

EXELON CORP
Form 10-Q
October 29, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2014

or

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

	Name of Registrant; State of Incorporation;	
Commission	Address of Principal Executive Offices; and	IRS Employer
File Number	Telephone Number	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 19348-2473 (610) 765-5959	23-3064219
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 440 South LaSalle Street	36-0938600

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Chicago, Illinois 60605-1028

(312) 394-4321

000-16844

PECO ENERGY COMPANY
(a Pennsylvania corporation)

23-0970240

P.O. Box 8699

2301 Market Street

Philadelphia, Pennsylvania 19101-8699

(215) 841-4000

1-1910

BALTIMORE GAS AND ELECTRIC COMPANY
(a Maryland corporation)

52-0280210

2 Center Plaza

110 West Fayette Street

Baltimore, Maryland 21201-3708

(410) 234-5000

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company
Exelon Corporation	x			
Exelon Generation Company, LLC			x	
Commonwealth Edison Company			x	
PECO Energy Company			x	
Baltimore Gas and Electric Company			x	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of each registrant's common stock as of September 30, 2014 was:

Exelon Corporation Common Stock, without par value	859,464,772
Exelon Generation Company, LLC	not applicable
Commonwealth Edison Company Common Stock, \$12.50 par value	127,016,934
PECO Energy Company Common Stock, without par value	170,478,507
Baltimore Gas and Electric Company Common Stock, without par value	1,000

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GLOSSARY OF TERMS AND ABBREVIATIONS

Exelon Corporation and Related Entities

<i>Exelon</i>	Exelon Corporation
<i>Generation</i>	Exelon Generation Company, LLC
<i>ComEd</i>	Commonwealth Edison Company
<i>PECO</i>	PECO Energy Company
<i>BGE</i>	Baltimore Gas and Electric Company
<i>BSC</i>	Exelon Business Services Company, LLC
<i>Exelon Corporate</i>	Exelon in its corporate capacity as a holding company
<i>CENG</i>	Constellation Energy Nuclear Group, LLC
<i>Constellation</i>	Constellation Energy Group, Inc.
<i>Antelope Valley</i>	Antelope Valley Solar Ranch One
<i>Exelon Transmission Company</i>	Exelon Transmission Company, LLC
<i>Exelon Wind</i>	Exelon Wind, LLC and Exelon Generation Acquisition Company, LLC
<i>Ventures</i>	Exelon Ventures Company, LLC
<i>AmerGen</i>	AmerGen Energy Company, LLC
<i>BondCo</i>	RSB BondCo LLC
<i>PEC L.P.</i>	PECO Energy Capital, L.P.
<i>PECO Trust III</i>	PECO Capital Trust III
<i>PECO Trust IV</i>	PECO Energy Capital Trust IV
<i>PETT</i>	PECO Energy Transition Trust
<i>Registrants</i>	Exelon, Generation, ComEd, PECO and BGE, collectively

GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<i>Note</i>	<i>of the Exelon 2013 Form 10-K</i>	Reference to specific Combined Note to Consolidated Financial Statements within Exelon's 2013 Annual Report on Form 10-K
<i>1998 restructuring settlement</i>		PECO's 1998 settlement of its restructuring case mandated by the Competition Act
<i>Act 11</i>		Pennsylvania Act 11 of 2012
<i>Act 129</i>		Pennsylvania Act 129 of 2008
<i>AEC</i>		Alternative Energy Credit that is issued for each megawatt hour of generation from a qualified alternative energy source
<i>AEPS</i>		Pennsylvania Alternative Energy Portfolio Standards
<i>AEPS Act</i>		Pennsylvania Alternative Energy Portfolio Standards Act of 2004, as amended
<i>AESO</i>		Alberta Electric Systems Operator
<i>AFUDC</i>		Allowance for Funds Used During Construction
<i>ALJ</i>		Administrative Law Judge
<i>AMI</i>		Advanced Metering Infrastructure
<i>AMP</i>		Advanced Metering Program
<i>ARC</i>		Asset Retirement Cost
<i>ARO</i>		Asset Retirement Obligation
<i>ARP</i>		Title IV Acid Rain Program
<i>ARRA of 2009</i>		American Recovery and Reinvestment Act of 2009
<i>Block contracts</i>		Forward Purchase Energy Block Contracts
<i>CAIR</i>		Clean Air Interstate Rule
<i>CAISO</i>		California ISO
<i>CAMR</i>		Federal Clean Air Mercury Rule

Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Other Terms and Abbreviations**

<i>CERCLA</i>	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
<i>CFL</i>	Compact Fluorescent Light
<i>Clean Air Act</i>	Clean Air Act of 1963, as amended
<i>Clean Water Act</i>	Federal Water Pollution Control Amendments of 1972, as amended
<i>Competition Act</i>	Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996
<i>CPI</i>	Consumer Price Index
<i>CPUC</i>	California Public Utilities Commission
<i>CSAPR</i>	Cross-State Air Pollution Rule
<i>CTC</i>	Competitive Transition Charge
<i>D.C. Circuit Court</i>	United States Court of Appeals for the District of Columbia Circuit
<i>DOE</i>	United States Department of Energy
<i>DOJ</i>	United States Department of Justice
<i>DSP</i>	Default Service Provider
<i>DSP Program</i>	Default Service Provider Program
<i>EDF</i>	Electricite de France SA
<i>EE&C</i>	Energy Efficiency and Conservation/Demand Response
<i>EGS</i>	Electric Generation Supplier
<i>EGTP</i>	ExGen Texas Power, LLC
<i>EIMA</i>	Energy Infrastructure Modernization Act (Illinois Senate Bill 1652 and Illinois House Bill 3036)
<i>EPA</i>	United States Environmental Protection Agency
<i>ERCOT</i>	Electric Reliability Council of Texas
<i>ERISA</i>	Employee Retirement Income Security Act of 1974, as amended
<i>EROA</i>	Expected Rate of Return on Assets
<i>ESPP</i>	Employee Stock Purchase Plan
<i>FASB</i>	Financial Accounting Standards Board
<i>FERC</i>	Federal Energy Regulatory Commission
<i>FRCC</i>	Florida Reliability Coordinating Council
<i>FTC</i>	Federal Trade Commission
<i>GAAP</i>	Generally Accepted Accounting Principles in the United States
<i>GHG</i>	Greenhouse Gas
<i>GRT</i>	Gross Receipts Tax
<i>GSA</i>	Generation Supply Adjustment
<i>GWh</i>	Gigawatt hour
<i>HAP</i>	Hazardous air pollutants
<i>Health Care Reform Acts</i>	Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010
<i>IBEW</i>	International Brotherhood of Electrical Workers
<i>ICC</i>	Illinois Commerce Commission
<i>ICE</i>	Intercontinental Exchange
<i>Illinois Act</i>	Illinois Electric Service Customer Choice and Rate Relief Law of 1997
<i>Illinois EPA</i>	Illinois Environmental Protection Agency
<i>Illinois Settlement Legislation</i>	Legislation enacted in 2007 affecting electric utilities in Illinois
<i>IPA</i>	Illinois Power Agency
<i>IRC</i>	Internal Revenue Code
<i>IRS</i>	Internal Revenue Service
<i>ISO</i>	Independent System Operator

Table of Contents**GLOSSARY OF TERMS AND ABBREVIATIONS****Other Terms and Abbreviations**

<i>ISO-NE</i>	ISO New England Inc.
<i>ISO-NY</i>	ISO New York
<i>kV</i>	Kilovolt
<i>kW</i>	Kilowatt
<i>kWh</i>	Kilowatt-hour
<i>LIBOR</i>	London Interbank Offered Rate
<i>LILO</i>	Lease-In, Lease-Out
<i>LLRW</i>	Low-Level Radioactive Waste
<i>LTIP</i>	Long-Term Incentive Plan
<i>MATS</i>	U.S. EPA Mercury and Air Toxics Rule
<i>MBR</i>	Market Based Rates Incentive
<i>MDE</i>	Maryland Department of the Environment
<i>MDPSC</i>	Maryland Public Service Commission
<i>MGP</i>	Manufactured Gas Plant
<i>MISO</i>	Midcontinent Independent System Operator, Inc.
<i>mmcf</i>	Million Cubic Feet
<i>Moody's</i>	Moody's Investor Service
<i>MOPR</i>	Minimum Offer Price Rule
<i>MRV</i>	Market-Related Value
<i>MW</i>	Megawatt
<i>MWh</i>	Megawatt hour
<i>NAAQS</i>	National Ambient Air Quality Standards
<i>n.m.</i>	not meaningful
<i>NAV</i>	Net Asset Value
<i>NDT</i>	Nuclear Decommissioning Trust
<i>NEIL</i>	Nuclear Electric Insurance Limited
<i>NERC</i>	North American Electric Reliability Corporation
<i>NGS</i>	Natural Gas Supplier
<i>NJDEP</i>	New Jersey Department of Environmental Protection
<i>Non-Regulatory Agreements Units</i>	Nuclear generating units or portions thereof whose decommissioning-related activities are not subject to contractual elimination under regulatory accounting
<i>NOV</i>	Notice of Violation
<i>NPDES</i>	National Pollutant Discharge Elimination System
<i>NRC</i>	Nuclear Regulatory Commission
<i>NSPS</i>	New Source Performance Standards
<i>NWPA</i>	Nuclear Waste Policy Act of 1982
<i>NYMEX</i>	New York Mercantile Exchange
<i>OCI</i>	Other Comprehensive Income
<i>OIESO</i>	Ontario Independent Electricity System Operator
<i>OPEB</i>	Other Postretirement Employee Benefits
<i>PA DEP</i>	Pennsylvania Department of Environmental Protection
<i>PAPUC</i>	Pennsylvania Public Utility Commission
<i>PGC</i>	Purchased Gas Cost Clause
<i>PHI</i>	Pepco Holdings, Inc.
<i>PJM</i>	PJM Interconnection, LLC
<i>POLR</i>	Provider of Last Resort
<i>POR</i>	Purchase of Receivables
<i>PPA</i>	Power Purchase Agreement

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GLOSSARY OF TERMS AND ABBREVIATIONS

Other Terms and Abbreviations

<i>Price-Anderson Act</i>	Price-Anderson Nuclear Industries Indemnity Act of 1957
<i>PRP</i>	Potentially Responsible Parties
<i>PSEG</i>	Public Service Enterprise Group Incorporated
<i>PURTA</i>	Pennsylvania Public Realty Tax Act
<i>PV</i>	Photovoltaic
<i>RCRA</i>	Resource Conservation and Recovery Act of 1976, as amended
<i>REC</i>	Renewable Energy Credit which is issued for each megawatt hour of generation from a qualified renewable energy source
<i>Regulatory Agreement Units</i>	Nuclear generating units whose decommissioning-related activities are subject to contractual elimination under regulatory accounting
<i>RES</i>	Retail Electric Suppliers
<i>RFP</i>	Request for Proposal
<i>Rider</i>	Reconcilable Surcharge Recovery Mechanism
<i>RGGI</i>	Regional Greenhouse Gas Initiative
<i>RMC</i>	Risk Management Committee
<i>RPM</i>	PJM Reliability Pricing Model
<i>RPS</i>	Renewable Energy Portfolio Standards
<i>RTEP</i>	Regional Transmission Expansion Plan
<i>RTO</i>	Regional Transmission Organization
<i>S&P</i>	Standard & Poor's Ratings Services
<i>SEC</i>	United States Securities and Exchange Commission
<i>Senate Bill 1</i>	Maryland Senate Bill 1
<i>SERC</i>	SERC Reliability Corporation (formerly Southeast Electric Reliability Council)
<i>SERP</i>	Supplemental Employee Retirement Plan
<i>SGIG</i>	Smart Grid Investment Grant
<i>SGIP</i>	Smart Grid Initiative Program
<i>SILO</i>	Sale-In, Lease-Out
<i>SMPPIP</i>	Smart Meter Procurement and Installation Plan
<i>SNF</i>	Spent Nuclear Fuel
<i>SOS</i>	Standard Offer Service
<i>SPP</i>	Southwest Power Pool
<i>Tax Relief Act of 2010</i>	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010
<i>Upstream</i>	Natural gas exploration and production activities
<i>VIE</i>	Variable Interest Entity
<i>WECC</i>	Western Electric Coordinating Council

