signed by the Governor.

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

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

Illinois Procurement Case and Related Proceedings (Exelon, Generation and ComEd). On February 25, 2005, ComEd made a filing with the ICC to seek regulatory approval of tariffs that would authorize ComEd to bill its customers for electricity costs incurred under a reverse–auction competitive bidding process (the Procurement Case). On October 17, 2005, ComEd and Exelon Generation jointly filed a request for a declaratory order at the FERC seeking approval of the reverse–auction competitive bidding process it planned to use for ComEd's procurement of wholesale supplies of electricity. On December 16, 2005, FERC issued an order holding that the proposed competitive bidding process satisfied FERC's criteria for a competitive process and that Generation would be eligible for market–based rate sales to ComEd under the terms of the auction. On May 1, 2006, FERC denied the Illinois Attorney General's request for rehearing of that order, and the Attorney General filed a petition for review of the ICC's decision in the United States Court of Appeals for the District of Columbia Circuit. That appeal will be dismissed with prejudice in connection with the Settlement when the Proposed Legislation becomes effective.

On January 24, 2006, the ICC, by a unanimous vote, approved a reverse–auction competitive bidding process for procurement of electricity by ComEd after the end of the transition period. Various parties, including the Illinois Attorney General, ComEd and consumer representatives, appealed the ICC approval, but the Attorney General's appeal will be dismissed with prejudice in connection with the Settlement if the Proposed Legislation becomes effective. The energy price that resulted from the first auction is fixed until June 2008. On December 6, 2006, the ICC staff released its report on the auction, which generally spoke favorably of the process and the outcome. The report recommended the continued use of the reverse–auction for future electric power procurement. However, the Proposed Legislation will establish a different process for procurement of electricity by Illinois utilities.

In March 2007, the Illinois Attorney General filed a complaint before FERC alleging that the prices to all suppliers resulting from the auction are unjust and unreasonable under the Federal Power Act and that the suppliers colluded in the course of the auction. The Illinois Attorney General has agreed that this complaint will be dismissed with prejudice in connection with the Settlement if the Proposed Legislation becomes effective. Additionally, on

March 28, 2007 and March 30, 2007, class action suits were filed in Illinois state court against ComEd and Generation as well as the other suppliers in the Illinois procurement auction, claiming that the suppliers manipulated the auction and that the resulting wholesale prices are unlawfully high. Exelon, Generation and ComEd cannot predict the outcome of these proceedings, but each believes the claims to be completely false and unsupported by requisite evidence, and each intends to vigorously oppose these claims.

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

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

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

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

Residential Rate Stabilization Program (Exelon and ComEd). On December 20, 2006, the ICC approved a program, proposed by ComEd, to mitigate the impact on ComEd's residential customers of ComEd's transition from almost a decade of reduced and frozen rates to rates that reflect the current cost of providing service. The program includes an "opt–in" feature to give residential customers the choice to participate in the program. The program caps average annual residential rate increases at 10% in each of 2007, 2008 and 2009. For participating customers, costs that exceed the caps are deferred and recovered over three years from 2010 to 2012. Deferred balances will be assessed an annual carrying charge of 3.25% to partially cover ComEd's costs of financing the program. If ComEd's rate increases are less than the caps in 2008 and 2009, ComEd would begin to recover deferred amounts up to the caps with carrying costs. The program would terminate upon a force majeure event, upon a ComEd bankruptcy, or if ComEd's senior secured credit ratings from two of three major credit rating agencies fall below investment grade. ComEd's residential customers will have until August 2007 to choose to participate in the program. Reductions began to be reflected in April 2007 and are not retroactive. As of June 30, 2007, approximately 36,000 or 1% of ComEd's residential customers have enrolled in the program and ComEd has deferred less than $1 million under this program. At this time, ComEd cannot predict the full extent of participation in the program or its financial effects.

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

Post–2006 Summary (Exelon, Generation and ComEd). Exelon and ComEd believe that the Settlement and the Proposed Legislation significantly reduce the risk that the Illinois General Assembly might pass rate roll back and freeze legislation or take other action that could have a material adverse effect on ComEd. However, the Proposed Legislation will not become law until it is enacted by the Illinois General Assembly and signed by the Governor.

Even if the Proposed Legislation becomes law, there are no assurances that the Illinois General Assembly will not consider a generation tax. Any assessed generation tax would have a negative financial impact on Generation. Exelon and Generation believe that the potential negative impact would include an increased provision for income taxes, and likewise a reduction in net income.

Similarly, there is no guarantee that rate roll–back, rate freeze legislation or other legislation that impairs ComEd's ability to secure fair market prices will not be considered again by the Illinois General Assembly at a future date. If the price which ComEd is ultimately allowed to bill to customers for electricity is below ComEd's cost to procure and deliver electricity, ComEd expects that it would suffer adverse consequences, which could be material. Exelon and ComEd believe that these potential material adverse consequences could include, but may not be limited to, reduced earnings for Exelon and ComEd, further reduction of ComEd's credit ratings, limited or lost access for ComEd to credit markets to finance operations and capital investment, and loss of ComEd's capacity to enter into bilateral long–term energy procurement contracts, which may force ComEd to procure electricity at more volatile spot market prices, all of which could lead ComEd to seek protection through a bankruptcy filing. Moreover, to the extent ComEd is not permitted to recover its costs, ComEd's ability to maintain and improve service may be diminished and its ability to maintain reliability may be impaired. In the near term, these prospects could have adverse effects on ComEd's liquidity if vendors reduce credit or shorten payment terms or if ComEd's financing alternatives become more limited and significantly less flexible.

Additionally, if ComEd's ability to recover its costs from customers through rates is significantly affected, all or a portion of ComEd's business could be required to cease applying SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation", which covers the accounting for the effects of rate regulation and would require Exelon and ComEd to eliminate the financial statement effects of regulation for the portion of ComEd's business that ceases to meet the criteria. This would result in the elimination of all associated regulatory assets and liabilities that ComEd had recorded on its Consolidated Balance Sheets through the recording of a one–time extraordinary