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FILING FORMAT

This combined Form 10-Q is being filed separately by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company (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

This Report contains certain 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 the Registrants include those factors discussed herein, as well as the items discussed in (1) Exelon's 2013 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; (2) this Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (3) other factors discussed in filings with the 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 Registrants' websites at www.exeloncorp.com. Information contained on the Registrants' websites shall not be deemed incorporated into, or to be a part of, this Report.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Operating revenues	\$ 6,912	\$ 6,502	\$ 20,173	\$ 18,725
Operating expenses				
Purchased power and fuel	2,591	2,404	8,943	7,199
Purchased power and fuel from affiliates	57	339	456	944
Operating and maintenance	1,982	1,735	6,005	5,391
Depreciation and amortization	577	530	1,732	1,606
Taxes other than income	306	277	887	825
Total operating expenses	5,513	5,285	18,023	15,965
Equity in earnings (loss) of unconsolidated affiliates	1	37	(20)	7
Gain on consolidation of CENG			261	
Operating income	1,400	1,254	2,391	2,767
Other income and (deductions)				
Interest expense, net	(247)	(228)	(691)	(1,091)
Interest expense to affiliates, net	(11)	(6)	(31)	(19)
Other, net	354	155	702	311
Total other income and (deductions)	96	(79)	(20)	(799)
Income before income taxes	1,496	1,175	2,371	1,968
Income taxes	422	439	646	733
Net income	1,074	736	1,725	1,235
Net income (loss) attributable to noncontrolling interest, preferred security dividends and redemption and preference stock dividends	81	(2)	121	11
Net income attributable to common shareholders	993	738	1,604	1,224
Comprehensive income, net of income taxes				
Net income	1,074	736	1,725	1,235
Other comprehensive income (loss), net of income taxes				
Pension and non-pension postretirement benefit plans:				
Prior service (benefit) cost reclassified to periodic benefit cost	(11)	1	(18)	
Actuarial loss reclassified to periodic cost	38	49	109	151
Pension and non-pension postretirement benefit plans valuation adjustment	(8)	(8)	240	69
Deferred compensation unit valuation adjustment				10
Unrealized (loss) on cash flow hedges	(19)	(46)	(92)	(169)
Unrealized gain (loss) on equity investments	(3)	16	8	51
Unrealized (loss) on foreign currency translation	(5)		(6)	(5)
Unrealized (loss) on marketable securities	(3)		(2)	(1)
Reversal of CENG equity method AOCI			(116)	

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Other comprehensive income (loss)	(11)	12	123	106
Comprehensive income	\$ 1,063	\$ 748	\$ 1,848	\$ 1,341
Average shares of common stock outstanding:				
Basic	861	857	860	856
Diluted	863	860	863	860
Earnings per average common share:				
Basic	\$ 1.15	\$ 0.86	\$ 1.87	\$ 1.43
Diluted	\$ 1.15	\$ 0.86	\$ 1.86	\$ 1.42
Dividends per common share	\$ 0.31	\$ 0.31	\$ 0.93	\$ 1.15

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 1,725	\$ 1,235
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	2,856	2,844
Impairment of long-lived assets	162	171
Gain on consolidation of CENG	(268)	
Gain on sale of assets	(356)	(17)
Deferred income taxes and amortization of investment tax credits	459	(164)
Net fair value changes related to derivatives	522	(229)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(141)	(95)
Other non-cash operating activities	698	584
Changes in assets and liabilities:		
Accounts receivable	198	54
Inventories	(316)	(103)
Accounts payable, accrued expenses and other current liabilities	(322)	(243)
Option premiums received (paid), net	21	(38)
Counterparty collateral posted, net	(615)	(73)
Income taxes	72	863
Pension and non-pension postretirement benefit contributions	(516)	(360)
Other assets and liabilities	(536)	(35)
Net cash flows provided by operating activities	3,643	4,394
Cash flows from investing activities		
Capital expenditures	(4,114)	(3,887)
Proceeds from nuclear decommissioning trust fund sales	5,464	3,344
Investment in nuclear decommissioning trust funds	(5,550)	(3,518)
Acquisition of businesses	(67)	
Proceeds from sale of long-lived assets	660	32
Proceeds from termination of direct financing lease investment	335	
Proceeds from sale of investments	7	20
Purchases of investments	(3)	(3)
Cash consolidated from CENG	129	
Change in restricted cash	(151)	(23)
Other investing activities	(86)	65
Net cash flows used in investing activities	(3,376)	(3,970)
Cash flows from financing activities		
Payment of accounts receivable agreement		(210)
Changes in short-term borrowings	236	205
Issuance of long-term debt	3,212	2,031
Retirement of long-term debt	(1,214)	(1,156)
Redemption of preferred securities		(93)
Distributions to noncontrolling interest of consolidated VIE	(415)	
Dividends paid on common stock	(799)	(981)

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Proceeds from employee stock plans	25	40
Other financing activities	(158)	(102)
Net cash flows provided by (used in) financing activities	887	(266)
Increase in cash and cash equivalents	1,154	158
Cash and cash equivalents at beginning of period	1,609	1,486
Cash and cash equivalents at end of period	\$ 2,763	\$ 1,644

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,763	\$ 1,609
Restricted cash and cash equivalents	318	167
Accounts receivable, net		
Customer	2,815	2,981
Other	898	1,175
Mark-to-market derivative assets	744	727
Unamortized energy contract assets	225	374
Inventories, net		
Fossil fuel	546	276
Materials and supplies	1,045	829
Deferred income taxes	38	573
Regulatory assets	774	760
Assets held for sale	649	14
Other	1,022	652
Total current assets	11,837	10,137
Property, plant and equipment, net	51,630	47,330
Deferred debits and other assets		
Regulatory assets	5,589	5,910
Nuclear decommissioning trust funds	10,349	8,071
Investments	562	1,165
Investments in affiliates	26	22
Investment in CENG		1,925
Goodwill	2,672	2,625
Mark-to-market derivative assets	524	607
Unamortized energy contracts assets	571	710
Pledged assets for Zion Station decommissioning	365	458
Other	1,139	964
Total deferred debits and other assets	21,797	22,457
Total assets^(a)	\$ 85,264	\$ 79,924

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON CORPORATION AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 562	\$ 341
Long-term debt due within one year	2,064	1,509
Accounts payable	2,502	2,484
Accrued expenses	1,462	1,633
Payables to affiliates	22	116
Deferred income taxes	26	40
Regulatory liabilities	364	327
Mark-to-market derivative liabilities	249	159
Unamortized energy contract liabilities	195	261
Other	985	858
Total current liabilities	8,431	7,728
Long-term debt	19,200	17,623
Long-term debt to financing trusts	648	648
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	13,181	12,905
Asset retirement obligations	7,003	5,194
Pension obligations	1,809	1,876
Non-pension postretirement benefit obligations	1,459	2,190
Spent nuclear fuel obligation	1,021	1,021
Regulatory liabilities	4,593	4,388
Mark-to-market derivative liabilities	291	300
Unamortized energy contract liabilities	214	266
Payable for Zion Station decommissioning	260	305
Other	2,104	2,540
Total deferred credits and other liabilities	31,935	30,985
Total liabilities^(a)	60,214	56,984
Commitments and contingencies		
Shareholders equity		
Common stock (No par value, 2,000 shares authorized, 859 shares and 857 shares outstanding at September 30, 2014 and December 31, 2013, respectively)	16,679	16,741
Treasury stock, at cost (35 shares at both September 30, 2014 and December 31, 2013)	(2,327)	(2,327)
Retained earnings	11,160	10,358
Accumulated other comprehensive loss, net	(1,917)	(2,040)
Total shareholders equity	23,595	22,732
BGE preference stock not subject to mandatory redemption	193	193
Noncontrolling interest	1,262	15

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Total equity	25,050	22,940
Total liabilities and shareholders equity	\$ 85,264	\$ 79,924

- (a) Exelon's consolidated assets include \$7,773 million and \$1,755 million at September 30, 2014 and December 31, 2013, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Exelon's consolidated liabilities include \$2,594 million and \$658 million at September 30, 2014 and December 31, 2013, respectively, of certain VIEs for which the VIE creditors do not have recourse to Exelon. See Note 3 Variable Interest Entities.

See the Combined Notes to Consolidated Financial Statements

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

(Unaudited)

(In millions, shares in thousands)	Issued Shares	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss, net	Noncontrolling Interest	Preferred and Preference Stock	Total Equity
Balance, December 31, 2013	892,034	\$ 16,741	\$ (2,327)	\$ 10,358	\$ (2,040)	\$ 15	\$ 193	\$ 22,940
Net income				1,604		111	10	1,725
Long-term incentive plan activity	1,439	49						49
Employee stock purchase plan issuances	735	25						25
Tax benefit on stock compensation		(7)						(7)
Acquisition of noncontrolling interest						3		3
Common stock dividends				(802)				(802)
Preferred and preference stock dividends							(10)	(10)
Fair value of financing contract payments		(131)						(131)
Noncontrolling interest established upon consolidation of CENG						1,548		1,548
Transfer of CENG pension and non-pension post retirement benefit obligations		2						2
Consolidated VIE dividend to noncontrolling interest						(415)		(415)
Reversal of CENG equity method AOCI, net of income taxes of \$77					(116)			(116)
Other comprehensive income net of income taxes of \$(154)					239			239
Balance, September 30, 2014	894,208	\$ 16,679	\$ (2,327)	\$ 11,160	\$ (1,917)	\$ 1,262	\$ 193	\$ 25,050

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 4,300	\$ 3,871	\$ 11,944	\$ 10,729
Operating revenues from affiliates	112	384	647	1,129
Total operating revenues	4,412	4,255	12,591	11,858
Operating expenses				
Purchased power and fuel	1,821	1,837	6,595	5,341
Purchased power and fuel from affiliates	59	342	476	953
Operating and maintenance	1,114	936	3,308	2,943
Operating and maintenance from affiliates	152	140	457	434
Depreciation and amortization	253	218	719	643
Taxes other than income	127	98	350	292
Total operating expenses	3,526	3,571	11,905	10,606
Equity in earnings (losses) of unconsolidated affiliates	1	37	(20)	7
Gain on consolidation of CENG			261	
Operating income	887	721	927	1,259
Other income and (deductions)				
Interest expense	(77)	(69)	(224)	(210)
Interest expense to affiliates, net	(12)	(13)	(37)	(47)
Other, net	342	134	661	229
Total other income and (deductions)	253	52	400	(28)
Income before income taxes	1,140	773	1,327	1,231
Income taxes	291	288	290	436
Net income	849	485	1,037	795
Net income (loss) attributable to noncontrolling interests	78	(5)	111	(6)
Net income attributable to membership interest	771	490	926	801
Comprehensive income, net of income taxes				
Net income	849	485	1,037	795
Other comprehensive income (loss), net of income taxes				
Unrealized loss on cash flow hedges	(16)	(49)	(86)	(316)
Unrealized gain (loss) on equity investments	(3)	16	8	52
Unrealized gain (loss) on foreign currency translation	(5)	1	(6)	(5)
Unrealized loss on marketable securities	(2)		(3)	(1)
Reversal of CENG equity method AOCI			(116)	

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Other comprehensive loss	(26)	(32)	(203)	(270)
Comprehensive income	\$ 823	\$ 453	\$ 834	\$ 525

See the Combined Notes to Consolidated Financial Statements

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

(In millions)	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 1,037	\$ 795
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization, depletion and accretion, including nuclear fuel and energy contract amortization	1,853	1,937
Impairment of long-lived assets	138	157
Gain on consolidation of CENG	(268)	
Gain on sale of assets	(355)	(13)
Deferred income taxes and amortization of investment tax credits	154	183
Net fair value changes related to derivatives	509	(222)
Net realized and unrealized gains on nuclear decommissioning trust fund investments	(141)	(95)
Other non-cash operating activities	251	231
Changes in assets and liabilities:		
Accounts receivable	153	57
Receivables from and payables to affiliates, net	72	2
Inventories	(286)	(81)
Accounts payable, accrued expenses and other current liabilities	(311)	(162)
Option premiums received (paid), net	21	(38)
Counterparty collateral paid, net	(634)	(123)
Income taxes	172	315
Pension and non-pension postretirement benefit contributions	(214)	(123)
Other assets and liabilities	(367)	(163)
Net cash flows provided by operating activities	1,784	2,657
Cash flows from investing activities		
Capital expenditures	(1,961)	(1,995)
Proceeds from nuclear decommissioning trust fund sales	5,464	3,344
Investment in nuclear decommissioning trust funds	(5,550)	(3,518)
Acquisition of businesses	(67)	
Proceeds from sale of long-lived assets	660	32
Change in restricted cash	(116)	(30)
Changes in Exelon intercompany money pool	44	
Cash consolidated from CENG	129	
Other investing activities	(34)	18
Net cash flows used in investing activities	(1,431)	(2,149)
Cash flows from financing activities		
Change in short-term borrowings	7	12
Issuance of long-term debt	1,112	831
Retirement of long-term debt	(552)	(471)
Distribution to member	(440)	(550)
Distributions to noncontrolling interest of consolidated VIE	(415)	
Contribution from member	55	
Other financing activities	(67)	(73)

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Net cash flows used in financing activities	(300)	(251)
Increase in cash and cash equivalents	53	257
Cash and cash equivalents at beginning of period	1,258	671
Cash and cash equivalents at end of period	\$ 1,311	\$ 928

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,311	\$ 1,258
Restricted cash and cash equivalents	187	71
Accounts receivable, net		
Customer	1,705	1,689
Other	325	353
Mark-to-market derivative assets	744	727
Receivables from affiliates	56	108
Receivable from Exelon intercompany money pool		44
Unamortized energy contract assets	225	374
Inventories, net		
Fossil fuel	426	164
Materials and supplies	865	671
Deferred income taxes	144	475
Assets held for sale	649	14
Other	821	491
Total current assets	7,458	6,439
Property, plant and equipment, net	23,143	20,111
Deferred debits and other assets		
Nuclear decommissioning trust funds	10,349	8,071
Investments	154	400
Investment in CENG		1,925
Goodwill	47	
Mark-to-market derivative assets	507	600
Prepaid pension asset	1,711	1,873
Pledged assets for Zion Station decommissioning	365	458
Unamortized energy contract assets	571	710
Other	714	645
Total deferred debits and other assets	14,418	14,682
Total assets^(a)	\$ 45,019	\$ 41,232

See the Combined Notes to Consolidated Financial Statements

Table of Contents**EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	\$ 14	\$ 22
Long-term debt due within one year	73	561
Long-term debt to affiliates due within one year	560	
Accounts payable	1,318	1,322
Accrued expenses	840	976
Payables to affiliates	124	181
Deferred income taxes	1	25
Mark-to-market derivative liabilities	235	142
Unamortized energy contract liabilities	192	249
Other	478	389
Total current liabilities	3,835	3,867
Long-term debt	6,741	5,645
Long-term debt to affiliate	946	1,523
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	6,202	6,295
Asset retirement obligations	6,853	5,047
Non-pension postretirement benefit obligations	949	850
Spent nuclear fuel obligation	1,021	1,021
Payables to affiliates	2,850	2,740
Mark-to-market derivative liabilities	104	120
Unamortized energy contract liabilities	214	266
Payable for Zion Station decommissioning	260	305
Other	718	811
Total deferred credits and other liabilities	19,171	17,455
Total liabilities^(a)	30,693	28,490
Commitments and contingencies		
Equity		
Member s equity		
Membership interest	8,953	8,898
Undistributed earnings	4,099	3,613
Accumulated other comprehensive income, net	11	214
Total member s equity	13,063	12,725
Noncontrolling interest	1,263	17
Total equity	14,326	12,742
Total liabilities and equity	\$ 45,019	\$ 41,232

- (a) Generation's consolidated assets include \$7,703 million and \$1,695 million at September 30, 2014 and December 31, 2013, respectively, of certain VIEs that can only be used to settle the liabilities of the VIE. Generation's consolidated liabilities include \$2,338 million and \$362 million at September 30, 2014 and December 31, 2013, respectively, of certain VIEs for which the VIE creditors do not have recourse to Generation. See Note 3 Variable Interest Entities.

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EXELON GENERATION COMPANY, LLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

(In millions)	Member s Equity				Total Equity
	Membership Interest	Undistributed Earnings	Accumulated Other Comprehensive Income, net	Noncontrolling Interest	
Balance, December 31, 2013	\$ 8,898	\$ 3,613	\$ 214	\$ 17	\$ 12,742
Net income		926		111	1,037
Acquisition of noncontrolling interest				2	2
Allocation of tax benefit from member	55				55
Distribution to member		(440)			(440)
Noncontrolling interest established upon consolidation of CENG				1,548	1,548
Consolidated VIE dividend to noncontrolling interest				(415)	(415)
Reversal of CENG equity method AOCI, net of income taxes of \$77			(116)		(116)
Other comprehensive loss, net of income taxes of \$53			(87)		(87)
Balance, September 30, 2014	\$ 8,953	\$ 4,099	\$ 11	\$ 1,263	\$ 14,326

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

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 1,221	\$ 1,155	\$ 3,482	\$ 3,393
Operating revenues from affiliates	1	1	2	2
Total operating revenues	1,222	1,156	3,484	3,395
Operating expenses				
Purchased power	325	158	741	522
Purchased power from affiliate	1	143	174	409
Operating and maintenance	320	296	923	907
Operating and maintenance from affiliate	39	37	117	113
Depreciation and amortization	174	164	521	501
Taxes other than income	76	80	225	225
Total operating expenses	935	878	2,701	2,677
Operating income	287	278	783	718
Other income and (deductions)				
Interest expense	(78)	(71)	(231)	(493)
Interest expense to affiliates, net	(3)	(3)	(10)	(10)
Other, net	4	7	14	18
Total other income and (deductions)	(77)	(67)	(227)	(485)
Income before income taxes	210	211	556	233
Income taxes	84	85	221	93
Net income	\$ 126	\$ 126	\$ 335	\$ 140
Comprehensive income	\$ 126	\$ 126	\$ 335	\$ 140

See the Combined Notes to Consolidated Financial Statements

Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Nine Months Ended	
	September 30,	2013
	2014	2013
Cash flows from operating activities		
Net income	\$ 335	\$ 140
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	521	501
Deferred income taxes and amortization of investment tax credits	154	(152)
Other non-cash operating activities	116	26
Changes in assets and liabilities:		
Accounts receivable	(109)	(21)
Receivables from and payables to affiliates, net	(55)	(32)
Inventories	(12)	(12)
Accounts payable, accrued expenses and other current liabilities	59	48
Income taxes	15	262
Pension and non-pension postretirement benefit contributions	(237)	(120)
Other assets and liabilities	62	210
Net cash flows provided by operating activities	849	850
Cash flows from investing activities		
Capital expenditures	(1,173)	(1,074)
Proceeds from sales of investments	7	5
Purchases of investments	(3)	(3)
Change in restricted cash	(2)	(3)
Other investing activities	23	33
Net cash flows used in investing activities	(1,148)	(1,042)
Cash flows from financing activities		
Changes in short-term borrowings	344	153
Issuance of long-term debt	650	350
Retirement of long-term debt	(617)	(252)
Contributions from parent	168	
Dividends paid on common stock	(230)	(165)
Other financing activities	(8)	(4)
Net cash flows provided by financing activities	307	82
Increase (Decrease) in cash and cash equivalents	8	(110)
Cash and cash equivalents at beginning of period	36	144
Cash and cash equivalents at end of period	\$ 44	\$ 34

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Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 44	\$ 36
Restricted cash	4	2
Accounts receivable, net		
Customer	486	451
Other	455	581
Receivables from affiliates	3	3
Inventories, net	121	109
Regulatory assets	330	329
Other	37	29
Total current assets	1,480	1,540
Property, plant and equipment, net		
	15,389	14,666
Deferred debits and other assets		
Regulatory assets	928	933
Investments		5
Investments in affiliates	6	6
Goodwill	2,625	2,625
Receivables from affiliates	2,551	2,469
Prepaid pension asset	1,588	1,583
Other	278	291
Total deferred debits and other assets	7,976	7,912
Total assets	\$ 24,845	\$ 24,118

See the Combined Notes to Consolidated Financial Statements

Table of Contents**COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 528	\$ 184
Long-term debt due within one year	260	617
Accounts payable	571	449
Accrued expenses	254	307
Payables to affiliates	28	83
Customer deposits	128	133
Regulatory liabilities	187	170
Deferred income taxes	117	16
Mark-to-market derivative liability	14	17
Other	73	72
Total current liabilities	2,160	2,048
Long-term debt	5,448	5,058
Long-term debt to financing trust	206	206
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	4,170	4,116
Asset retirement obligations	103	99
Non-pension postretirement benefits obligations	278	381
Regulatory liabilities	3,643	3,512
Mark-to-market derivative liability	164	176
Other	868	994
Total deferred credits and other liabilities	9,226	9,278
Total liabilities	17,040	16,590
Commitments and contingencies		
Shareholders equity		
Common stock	1,588	1,588
Other paid-in capital	5,362	5,190
Retained earnings	855	750
Total shareholders equity	7,805	7,528
Total liabilities and shareholders equity	\$ 24,845	\$ 24,118

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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	Total Shareholders Equity
Balance, December 31, 2013	\$ 1,588	\$ 5,190	\$ (1,639)	\$ 2,389	\$ 7,528
Net income			335		335
Appropriation of retained earnings for future dividends			(335)	335	
Common stock dividends				(230)	(230)
Contribution from parent		168			168
Parent tax matter indemnification		4			4
Balance, September 30, 2014	\$ 1,588	\$ 5,362	\$ (1,639)	\$ 2,494	\$ 7,805

See the Combined Notes to Consolidated Financial Statements

Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 693	\$ 727	\$ 2,342	\$ 2,294
Operating revenues from affiliates		1	1	1
Total operating revenues	693	728	2,343	2,295
Operating expenses				
Purchased power and fuel	228	207	798	632
Purchased power from affiliate	27	82	162	321
Operating and maintenance	181	162	597	480
Operating and maintenance from affiliates	23	24	71	74
Depreciation and amortization	59	57	176	171
Taxes other than income	42	41	122	121
Total operating expenses	560	573	1,926	1,799
Operating income	133	155	417	496
Other income and (deductions)				
Interest expense	(26)	(26)	(76)	(77)
Interest expense to affiliates, net	(3)	(3)	(9)	(9)
Other, net	2	1	5	4
Total other income and (deductions)	(27)	(28)	(80)	(82)
Income before income taxes	106	127	337	414
Income taxes	25	35	82	122
Net income	81	92	255	292
Preferred security dividends and redemption				7
Net income attributable to common shareholder	\$ 81	\$ 92	\$ 255	\$ 285
Comprehensive income	\$ 81	\$ 92	\$ 255	\$ 292

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 255	\$ 292
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	176	171
Deferred income taxes and amortization of investment tax credits	7	35
Other non-cash operating activities	70	84
Changes in assets and liabilities:		
Accounts receivable	63	41
Receivables from and payables to affiliates, net	(20)	(25)
Inventories	5	4
Accounts payable, accrued expenses and other current liabilities	19	9
Income taxes	16	66
Pension and non-pension postretirement benefit contributions	(12)	(10)
Other assets and liabilities	(75)	(47)
Net cash flows provided by operating activities	504	620
Cash flows from investing activities		
Capital expenditures	(461)	(374)
Changes in intercompany money pool		(1)
Change in restricted cash		(1)
Other investing activities	9	8
Net cash flows used in investing activities	(452)	(368)
Cash flows from financing activities		
Payment of accounts receivable agreement		(210)
Issuance of long-term debt	300	550
Contributions from parent	24	
Dividends paid on common stock	(240)	(248)
Dividends paid on preferred securities		(1)
Redemption of preferred securities		(93)
Other financing activities	(7)	(3)
Net cash flows provided by (used in) financing activities	77	(5)
Increase in cash and cash equivalents	129	247
Cash and cash equivalents at beginning of period	217	362
Cash and cash equivalents at end of period	\$ 346	\$ 609

See the Combined Notes to Consolidated Financial Statements

Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 346	\$ 217
Restricted cash and cash equivalents	2	2
Accounts receivable, net		
Customer	258	360
Other	105	103
Receivables from affiliates	3	4
Inventories, net		
Fossil fuel	52	60
Materials and supplies	24	21
Deferred income taxes	83	83
Prepaid utility taxes	44	3
Regulatory assets	21	17
Other	44	36
Total current assets	982	906
Property, plant and equipment, net	6,648	6,384
Deferred debits and other assets		
Regulatory assets	1,520	1,448
Investments	23	23
Investments in affiliates	8	8
Receivable from affiliates	479	447
Prepaid pension asset	352	363
Other	39	38
Total deferred debits and other assets	2,421	2,327
Total assets	\$ 10,051	\$ 9,617

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Table of Contents**PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Long-term debt due within one year	\$ 250	\$ 250
Accounts payable	303	285
Accrued expenses	121	106
Payables to affiliates	38	58
Customer deposits	53	49
Regulatory liabilities	79	106
Other	26	37
Total current liabilities	870	891
Long-term debt		
Long-term debt to financing trusts	2,246	1,947
Deferred credits and other liabilities	184	184
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	2,574	2,487
Asset retirement obligations	30	29
Non-pension postretirement benefits obligations	291	286
Regulatory liabilities	655	629
Other	97	99
Total deferred credits and other liabilities	3,647	3,530
Total liabilities	6,947	6,552
Commitments and contingencies		
Shareholder's equity		
Common stock	2,439	2,415
Retained earnings	664	649
Accumulated other comprehensive income, net	1	1
Total shareholder's equity	3,104	3,065
Total liabilities and shareholder's equity	\$ 10,051	\$ 9,617

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PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER S EQUITY

(Unaudited)

(In millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholder s Equity
Balance, December 31, 2013	\$ 2,415	\$ 649	\$ 1	\$ 3,065
Net income		255		255
Common stock dividends		(240)		(240)
Allocation of tax benefit from parent	\$ 24	\$	\$	\$ 24
Balance, September 30, 2014	\$ 2,439	\$ 664	\$ 1	\$ 3,104

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BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues				
Operating revenues	\$ 694	\$ 735	\$ 2,383	\$ 2,261
Operating revenues from affiliates	3	2	21	10
Total operating revenues	697	737	2,404	2,271
Operating expenses				
Purchased power and fuel	216	202	808	703
Purchased power from affiliate	81	144	286	356
Operating and maintenance	142	125	468	391
Operating and maintenance from affiliates	23	21	73	59
Depreciation and amortization	78	78	275	252
Taxes other than income	55	53	168	162
Total operating expenses	595	623	2,078	1,923
Operating income	102	114	326	348
Other income and (deductions)				
Interest expense	(22)	(25)	(69)	(82)
Interest expense to affiliates, net	(4)	(4)	(12)	(12)
Other, net	4	4	14	13
Total other income and (deductions)	(22)	(25)	(67)	(81)
Income before income taxes	80	89	259	267
Income taxes	31	36	103	107
Net income	49	53	156	160
Preference stock dividends	3	3	10	10
Net income attributable to common shareholder	\$ 46	\$ 50	\$ 146	\$ 150
Comprehensive income	\$ 49	\$ 53	\$ 156	\$ 160

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(In millions)	Nine Months Ended	
	2014	September 30, 2013
Cash flows from operating activities		
Net income	\$ 156	\$ 160
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	275	252
Deferred income taxes and amortization of investment tax credits	57	105
Other non-cash operating activities	129	105
Changes in assets and liabilities:		
Accounts receivable	101	(28)
Receivables from and payables to affiliates, net	(11)	(12)
Inventories	(21)	(15)
Accounts payable, accrued expenses and other current liabilities	(50)	(5)
Counterparty collateral received, net	16	
Income taxes	53	6
Pension and non-pension postretirement benefit contributions	(13)	(16)
Other assets and liabilities	(67)	(119)
Net cash flows provided by operating activities	625	433
Cash flows from investing activities		
Capital expenditures	(458)	(391)
Change in restricted cash	(37)	(20)
Other investing activities	15	2
Net cash flows used in investing activities	(480)	(409)
Cash flows from financing activities		
Changes in short-term borrowings	(115)	40
Issuance of long-term debt		300
Retirement of long-term debt	(35)	(433)
Dividends paid on preference stock	(10)	(10)
Other financing activities	11	(3)
Net cash flows used in financing activities	(149)	(106)
Decrease in cash and cash equivalents	(4)	(82)
Cash and cash equivalents at beginning of period	31	89
Cash and cash equivalents at end of period	\$ 27	\$ 7

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27	\$ 31
Restricted cash and cash equivalents	65	28
Accounts receivable, net		
Customer	366	480
Other	90	114
Income taxes receivable		30
Inventories, net		
Gas held in storage	68	53
Materials and supplies	34	28
Deferred income taxes	5	2
Prepaid utility taxes	2	57
Regulatory assets	206	181
Other	6	7
Total current assets	869	1,011
Property, plant and equipment, net	6,126	5,864
Deferred debits and other assets		
Regulatory assets	500	524
Investments	4	5
Investments in affiliates	8	8
Prepaid pension asset	382	423
Other	26	26
Total deferred debits and other assets	920	986
Total assets^(a)	\$ 7,915	\$ 7,861

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(In millions)	September 30, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings	\$ 20	\$ 135
Long-term debt due within one year	72	70
Accounts payable	207	270
Accrued expenses	167	111
Deferred income taxes	52	27
Payables to affiliates	56	55
Customer deposits	93	76
Regulatory liabilities	45	48
Other	45	35
Total current liabilities	757	827
Long-term debt	1,904	1,941
Long-term debt to financing trust	258	258
Deferred credits and other liabilities		
Deferred income taxes and unamortized investment tax credits	1,805	1,773
Asset retirement obligations	18	19
Non-pension postretirement benefits obligations	213	217
Regulatory liabilities	199	204
Other	60	67
Total deferred credits and other liabilities	2,295	2,280
Total liabilities ^(a)	5,214	5,306
Commitments and contingencies		
Shareholders equity		
Common stock	1,360	1,360
Retained earnings	1,151	1,005
Total shareholder s equity	2,511	2,365
Preference stock not subject to mandatory redemption	190	190
Total equity	2,701	2,555
Total liabilities and shareholders equity	\$ 7,915	\$ 7,861

(a) BGE s consolidated assets include \$50 million and \$31 million at September 30, 2014 and December 31, 2013, respectively, of BGE s consolidated VIE that can only be used to settle the liabilities of the VIE. BGE s consolidated liabilities include \$237 million and \$269

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million at September 30, 2014 and December 31, 2013, respectively, of BGE's consolidated VIE for which the VIE creditors do not have recourse to BGE. See Note 3 Variable Interest Entities.

See the Combined Notes to Consolidated Financial Statements

Table of Contents**BALTIMORE GAS AND ELECTRIC COMPANY AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****(Unaudited)**

(In millions)	Common Stock	Retained Earnings	Total Shareholders Equity	Preference stock not subject to mandatory redemption	Total Equity
Balance, December 31, 2013	\$ 1,360	\$ 1,005	\$ 2,365	\$ 190	\$ 2,555
Net income		156	156		156
Preference stock dividends		(10)	(10)		(10)
Balance, September 30, 2014	\$ 1,360	\$ 1,151	\$ 2,511	\$ 190	\$ 2,701

See the Combined Notes to Consolidated Financial Statements

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share data, unless otherwise noted)

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

Exelon is a utility services holding company engaged through its principal subsidiaries in the energy generation and energy distribution businesses. On April 1, 2014, Generation assumed the operating licenses and corresponding operational control of CENG's nuclear fleet. As a result, Exelon and Generation consolidated CENG's financial position and results of operations into their businesses. Prior to April 1, 2014, Exelon and Generation accounted for CENG as an equity method investment. Refer to Note 6 Investment in Constellation Energy Nuclear Group, LLC for further information regarding the integration transaction.

The energy generation business includes:

Generation: Physical delivery and marketing of owned and contracted electric generation capacity and provision of renewable and other energy-related products and services, and natural gas exploration and production activities. Generation has six reportable segments consisting of the Mid-Atlantic, Midwest, New England, New York, ERCOT and Other regions.

The energy delivery businesses include:

ComEd: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in northern Illinois, including the City of Chicago.

PECO: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in southeastern Pennsylvania, including the City of Philadelphia, and the purchase and regulated retail sale of natural gas and the provision of distribution services in the Pennsylvania counties surrounding the City of Philadelphia.

BGE: Purchase and regulated retail sale of electricity and the provision of distribution and transmission services in central Maryland, including the City of Baltimore, and the purchase and regulated retail sale of natural gas and the provision of distribution services in central Maryland, including the City of Baltimore.

Each of the Registrant's Consolidated Financial Statements includes the accounts of its subsidiaries. All intercompany transactions have been eliminated.

Certain prior year amounts in ComEd's and PECO's Consolidated Balance Sheets have been reclassified between line items for comparative purposes. The reclassifications did not affect any of the Registrants' net income or cash flows from operating activities.

Certain prior year amounts in the Exelon, Generation and BGE Consolidated Statement of Operations have been reclassified between line items for correction of prior period classification errors. Exelon corrected the presentation of Purchased power and fuel from affiliates of \$339 million and \$944 million on its Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2013, respectively. Generation corrected the presentation of Purchased power and fuel from affiliates of \$342 million and \$953 million on its Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2013, respectively. Generation also corrected the presentation of Interest expense to affiliates, net of \$13 million and \$47 million on its Statement of Operations and Comprehensive Income for the three and nine months ended September 30, 2013, respectively. BGE corrected its presentation of Interest expense to affiliates, net of \$4 million and \$12 million on the Statement of Operations and Comprehensive Income for the three and nine months ended September 30, 2013, respectively.

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)**

The accompanying consolidated financial statements as of September 30, 2014 and 2013 and for the nine months then ended are unaudited but, in the opinion of the management of each Registrant include all adjustments that are considered necessary for a fair statement of the Registrants respective financial statements in accordance with GAAP. All adjustments are of a normal, recurring nature, except as otherwise disclosed. The December 31, 2013 Consolidated Balance Sheets were obtained from audited financial statements. Financial results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2014. These Combined Notes to Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the 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 Combined Consolidated Financial Statements of all Registrants included in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA of their respective 2013 Form 10-K Reports.

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

The following recently issued accounting standards were adopted by or are effective for the Registrants during 2014.

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses or Tax Credit Carryforwards Exist

In July 2013, the FASB issued authoritative guidance requiring entities to present unrecognized tax benefits as a reduction to deferred tax assets for losses or other tax carryforwards that would be available to offset the uncertain tax positions at the reporting date. This guidance was effective for the Registrants for periods beginning after December 15, 2013 and was required to be applied prospectively. The adoption of this standard had an immaterial effect on the presentation of deferred tax assets at Exelon and Generation and no effect on ComEd, PECO and BGE. There was no effect on the Registrants' results of operations or cash flows.

The following recently issued accounting standards are not yet required to be reflected in the combined financial statements of the Registrants.

Revenue from Contracts with Customers

In May 2014, the FASB issued authoritative guidance that changes the criteria for recognizing revenue from a contract with a customer. The new guidance replaces existing guidance on revenue recognition, including most industry specific guidance, with a five step model for recognizing and measuring revenue from contracts with customers. The objective of the new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance also requires a number of disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows. The guidance is effective for the Registrants for the first interim period within annual reporting periods beginning on or after December 15, 2016. Early adoption is not permitted. The guidance can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). The Registrants are currently assessing the impacts this guidance may have on their financial positions, results of operations, cash flows and disclosures as well as the transition method that they will use to adopt the guidance.

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in millions, except per share data, unless otherwise noted)

3. Variable Interest Entities (Exelon, Generation, ComEd, PECO and BGE)

Under the applicable authoritative guidance, a VIE is a legal entity that possesses any of the following characteristics: an insufficient amount of equity at risk to finance its activities, equity owners who do not have the power to direct the significant activities of the entity (or have voting rights that are disproportionate to their ownership interest), or equity owners who do not have the obligation to absorb expected losses or the right to receive the expected residual returns of the entity. Companies are required to consolidate a VIE if they are its primary beneficiary, which is the enterprise that has the power to direct the activities that most significantly affect the entity's economic performance.

At September 30, 2014 and December 31, 2013, Exelon, Generation, and BGE collectively consolidated six and four VIEs or VIE groups, respectively, for which the applicable Registrant was the primary beneficiary (*see Consolidated Variable Interest Entities below*). As of September 30, 2014 and December 31, 2013, the Registrants had significant interests in eight other VIEs for which the Registrants do not have the power to direct the entities' activities and, accordingly, were not the primary beneficiary.

Through March 31, 2014, CENG was operated as a joint venture with EDF Inc. (EDFI) (a subsidiary of EDF) and was governed by a board of ten directors, five of which were appointed by Generation and five by EDF. CENG was designed to operate under joint and equal control of Generation and EDFI through the Board of Directors, subject to the Chairman of the Board's final decision making authority on certain special matters; therefore, CENG was not subject to VIE guidance. Accordingly, Generation's 50.01% interest in CENG was accounted for as an equity method investment. On April 1, 2014, Generation, CENG, and subsidiaries of CENG executed the Nuclear Operating Services Agreement (NOSA) pursuant to which Generation now conducts all activities associated with the operations of the CENG fleet and provides corporate and administrative services to CENG and the CENG fleet for the remaining life of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDFI. As a result of executing the NOSA, CENG now qualifies as a VIE due to the disproportionate relationship between Generation's 50.01% equity ownership interest and its role in conducting the operational activities of CENG and the CENG fleet conveyed through the NOSA. Further, since Generation is conducting the operational activities of CENG and the CENG fleet, Generation qualifies as the primary beneficiary of CENG and, therefore, is required to consolidate the financial position and results of operations of CENG. On April 1, 2014, Exelon and Generation derecognized Generation's equity method investment in CENG and reflected all assets, liabilities, and the EDFI noncontrolling interest in CENG at fair value on the consolidated balance sheets of Exelon and Generation, resulting in the recognition of a \$261 million gain in their respective consolidated statements of operations and comprehensive income for the nine months ended September 30, 2014. For additional information on this transaction refer to Note 6 Investment in Constellation Energy Nuclear Group, LLC.

In March 2014, Generation began consolidating retail power VIEs for which Generation is the primary beneficiary as a result of energy supply contracts that give Generation the power to direct the activities that most significantly affect the economic performance of the entities. Generation does not have an equity ownership interest in these entities. These entities are included in Generation's consolidated financial statements, and the consolidation of the VIEs does not have a material impact on Generation's financial results or financial condition.

Consolidated Variable Interest Entities

Exelon, Generation and BGE's consolidated VIEs consist of:

BondCo, a special purpose bankruptcy remote limited liability company formed by BGE to acquire, hold, and issue and service bonds secured by rate stabilization property,

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except per share data, unless otherwise noted)

a retail gas group formed by Generation to enter into a collateralized gas supply agreement with a third-party gas supplier,

a group of solar project limited liability companies formed by Generation to build, own and operate solar power facilities,

several wind project companies designed by Generation to develop, construct and operate wind generation facilities,

certain retail power companies for which Generation is the sole supplier of energy, and

CENG.

As of September 30, 2014 and December 31, 2013, ComEd and PECO do not have any material consolidated VIEs.

As of September 30, 2014 and December 31, 2013, Exelon, Generation, and BGE provided the following support to their respective consolidated VIEs:

In the case of BondCo, BGE is required to remit all payments it receives from all residential customers through non-bypassable, rate stabilization charges to BondCo. During the three and nine months ended September 30, 2014, BGE remitted \$21 million and \$63 million, respectively, to BondCo. During the three and nine months ended September 30, 2013, BGE remitted \$24 million and \$63 million, respectively, to BondCo.

Generation provides operating and capital funding to the solar entities for ongoing construction, operations and maintenance of the solar power facilities and provides limited recourse related to the Antelope Valley project.

Generation and Exelon, where indicated, provide the following support to CENG (see Note 25 Related Party Transactions of the Exelon 2013 Form 10-K and Note 6 Investment in Constellation Energy Nuclear Group, LLC for additional information regarding Generation and Exelon's transactions with CENG):

under the NOSA, Generation conducts all activities related to the operation of the CENG nuclear generation fleet owned by CENG subsidiaries (the CENG fleet) and provides corporate and administrative services for the remaining life and decommissioning of the CENG nuclear plants as if they were a part of the Generation nuclear fleet, subject to the CENG member rights of EDFI,

under the Power Services Agency Agreement (PSAA), Generation provides scheduling, asset management, and billing services to the CENG fleet for the remaining operating life of the CENG nuclear plants,

under power purchase agreements with CENG, Generation will purchase 85% of the available output generated by the CENG nuclear plants for the remainder of 2014 and 50.01% from 2015 through the end of the operating life of each respective plant,

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Generation provided a \$400 million loan to CENG (see Note 6 Investment in Constellation Energy Nuclear Group, LLC for more details),

Generation executed an Indemnity Agreement pursuant to which Generation agreed to indemnify EDF and its affiliates against third-party claims that may arise from any future nuclear incident (as defined in the Price Anderson Act) in connection with the CENG nuclear plants or their operations. Exelon guarantees Generation's obligations under this Indemnity Agreement. (See Note 18 Commitments and Contingencies for more details),

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except per share data, unless otherwise noted)

in connection with CENG's severance obligations, Generation has agreed to reimburse CENG for a total of approximately \$6 million of the severance benefits paid or to be paid in 2013 through 2016. As of September 30, 2014, the remaining obligation is approximately \$4 million,

Generation and EDFI share in the \$637 million of contingent payment obligations for the payment of contingent retrospective premium adjustments for the nuclear liability insurance (see Note 18 - Commitments and Contingencies for more details),

Generation provides a guarantee of approximately \$7 million associated with hazardous waste management facilities and underground storage tanks. In addition, EDFI executed a reimbursement agreement that provides reimbursement to Exelon for 49.99% of any amounts paid by Generation under this guarantee,

Generation and EDFI are the members-insured with Nuclear Electric Insurance Limited and have assigned the loss benefits under the insurance and the NEIL premium costs to CENG and guarantee the obligations of CENG under these insurance programs in proportion to their respective member interests (see Note 18 - Commitments and Contingencies for more details), and

Exelon has executed an agreement to provide up to \$245 million to support the operations of CENG as well as a \$165 million guarantee of CENG's cash pooling agreement with its subsidiaries.

Generation provides approximately \$4 million in credit support for the retail power companies for which Generation is the sole supplier of energy, and

Generation provides a \$75 million parental guarantee to the third-party gas supplier in support of its retail gas group. For each of the consolidated VIEs, except as otherwise noted:

The assets of the VIEs are restricted and can only be used to settle obligations of the respective VIE;

Exelon, Generation and BGE did not provide any additional material financial support to the VIEs;

Exelon, Generation and BGE did not have any material contractual commitments or obligations to provide financial support to the VIEs; and

the creditors of the VIEs did not have recourse to Exelon's, Generation's or BGE's general credit. The carrying amounts and classification of the consolidated VIEs' assets and liabilities included in Exelon's, Generation's, and BGE's consolidated financial statements at September 30, 2014 and December 31, 2013 are as follows:

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	September 30, 2014			December 31, 2013		
	Exelon ^{(a)(b)}	Generation ^(b)	BGE	Exelon ^(a)	Generation	BGE
Current assets	\$ 1,071	\$ 1,018	\$ 47	\$ 484	\$ 446	\$ 28
Noncurrent assets	7,384	7,367	3	1,905	1,884	3
Total assets	\$ 8,455	\$ 8,385	\$ 50	\$ 2,389	\$ 2,330	\$ 31
Current liabilities	\$ 545	\$ 460	\$ 79	\$ 566	\$ 481	\$ 74
Noncurrent liabilities	2,671	2,499	158	774	562	195
Total liabilities	\$ 3,216	\$ 2,959	\$ 237	\$ 1,340	\$ 1,043	\$ 269

(a) Includes certain purchase accounting adjustments not pushed down to the BGE standalone entity.

(b) Includes total assets of \$6.0 billion and total liabilities of \$2.0 billion due to the consolidation of CENG beginning April 1, 2014. See Note 6 Investment in Constellation Energy Nuclear Group, LLC for additional information.

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in millions, except per share data, unless otherwise noted)

Included within the balances above are assets and liabilities of certain consolidated VIEs for which the assets can only be used to settle obligations of those VIEs, and liabilities that creditors, or beneficiaries, do not have recourse to the general credit of the Registrants. As of September 30, 2014 and December 31, 2013, these assets and liabilities primarily consisted of the following:

	September 30, 2014			December 31, 2013		
	Exelon	Generation	BGE	Exelon	Generation	BGE
Cash and cash equivalents	\$ 372	\$ 372	\$	\$ 62	\$ 62	\$
Restricted cash	142	95	47	80	52	28
Accounts receivable, net						
Customer	213	213		260	260	
Other	53	53				
Mark-to-market derivatives assets	40	40		21	21	
Inventory						
Materials and supplies	171	171				
Other current assets	53	47		34	23	
Total current assets	1,044	991	47	457	418	28
Property, plant and equipment, net	4,517	4,517		1,171	1,171	
Nuclear decommissioning trust funds	2,034	2,034				
Goodwill	46	46				
Other noncurrent assets	132	115	3	127	106	3
Total noncurrent assets	6,729	6,712	3	1,298	1,277	3
Total assets	\$ 7,773	\$ 7,703	\$ 50	\$ 1,755	\$ 1,695	\$ 31
Short-term borrowings	\$ 1	\$ 1	\$	\$	\$	\$
Long-term debt due within one year	83	5	72	85	5	70
Accounts payable	264	264		170	170	
Accrued expenses	78	72	7	26	22	4
Mark-to-market derivative liabilities	18	18		29	29	
Other current liabilities	53	53		10	10	
Total current liabilities	497	413	79	320	236	74
Long-term debt	256	84	158	298	86	195
Asset retirement obligations	1,654	1,654				
Pension obligation ^(a)	8	8				
Other noncurrent liabilities	179	179		40	40	
Noncurrent liabilities	2,097	1,925	158	338	126	195
Total liabilities	\$ 2,594	\$ 2,338	\$ 237	\$ 658	\$ 362	\$ 269

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- (a) Includes the CNEG retail gas pension obligation, which is presented as a net asset balance within the Prepaid Pension asset line item on Generation s balance sheet. See Note 13 - Retirement Benefits for additional details.

Unconsolidated Variable Interest Entities

Exelon s and Generation s variable interests in unconsolidated VIEs generally include equity investments and energy purchase and sale contracts. For the equity investments, the carrying amount of the investments is reflected on Exelon s and Generation s Consolidated Balance Sheets in Investments in affiliates, Investments, and Other assets. For the energy purchase and sale contracts and the fuel purchase commitments (commercial

Table of Contents**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in millions, except per share data, unless otherwise noted)**

agreements), the carrying amount of assets and liabilities in Exelon's and Generation's Consolidated Balance Sheets that relate to their involvement with the VIEs are predominately related to working capital accounts and generally represent the amounts owed by, or owed to, Exelon and Generation for the deliveries associated with the current billing cycles under the commercial agreements. Further, Exelon and Generation have not provided material debt or equity support, liquidity arrangements or performance guarantees associated with these commercial agreements.

The Registrants' unconsolidated VIEs consist of:

Energy purchase and sale agreements with VIEs for which Generation has concluded that consolidation is not required.

ZionSolutions, LLC asset sale agreement with EnergySolutions, Inc. and certain subsidiaries in which Generation has a variable interest but has concluded that consolidation is not required.

Equity investments in energy development projects and energy generating facilities for which Generation has concluded that consolidation is not required.

As of September 30, 2014 and December 31, 2013, Exelon and Generation had significant unconsolidated variable interests in eight VIEs for which Exelon or Generation, as applicable, was not the primary beneficiary; including certain equity method investments and certain commercial agreements. The number of unconsolidated VIEs did not change overall; however, during the nine months ended September 30, 2014 Generation made an investment in a new unconsolidated VIE and executed an energy purchase and sale agreement with a new unconsolidated VIE, offset by the sale of Generation's ownership interest in two unconsolidated VIEs. The following tables present summary information about Exelon and Generation's significant unconsolidated VIE entities:

	Commercial Agreement VIEs	Equity Investment VIEs	Total
September 30, 2014			
Total assets ^(a)	\$ 115	\$ 307	\$ 422
Total liabilities ^(a)	2	115	117
Exelon's ownership interest in VIE ^(b)		62	62
Other ownership interests in VIE ^(a)	113	130	243
Registrants' maximum exposure to loss:			
Carrying amount of equity method investments		66	66
Contract intangible asset	9		9
Debt and payment guarantees		3	3
Net assets pledged for Zion Station decommissioning ^(b)	31		31

	Commercial Agreement VIEs	Equity Investment VIEs	Total
December 31, 2013			
Total assets ^(a)	\$ 128	\$ 332	\$ 460
Total liabilities ^(a)	17	123	140
Exelon's ownership interest in VIE ^(b)		86	86
Other ownership interests in VIE ^(a)	111	123	234

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Registrants maximum exposure to loss:			
Carrying amount of equity method investments	7	67	74
Contract intangible asset	9		9
Debt and payment guarantees		5	5
Net assets pledged for Zion Station decommissioning ^(b)	44		44

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except per share data, unless otherwise noted)

- (a) These items represent amounts on the unconsolidated VIE balance sheets, not on Exelon's or Generation's Consolidated Balance Sheets. These items are included to provide information regarding the relative size of the unconsolidated VIEs.
- (b) These items represent amounts on Exelon's and Generation's Consolidated Balance Sheets related to the asset sale agreement with ZionSolutions, LLC. The net assets pledged for Zion Station decommissioning includes gross pledged assets of \$365 million and \$458 million as of September 30, 2014 and December 31, 2013, respectively; offset by payables to ZionSolutions LLC of \$334 million and \$414 million as of September 30, 2014 and December 31, 2013, respectively. These items are included to provide information regarding the relative size of the ZionSolutions LLC unconsolidated VIE.

For each of the unconsolidated VIEs, Exelon and Generation assess the risk of a loss equal to their maximum exposure to be remote and, accordingly, Exelon and Generation have not recognized a liability associated with any portion of the maximum exposure to loss. In addition, there are no material agreements with, or commitments by, third parties that would affect the fair value or risk of their variable interests in these VIEs.

4. Mergers, Acquisitions and Dispositions

Proposed Merger with Pepco Holdings, Inc. (Exelon)

Description of Transaction

On April 29, 2014, Exelon and Pepco Holdings, Inc. (PHI) signed an agreement and plan of merger (as subsequently amended and restated as of July 18, 2014, the Merger Agreement) to combine the two companies in an all cash transaction. The resulting company will retain the Exelon name and be headquartered in Chicago. Under the Merger Agreement, PHI's shareholders will receive \$27.25 of cash in exchange for each share of PHI common stock. In connection with the Merger Agreement, Exelon entered into a subscription agreement under which it purchased \$90 million of a new class of nonvoting, nonconvertible and nontransferable preferred securities of PHI, in the second quarter of 2014, with additional investments of \$18 million to be made quarterly up to a maximum aggregate investment of \$180 million. PHI has the right to redeem the preferred securities at its option for the purchase price paid plus accrued dividends, if any. The \$108 million of PHI preferred securities are included in Other non-current assets on Exelon's Consolidated Balance Sheet as of September 30, 2014. Exelon expects total cash required to fund the acquisition of common stock and preferred securities plus other related acquisition costs to total approximately \$7.2 billion.

On September 23, 2014, PHI stockholders overwhelmingly approved the merger of PHI and Exelon. Completion of the transaction is also conditioned upon approval by the FERC and the public service commissions of the District of Columbia, Delaware, New Jersey and Virginia. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act), the transaction cannot be completed until Exelon has made required notifications and given certain information and materials to the Antitrust Division of the DOJ and until specified waiting period requirements have expired. In addition, the transfer of certain PHI communications licenses requires approval by the Federal Communication Commission.

During the second quarter of 2014, Exelon and PHI (Joint Applicants) filed approval applications with the FERC and the public service commissions of the District of Columbia, Delaware, New Jersey and Virginia. On August 19, 2014, the Joint Applicants filed their approval application in Maryland. The Joint Applicants also filed notifications with the DOJ in compliance with the requirements of the HSR Act. Exelon's notification was voluntarily withdrawn and refiled in the third quarter.

On October 7, 2014, the Virginia State Corporation Commission issued its Order, granting approval to transfer control of Delmarva Power & Light Company and Potomac Electric Power Company to Exelon. FERC approval is expected in the fourth quarter of 2014, while procedural schedules have been set in the remaining state commission proceedings and final approval decisions are expected in the first half of 2015.

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(Dollars in millions, except per share data, unless otherwise noted)

On October 9, 2014, PHI and Exelon each received a request for additional information from the DOJ. The request has the effect of extending the DOJ review period until 30 days after PHI and Exelon each has certified that it has substantially complied with the request. Exelon and PHI will continue to work cooperatively with the DOJ as it conducts its review of the proposed merger.

Exelon and PHI continue to expect to complete the merger in the second or third quarter of 2015.

Exelon has been named in suits filed in the Delaware Chancery Court alleging that individual directors of PHI breached their fiduciary duties by entering into the proposed merger transaction and Exelon aided and abetted the individual directors' breaches. The suits seek to enjoin PHI from completing the merger or seek rescission of the merger if completed. In addition, they also seek unspecified damages and costs. In September 2014, the parties reached a proposed settlement which is subject to court approval. Final court approval of the proposed settlement is not expected to occur until the second quarter of 2015, at the earliest. Exelon has also been named in a federal court case with similar claims and is in the process of negotiating a settlement. Exelon intends to vigorously defend these suits. Exelon does not believe these suits will impact the completion of the transaction, and they are not expected to have a material impact on Exelon's results of operations.

Through September 30, 2014, Exelon has incurred approximately \$57 million of expense associated with the transaction, primarily related to acquisition and integration costs. As part of the applications for approval of the merger, Exelon and PHI have proposed a package of benefits to the PHI utilities' respective customers, which would result in a direct investment of more than \$100 million. The Merger Agreement also provides for termination rights on behalf of both parties. Under certain circumstances, if the Merger Agreement is terminated, PHI may be required to pay Exelon a termination fee ranging from \$259 million to \$293 million plus certain expenses. If the Merger Agreement does not close due to a regulatory failure, Exelon may be required to pay PHI a termination fee equal to the amount of purchased nonvoting preferred securities of PHI described above, as a result of PHI redeeming the outstanding nonvoting preferred securities for no consideration other than the nominal par value of the stock.

Merger Financing

Exelon intends to fund the all-cash transaction using a combination of approximately \$3.5 billion of debt, up to \$1.0 billion in cash from asset sales primarily at Generation, and the remainder through issuance of equity (including mandatory convertible securities). On June 11, 2014, Exelon marketed an equity offering of 57.5 million shares of its common stock at a public offering price of \$35 per share in connection with forward sales agreements and \$1.2 billion of junior subordinated notes in the form of 23 million equity units. In addition, Exelon signed a 364-day \$7.2 billion senior unsecured bridge credit facility to support the contemplated transaction and provide flexibility for timing of permanent financing, which has subsequently been reduced to a \$3.9 billion facility as a result of the equity issuances and applicable asset divestitures. See Note 10 Debt and Credit Agreements and Note 16 Common Stock for more information.

Integrys Energy Group, Inc. (Exelon and Generation)

On July 29, 2014, Generation entered into a Stock Purchase Agreement (the Purchase Agreement) with Integrys Energy Group, Inc. (Integrys). Pursuant to the Purchase Agreement, Integrys agreed to sell its competitive retail electric and natural gas businesses through a sale of all of the stock of its wholly-owned subsidiary, Integrys Energy Services, Inc. (IES), to Generation for an all cash purchase price of \$60 million plus adjusted net working capital at the time of the closing. IES's adjusted net working capital balance was approximately \$260 million as of September 30, 2014. Pursuant to the Purchase Agreement, Generation has agreed to use its commercially reasonable efforts to replace the guarantees and other credit support currently

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being provided by Integrys for IES in support of the ongoing competitive retail businesses and to reimburse Integrys for any payments arising pursuant to such arrangements continuing for any post-closing period. The generation and solar asset businesses of IES are excluded from the transaction.

The transaction is expected to close November 1, 2014. The closing of the transaction is subject to certain conditions, including, among others, approval by the FERC and expiration or termination of the applicable waiting period under the HSR Act. The FERC approved the sale of IES to Exelon on September 16, 2014; additionally, the DOJ granted early termination of the HSR Act waiting period effective October 10, 2014. Either party may terminate the Purchase Agreement if the transaction has not been consummated within 6 months after the date of the Purchase Agreement. The Purchase Agreement also includes various representations, warranties, covenants, indemnification and other provisions customary for a transaction of this nature. The total costs directly related to the closing of the transaction are not expected to have a material impact on the financial results of Exelon and Generation.

Asset Divestitures (Exelon and Generation)

As of September 30, 2014, Generation had entered into agreements with various counterparties to divest certain generating assets with total expected pre-tax proceeds of \$1.3 billion (approximately \$975 million after-tax) which are expected to be used primarily to finance a portion of the acquisition of PHI. The net book value of these assets was approximately \$900 million.

On August 8, 2014 Generation closed on the sale of its 67% economic equity interest in the 417 MW Safe Harbor Water Power Corporation hydroelectric facility on the Susquehanna River in Pennsylvania for a purchase price of approximately \$615 million. Generation recorded a pre-tax gain on the sale of approximately \$329 million within Other, net on Exelon's and Generation's Consolidated Statements of Operations and Comprehensive Income.

During the third quarter of 2014, Generation also entered into purchase and sale agreements with separate counterparties to divest the following long-lived assets:

Station	Net Generation Capacity	Location	Operating Segment
Fore River	726 MW	North Weymouth, MA	New England
West Valley	185 MW	Salt Lake City, UT	Other
Quail Run	488 MW	Odessa, TX	ERCOT

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The assets and liabilities of the three power plants are reported as Assets held for sale and within Other current liabilities on Exelon's and Generation's Consolidated Balance Sheets. The table below presents the major classes of assets and liabilities held for sale at September 30, 2014.

	September 30, 2014
Assets:	
Property, plant and equipment, net ^(a)	\$ 617
Inventory	31
Current assets	1
Total assets held for sale	\$ 649
Liabilities:	
Accounts payable	\$ 1
Accrued expenses	4
Other current liabilities	13
Total liabilities held for sale^(b)	\$ 18

(a) The total aggregate book value of property, plant and equipment is net of a \$50 million pre-tax impairment loss recorded within Operating and maintenance expense on Exelon's and Generation's Statements of Operations and Comprehensive Income. See Note 7 Impairment of Long-Lived Assets for further information.

(b) Included within Other current liabilities on Exelon's and Generation's Consolidated Balance Sheets.

The transactions, which are subject to customary closing conditions and regulatory approvals, are expected to be completed by the end of the first quarter of 2015.

5. Regulatory Matters (Exelon, Generation, ComEd, PECO and BGE)**Regulatory and Legislative Proceedings (Exelon, Generation, ComEd, PECO and BGE)**

Except for the matters noted below, the disclosures set forth in Note 3 Regulatory Matters of the Exelon 2013 Form 10-K appropriately represent, in all material respects, the current status of regulatory and legislative proceedings of the Registrants. The following is an update to that discussion.

Illinois Regulatory Matters

Energy Infrastructure Modernization Act (Exelon and ComEd). Since 2011, ComEd's distribution rates are established through a performance-based rate formula, pursuant to EIMA. Participating utilities are required to file an annual update to the performance-based formula rate tariff on or before May 1, with resulting rates effective in January of the following year. This annual formula rate update is based on prior year actual costs and current year projected capital additions. The update also reconciles any differences between the revenue requirement(s) in effect for the prior year and actual costs incurred for that year. ComEd's earned rate of return on common equity is required to be within plus or minus 50 basis points (the collar) of the target rate of return determined as the annual average rate on 30-year treasury notes plus 580 basis points. Therefore, the collar limits favorable and unfavorable impacts of weather and load on distribution revenue. In addition, ComEd's target rate of return on common equity is subject to reduction if ComEd does not deliver the reliability and customer service benefits, as defined, it has committed to over the ten-year life of the investment program. ComEd records regulatory assets or regulatory liabilities and corresponding

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increases or decreases to operating revenues for any differences between the revenue requirement(s) in effect and ComEd's best estimate of the revenue requirement expected to be approved by the ICC for that year's reconciliation. As of September 30, 2014, and December 31,

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2013, ComEd had recorded a net regulatory asset associated with the distribution formula rate of \$466 million and \$463 million, respectively. The regulatory asset associated with the distribution true-up will be amortized as the associated amounts are recovered through rates.

On April 16, 2014, ComEd filed its annual distribution formula rate update with the ICC. The filing establishes the revenue requirement used to set the rates that will take effect in January 2015 after the ICC's review and approval, which is due by December 2014. The revenue requirement requested is based on 2013 actual costs plus projected 2014 capital additions as well as an annual reconciliation of the revenue requirement in effect in 2013 to the actual costs incurred that year. ComEd's 2014 filing request includes a total increase to the net revenue requirement of \$269 million, reflecting an increase of \$174 million for the initial revenue requirement for 2014 and an increase of \$95 million related to the annual reconciliation for 2013. The revenue requirement for 2014 provides for a weighted average debt and equity return on distribution rate base of 7.06% inclusive of an allowed return on common equity of 9.25%, reflecting the average rate on 30-year treasury notes plus 580 basis points. The annual reconciliation for 2013 provided for a weighted average debt and equity return on distribution rate base of 7.04% inclusive of an allowed return on common equity of 9.20%, reflecting the average rate on 30-year treasury notes plus 580 basis points less a performance metrics penalty of 5 basis points.

On October 15, 2014, the ALJ issued its proposed order in ComEd's current distribution formula rate proceeding, recommending an increase to the net revenue requirement of \$239 million as compared to ComEd's request of \$269 million discussed above. The \$30 million reduction, a portion of which may be recoverable through other recovery mechanisms, consisted of a decrease of \$20 million for the initial revenue requirement for 2014 and a decrease of \$10 million related to the annual reconciliation for 2013. The ALJ's proposed order has no independent legal effect as the ICC must vote on a final order by mid December 2014, which may materially vary from the findings and conclusions in the proposed order. If the ICC provides significant changes to ComEd's filed revenue requirement request, it could have a material impact on ComEd's current and future results of operations and cash flows.

EIMA also provides a structure for substantial capital investment by utilities over a ten-year period to modernize Illinois' electric utility infrastructure. Participating utilities are required to file an annual update on their AMI implementation progress. On April 1, 2014, ComEd filed an annual progress report on its AMI Implementation Plan with the ICC. The ICC ruled that no investigation would be opened in regards to that April filing. In March 2014, ComEd filed a petition with the ICC for approval to accelerate the deployment of AMI meters. On June 11, 2014, the ICC approved ComEd's accelerated deployment plan which allows for the installation of more than four million smart meters throughout ComEd's service territory by 2018, three years in advance of the originally scheduled 2021 completion date. To date, nearly 500,000 smart meters have been installed in the Chicago area.

Appeal of the 2012 Formula Rate Tariff (Exelon and ComEd). On April 30, 2012, ComEd filed its annual distribution formula rate update. The filing established the revenue requirement used to set the rates that were effective in January 2013. On December 20, 2012, the ICC issued its final order, which increased the revenue requirement by \$73 million. The \$73 million reflected an increase of \$80 million for the initial revenue requirement for 2012 and a decrease of \$7 million for the annual reconciliation for 2011. The rate increase was set using an allowed return on capital of 7.54% (inclusive of an allowed return on common equity of 9.81%). The rates took effect in January 2013. ComEd and intervenors requested a rehearing on specific issues, which was denied by the ICC. ComEd and intervenors also filed appeals with the Illinois Appellate Court.

On June 30, 2014, the Illinois Appellate Court issued its opinion, finding against ComEd on two issues and for ComEd on a third issue. The two issues (billing determinants and the use of certain allocators) were the same issues previously rejected by the Court in the Appeal of Initial Formula Rate Tariff (see Appeal of Initial

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Formula Rate Tariff discussed below). The Court re-affirmed the ICC's order and rejected ComEd's arguments. However, on the third issue (rate case expenses), the Court allowed for the possibility of future recovery. The Court's opinion has no accounting impact as ComEd recorded the distribution formula regulatory asset consistent with the ICC's final Order.

Appeal of Initial Formula Rate Tariff (Exelon and ComEd). On March 26, 2014, the Illinois Appellate Court issued an opinion with respect to ComEd's appeal of the ICC's order relating to ComEd's initial formula rate tariff. The most significant financial issues under appeal related to ICC findings that were counter to the formula rate legislation and were clarified by subsequent legislation (Senate Bill 9). Therefore, only a subset of the issues originally appealed remained. The Court found against ComEd on each of the remaining issues: compensation related adjustments, billing determinants and the use of certain allocators. The Court's opinion has no accounting impact as ComEd recorded the distribution formula regulatory asset consistent with the ICC's final Order.

ComEd has asked the Illinois Supreme Court to hear the issue of allocation between State and Federal regulatory jurisdictions. On June 4, 2014, ComEd filed a Petition for Leave to Appeal with the Illinois Supreme Court solely on the issue of allocation between FERC and ICC jurisdictional costs. On July 2, 2014, the ICC filed its Answer to the Petition, arguing that Supreme Court review is not necessary or appropriate. Under the procedural rules of the Illinois Supreme Court, ComEd is not allowed to reply to the ICC filing. There is no set time by which the Court must rule on the Petition. ComEd cannot predict whether the Court will grant the appeal, or if it does, the ultimate outcome.

Appeal of 2007 Illinois Electric Distribution Rate Case (Exelon and ComEd). The ICC issued an order in ComEd's 2007 electric distribution rate case (2007 Rate Case) approving a \$274 million increase in ComEd's annual delivery services revenue requirement, which became effective in September 2008. In the order, the ICC authorized a 10.3% rate of return on common equity. ComEd and several other parties filed appeals of the rate order with the Illinois Appellate Court (Court). The Court issued a decision on September 30, 2010, ruling against ComEd on the treatment of post-test year accumulated depreciation and the recovery of system modernization costs via a rider (Rider SMP).

The court held the ICC abused its discretion in not reducing ComEd's rate base to account for an additional 18 months of accumulated depreciation while including post-test year pro forma plant additions through that period. ComEd continued to bill rates as established under the ICC's order in the 2007 Rate Case until June 1, 2011 when the rates set in the 2010 electric distribution rate case became effective. In subsequent ICC proceedings, the ICC issued an order requiring ComEd to provide a refund of approximately \$37 million to customers related to the treatment of post-test year accumulated depreciation issue. On March 26, 2012, ComEd filed a notice of appeal with the Court.

However, on September 27, 2013, the Court ruled against ComEd on the accumulated depreciation issue and affirmed that ComEd owes a refund to customers of approximately \$37 million, including interest. On September 18, 2014, the ICC issued an order which modified the timing of the refund, now to occur in November 2014, rather than the eight month period previously approved. The refund will be included with the Rider AMP refund discussed below. Former ComEd customers also are eligible for a refund. As of September 30, 2014, and December 31, 2013, ComEd had fully reserved for this liability.

Advanced Metering Program Proceeding (Exelon and ComEd). As part of ComEd's 2007 Rate Case, the ICC approved recovery of costs associated with ComEd's Rider SMP for the limited purpose of implementing a pilot program for AMI. In October 2009, the ICC approved ComEd's AMI pilot program and associated rider

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(Rider AMP). ComEd collected approximately \$24 million under Rider AMP and had no collections under Rider SMP through September 30, 2014. In ComEd's 2010 electric distribution rate case, the ICC approved ComEd's transfer of certain other costs from recovery under Rider AMP to recovery through electric distribution rates.

Several parties, including the Illinois Attorney General, appealed the ICC's orders on Rider SMP and Rider AMP. The Illinois Appellate Court reversed the ICC's approval of the cost recovery provisions of Rider SMP and Rider AMP on September 30, 2010 and March 19, 2012, respectively. In both cases, the Court ruled that the ICC's approval of the rider constituted single-issue ratemaking. ComEd filed Petitions for Leave to Appeal to the Illinois Supreme Court, which were denied.

In October 2013, the ICC opened an investigation on Rider AMP to determine if a refund is required and if so, to determine the appropriate refund amount. The ALJ presiding over the investigation requested each party provide a pre-trial memorandum describing their positions, which were submitted on April 10, 2014. The ICC Staff and the Illinois Attorney General proposed a refund of \$14.6 million, representing the amount they claim was collected under Rider AMP since September 30, 2010, the date the Illinois Appellate Court reversed the ICC's approval of the cost recovery provisions of Rider SMP. ComEd believes no refund is appropriate and that any refund obligation associated with Rider AMP should be prospective from no earlier than the date of the Illinois Appellate Court's order on Rider AMP, or March 19, 2012, which would represent a refund of approximately \$0.4 million. During the second quarter of 2014, ComEd reached a tentative agreement to jointly resolve the disputed refund claim. On September 18, 2014, the ICC approved a refund of \$9.5 million plus interest to be issued to current customers in November 2014. Former ComEd customers also are eligible for a refund. As of September 30, 2014, ComEd had fully reserved for this liability.

Grand Prairie Gateway Transmission Line (ComEd). On December 2, 2013, ComEd filed a request to obtain the ICC's approval to construct a 60-mile, overhead 345kV transmission line that traverses Ogle, DeKalb, Kane and DuPage Counties in Northern Illinois. On May 28, 2014, in a separate proceeding, FERC issued an order granting ComEd's request to include 100% of the capital costs recorded to construction work in progress during construction of the line in ComEd's transmission rate base. If the project is cancelled or abandoned for reasons beyond ComEd's control, FERC approved the ability for ComEd to recover 100% of its prudent costs incurred after May 21, 2014 and 50% of its costs incurred prior to May 21, 2014 in ComEd's transmission rate base. On October 22, 2014, the ICC issued an order approving ComEd's Grand Prairie Gateway Project over the objection of numerous landowners and the City of Elgin. Those parties now have 30 days to request that the ICC reconsider its decision and subsequently file an appeal with the Illinois Appellate Court. ComEd expects to begin construction of the line in the second quarter of 2015 with an in service date expected in the second quarter of 2017.

Illinois Procurement Proceedings (Exelon, Generation and ComEd). ComEd is permitted to recover its electricity procurement costs from retail customers without mark-up. Since June 2009, as a result of the Illinois Settlement Legislation, the IPA designs, and the ICC approves, an electricity supply portfolio for ComEd and the IPA administers a competitive process under which ComEd procures its electricity supply from various suppliers, including Generation. On December 18, 2013, the ICC approved the IPA's procurement plan covering the period June 2014 through May 2019.

The Illinois Settlement Legislation requires ComEd to purchase an increasing percentage of the electricity for customer deliveries from renewable energy resources. Purchases by customers of electricity from competitive generation suppliers, whether as a result of the customers' own actions or as a result of municipal aggregation, are not included in this calculation and have the effect of reducing ComEd's purchase obligation. ComEd entered into several 20-year contracts with unaffiliated suppliers in December 2010 regarding the procurement of long-term renewable energy and associated RECs in order to meet its obligations under the state's RPS. Under the

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Illinois Settlement Legislation, all associated costs are recoverable from customers. The ICC did not require the acquisition of additional renewable resources for the period June 2014 through May 2015 due to ComEd expecting to exceed the renewable cost cap established by the Illinois Settlement Legislation.

The IPA's 2014-2019 plan provides for two separate energy procurements during 2014 to address potential fluctuations in energy demand due to customer switching between ComEd and competitive electric generation suppliers. The ICC also approved the IPA's expansion of energy efficiency programs for both ComEd and Ameren. As of September 30, 2014, ComEd has completed both of the scheduled 2014 energy procurements, which cover a portion of its energy requirements through the periods ending May 31, 2015, 2016 and 2017. See Note 18 Commitments and Contingencies for additional information on ComEd's energy commitments.

FutureGen Industrial Alliance, Inc (Exelon and ComEd). During 2013, the ICC approved and directed ComEd and Ameren to enter into a 20-year sourcing agreement with FutureGen Industrial Alliance, Inc. (FutureGen), under which FutureGen will retrofit and repower an existing plant in Morgan County, Illinois to a 166 MW near zero emissions coal-fueled generation plant, with an assumed commercial operation date in 2017. The sourcing agreement provides that ComEd and Ameren will pay FutureGen's contract prices, which are set annually pursuant to a formula rate. The contract prices are based on the difference between the costs of the facility and the revenues FutureGen receives from selling capacity and energy from the unit into the MISO or other markets, as well as any other revenue FutureGen receives from the operation of the facility. The order also directs ComEd and Ameren to recover these costs from their electric distribution customers through the use of a tariff, regardless of whether they purchase electricity from ComEd or Ameren, or from competitive electric generation suppliers.

In February 2013, ComEd filed an appeal with the Illinois Appellate Court questioning the legality of requiring ComEd to procure power for retail customers purchasing electricity from competitive electric generation suppliers. On July 22, 2014, the Illinois Appellate Court issued its ruling re-affirming the ICC's order requiring ComEd to enter into the sourcing agreement with FutureGen and allowing the use of a tariff to recover its costs. ComEd decided not to appeal the Illinois Appellate Court's decision to the Illinois Supreme Court. However, the competitive electric generation suppliers have reserved their right to appeal the Illinois Appellate Court's decision.

ComEd executed the sourcing agreement with FutureGen in accordance with the ICC's order. In addition, ComEd filed a petition with the ICC seeking approval of the tariff allowing for the recovery of its costs associated with the FutureGen contract from all of its electric distribution customers, which was approved by the ICC on September 30, 2014. Depending on eventual market conditions and the cost of the facility, the sourcing agreement could have a material adverse impact on Exelon's and ComEd's cash flows and financial positions.

Pennsylvania Regulatory Matters

Pennsylvania Procurement Proceedings (Exelon and PECO). On October 12, 2012, the PAPUC issued its Opinion and Order approving PECO's second DSP Program, which was filed with the PAPUC in January 2012. The program, which has a 24-month term from June 1, 2013 through May 31, 2015, complies with electric generation procurement guidelines set forth in Act 129.

In the second DSP Program, PECO is procuring electric supply for its default electric customers through five competitive procurements. The load for the residential and small and medium commercial classes is served through competitively procured fixed price, full requirements contracts of two years or less. For the large commercial and industrial class load, PECO has competitively procured contracts for full requirements default electric generation with the price for energy in each contract set to be the hourly price of the spot market during

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the term of delivery. In December 2012 and February 2013, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential class and its small and medium commercial classes that began in June 2013. In September 2013, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential class and its small and medium commercial classes that began in December 2013. In January 2014, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its residential class and its small, medium, and large commercial classes that began in June 2014. In September 2014, PECO entered into contracts with PAPUC-approved bidders, including Generation, for its final competitive procurements of electric supply for its residential class and its small and medium commercial classes commencing December 2014. Charges incurred for electric supply procured through contracts with Generation are included in purchased power from affiliates on PECO's Statement of Operations and Comprehensive Income.

In addition, the second DSP Program includes a number of retail market enhancements recommended by the PAPUC in its previously issued Retail Markets Intermediate Work Plan Order. PECO was also directed to submit a plan to allow its low-income Customer Assistance Program (CAP) customers to purchase their generation supply from EGSs beginning April 2014. On May 1, 2013, PECO filed its CAP Shopping Plan with the PAPUC. By Order entered on January 24, 2014, the PAPUC approved PECO's plan, with modifications, to make CAP shopping available beginning April 15, 2014. On March 20, 2014, low-income advocacy groups filed an appeal and emergency request for a stay with the Pennsylvania Commonwealth Court, claiming that the PAPUC-ordered CAP Shopping plan does not contain sufficient protections for low-income customers. On March 28, 2014, the Commonwealth Court issued the requested stay, pending a full review of the appeal. Pending the Commonwealth Court's review, PECO will not implement CAP Shopping. The Commonwealth Court's decision is expected in early 2015.

On March 10, 2014, PECO filed its third DSP Program with the PAPUC. The program has a 24-month term from June 1, 2015 through May 31, 2017, and complies with electric generation procurement guidelines set forth in Act 129. On August 28, 2014, PECO filed a Joint Petition for Partial Settlement, which affirmed PECO's procurement plan for Residential and Small Commercial customers and reserved two issues for litigation: certain non-bypassable transmission charges and the default service product for Medium Commercial customers (including hourly pricing). On September 30, 2014, the ALJ issued a Recommended Decision to the PAPUC that PECO's third DSP Program be approved, as modified by the Joint Petition for Partial Settlement, but also recommending that the Large C&I class should be excluded from the recommended non-bypassable charge for non-market-based charges. A final ruling from the PAPUC is expected by December 2014.

Smart Meter and Smart Grid Investments (Exelon and PECO). Pursuant to Act 129 and the follow-on Implementation Order of 2009, in April 2010, the PAPUC approved PECO's Smart Meter Procurement and Installation Plan (SMPIP), under which PECO will install more than 1.6 million smart meters and an AMI communication network by 2020. The first phase of PECO's SMPIP, which was completed on June 19, 2013, included the installation of an AMI communications network and the deployment of 600,000 smart meters to communicate with that network. On May 31, 2013, PECO and interested parties filed a Joint Petition for Settlement of the universal deployment plan with the PAPUC which was approved without modification on August 15, 2013. The Joint Petition for Settlement supports all material aspects of PECO's universal deployment plan, including cost recovery, excluding certain amounts discussed below. Universal deployment is the second phase of PECO's SMPIP, under which PECO will deploy substantially all of the 1.6 million smart meters on an accelerated basis by the end of 2014. In total, PECO currently expects to spend up to \$595 million, excluding the cost of the original meters (as further described below), on its smart meter infrastructure and approximately \$120 million on smart grid investments through 2014 of which \$200 million will be funded by SGIG as discussed below. As of September 30, 2014, PECO has spent \$516 million and \$119 million on smart meter and smart grid infrastructure, respectively, not including the DOE reimbursements received to date.

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Pursuant to the ARRA of 2009, PECO and the DOE entered into a Financial Assistance Agreement to extend PECO \$200 million in non-taxable SGIG funds of which \$140 million relates to smart meter deployment and \$60 million relates to smart grid infrastructure. As part of the agreement, the DOE has a conditional ownership interest in qualifying Federally-funded project property and equipment, which is subordinate to PECO's existing mortgage. The SGIG funds are being used to offset the total impact to ratepayers of the smart meter deployment required by Act 129. As of September 30, 2014, PECO has received substantially all of the \$200 million, including \$4 million for sub-recipients, in reimbursements. On October 15, 2014, the DOE issued a Close Out of Post-Award Project Cost Verification Audit, in which it was determined that PECO fully met its required cost share, and the audit was closed with no further action required.

On August 15, 2012, PECO suspended installation of smart meters for new customers based on a limited number of incidents involving overheating meters. Following its own internal investigation and additional scientific analysis and testing by independent experts completed after September 30, 2012, PECO announced its decision to resume meter deployment work on October 9, 2012. PECO has replaced the previously installed meters with an alternative vendor's meters. PECO is moving forward with the alternative meters during universal deployment and continues to evaluate meters from several vendors and may use more than one meter vendor during universal deployment.

Following PECO's decision, as of October 9, 2012, PECO will no longer use the original smart meters. For the meters that will no longer be used, the accounting guidance requires that any difference between the carrying value and net realizable value be recognized in the current period's earnings, before considering potential regulatory recovery. The cost of the original meters, including installation and removal costs, owned by PECO was approximately \$17 million, net of approximately \$16 million of reimbursements from the DOE and approximately \$2 million of depreciation. PECO requested and received approval from the DOE that the original meters continued to be allowable costs and that any settlement with the vendor would not be considered project income. In addition, PECO remains eligible for the full \$200 million in SGIG funds. On August 15, 2013, PECO entered into an agreement with the original vendor, which was part of the final agreement discussed below, under which PECO transferred the original uninstalled meters to the vendor and received \$12 million in return. On January 23, 2014, PECO entered a final agreement with the vendor pursuant to which PECO will be reimbursed for amounts incurred for the original meters and related installation and removal costs, via cash payments and rebates on future purchases of licenses, goods and services primarily through 2017. PECO previously had intended to seek regulatory rate recovery in a future filing with the PAPUC of amounts not recovered from the vendor. As PECO believed such costs were probable of rate recovery based on applicable case law and past precedent on reasonably and prudently incurred costs, a regulatory asset was established at the time of the removals. As of December 31, 2013, \$5 million was recorded on Exelon's and PECO's Consolidated Balance Sheets. Pursuant to the January 23, 2014, vendor agreement, PECO reclassified the regulatory asset balance as a receivable, which was fully collected as of September 30, 2014, with no gain or loss impacts on future results of operations. On March 14, 2014, PECO filed its quarterly smart meter recovery surcharge with the PAPUC, which included PECO's proposed treatment of the final agreement with the vendor. On March 27, 2014, the PAPUC approved the surcharge as proposed by PECO.

Energy Efficiency Programs (Exelon and PECO). PECO's PAPUC-approved Phase I EE&C Plan had a four-year term that began on June 1, 2009 and concluded on May 31, 2013. The Phase I Plan set forth how PECO would meet the required reduction targets established by Act 129's EE&C provisions, which included a 3% reduction in electric consumption in PECO's service territory and a 4.5% reduction in PECO's annual system peak demand in the 100 hours of highest demand by May 31, 2013.

PECO filed its final compliance report on Phase 1 targets with the PAPUC on November 15, 2013. On March 20, 2014, the PAPUC issued its final report stating that PECO was in full compliance with all Phase I targets.